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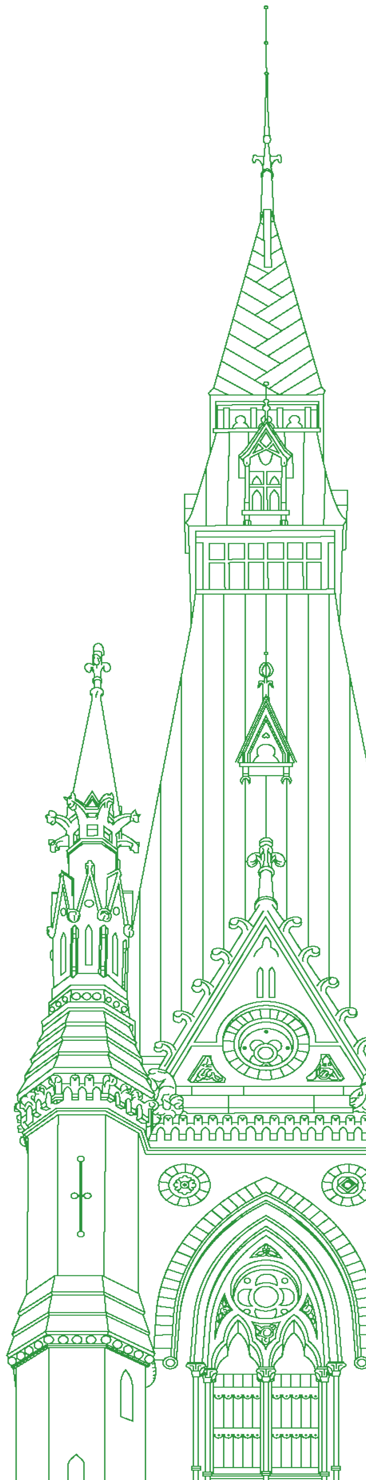

Chair: The Honourable Wayne Easter

Standing Committee on Finance

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● (1500)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I will call the meeting to order.

Welcome to meeting number 35. It's the first panel of the House of Commons Standing Committee on Finance for today.

Pursuant to the order of reference from the House, we are meeting on the government's response to the COVID-19 pandemic. Today's meeting is taking place by video conference, and the proceedings will be made available via the House of Commons website.

We are fortunate to have with us today Export Development Canada. I'll introduce the guests: Ms. Lavery, president and chief executive officer; Mr. Burlock, executive vice-president and chief business officer; and Mr. Winterhalt, senior vice-president of communications and corporate strategy.

You have approximately 10 minutes.

Ms. Lavery, welcome. We'll turn to questions after your presentation.

The floor is yours.

Ms. Mairead Lavery (President and Chief Executive Officer, Export Development Canada): Committee Chair Easter, thank you for that welcome. Thank you for the opportunity to speak with you today.

Export Development Canada is uniquely placed to understand the struggles of so many Canadian businesses today. We're privileged to be positioned so that we can make a real difference helping Canada through this crisis.

I'd like to use the next few minutes to help you understand more about what EDC has been doing to help and to describe some of the tools we're employing to help thousands of Canadian companies survive this crisis, be ready for the recovery and return to growth when that happens.

EDC is Canada's export credit agency. In 2019, we served almost 17,000 customers, close to 90% of these being small and medium-sized Canadian companies. We've helped facilitate $102 billion in Canadian business in 147 countries around the world, thus contributing to about half a million Canadian jobs.

Our business, the business of EDC, operates on commercial terms. That is to say, we do not provide grants or subsidies. At the heart of our business is risk management. Our core product offering is a set of financial solutions and knowledge products that give Canadian exporters of all sizes, their supply chains and their bankers the confidence to move forward with international sales.

EDC can insure exporters, for example, against a foreign customer's failure to pay. Our bonding and loan guarantees are another form of risk management, giving financial institutions the confidence they need to furnish exporters with working capital or to secure the cash flow necessary to pursue international opportunities. Another way EDC helps is by direct financing of deals and international projects.

It's also worth noting that a large portion of our business is delivered in partnership with Canada's financial institutions and private insurers. In this regard, EDC is a public sector partner for private sector growth, promoting the success of thousands of Canadian exporters.

That's EDC's role under normal circumstances, but today is far from normal. EDC is proud to be part of the Government of Canada's response to the pandemic and its economic consequences. Our 1,700 employees—all working from home—are working hard to find new ways to serve Canadian companies. We have been helped in this by Parliament's decision to grant EDC an expanded mandate, which has freed EDC to leverage its full suite of tools in support of non-exporting companies.

Our immediate reaction to the current crisis has been to help our existing customers first, implementing payment deferrals for our financial programs, dispersing liquidity under previously negotiated credit facilities, and paying insurance claims in advance of waiting periods. We have also made our solutions more accessible and expanded our risk appetite, and we continue to be agile to the needs of Canadian companies.

Our knowledge products have also provided much-needed guidance during the crisis. Three COVID-19-related webinars attracted more than 10,000 registrants and over 60,000 visits to EDC's web page. We have also contributed to another 23 virtual events with industry associations and partners, sharing with them details of available programs, and we have produced a web-based triage tool to point Canadian companies to COVID-19 resources across government.

Beyond our core business line, EDC has also collaborated in the design and delivery of two new team Canada programs, the business credit availability program, or BCAP, and the Canada emergency business account, CEBA.

EDC currently offers two forms of BCAP financing guarantees. In simple terms, a guarantee is a promise made by EDC to a company's bank, co-op or credit union to repay all or a large portion of that institution's loan to a Canadian company. EDC's BCAP guarantee, launched in late March, is geared primarily to small and medium-sized companies, supporting loans to a maximum of $6.25 million, with a guarantee of 80%.

● (1505)

Our second guarantee is called the mid-market guarantee and financing program. It offers expanded support for medium-sized businesses, companies earning revenues of between $50 million and $300 million, and supports loans in the $16-million to $80-million range with a guarantee of 75%.

Our first BCAP guarantee was designed to get liquidity quickly to smaller companies with limited financing sources. While the initial uptake has been slower than anticipated, the pipeline is significant, and we anticipate greater demand through the summer and into the fall. EDC is now working with more than 120 commercial financial institutions across Canada to deliver this program.

Early feedback from customers and bankers shows a common theme. Small business owners today are reluctant to take on additional debt. This is primarily due to the uncertainty of the timing and nature of the recovery. They have, however, signalled more openness to the program when their future costs and customers are better understood.

With this feedback, we have changed the tenor of the guarantee from the initial two years to five years, to provide to Canadian companies a longer repayment horizon. This appears to have worked. Our banking partners are currently processing more than 400 loans with supporting EDC guarantees. We will continue, of course, to monitor the program and its parameters.

EDC also helps to deliver the Canada emergency business account. Our role in CEBA is a supporting one, working with Canadian financial institutions by providing funding, validation checks and administration. Since its launch, the enhanced and expanded program has delivered over $26 billion through 233 financial institutions, providing essential liquidity to more than 660,000 companies.

While the BCAP and CEBA programs remain our priority, our core business offerings continue to have an important impact for Canadian companies. Our accounts receivable credit insurance is helping companies remain competitive, giving them access to working capital without taking on additional debt. From March to May of this year, EDC signed 218 new policies, with another 215 policies pending, compared to 99 policies in the same period last year. This represents a fourfold increase, and an increase in just eight weeks of more than $1 billion dollars U.S. in risk exposure, in support of sales for more than 3,000 Canadian companies.

On the bonding side of our business, to date our solutions have helped support $3.8 billion in trade, a year-over-year increase of 81%. Further, in our financing program, we have issued 25 commitments and 17 offers valued at $3.8 billion U.S., directly linked to providing support for companies impacted by COVID-19.

What these numbers demonstrate is the counter-cyclical nature of EDC. When crisis threatens liquidity and elevates risk beyond the tolerance of other market players, EDC is able to lean in, mitigate risk and deliver that liquidity.

EDC is but a part of a large, coordinated team Canada effort to sustain our nation's economy during this crisis. Global Affairs Canada, the Department of Finance, as well as Innovation, Science and Economic Development and so many other agencies through government are working side by side with EDC, BDC and our financial institutions.

This effort has required agility and creativity from each and every member of the team. I'm proud of all these efforts, not just our own at EDC. I believe that the steps we're taking today will sustain Canadian companies for recovery and return to growth.

Of course, I look forward to the day when EDC's focus will return to its original mandate of helping Canadian companies go, grow and succeed internationally. Until then, we remain dedicated partners in helping serve all Canadian companies in this extraordinary time of need.

● (1510)

Thank you for the opportunity to lend our voice to this important conversation.

My team and I look forward to answering any questions you may have.

The Chair: Thank you very much, Ms. Lavery.

We will now turn to a six-minute round. I'll give you the list of the order, folks. Mr. Cumming is first, followed by Mr. Fraser, Mr. Ste-Marie and Mr. Julian.

Mr. Cumming.

Mr. James Cumming (Edmonton Centre, CPC): Good afternoon, and thank you for appearing today.

I agree that you have the potential to add some value to the business community.

I want to start with this relationship with the CEBA loans. We've been prodding for some time now about the changes that were proposed several weeks ago, and we have business after business after business asking us when those changes will be implemented. Can you shed some light on a date when businesses can expect those changes to be put in place?

Ms. Mairead Lavery: Todd, would you like to respond?

Mr. Todd Winterhalt (Senior Vice-President, Communications and Corporate Strategy, Export Development Canada): Thanks, Mairead.

Thanks, Mr. Cumming.

We are now entering version three of the CEBA program, as you point out. The first version was launched in March. Subsequent amendments saw the 2.0, which expanded the eligibility in April. The third version, which I believe is the one you're referring to, will look at companies with a payroll of $20,000 or less from 2019, or companies that have non-deferrable eligible expenses from that same period, to allow them to qualify.

EDC, as the agent for the government on this program, is currently working with all our financial institution partners, about 230 of them at present, to make sure this rolls out in the very near term. Currently, we're working towards a delivery date of June 15.

Mr. James Cumming: What's the holdup? The concern I'm hearing is.... Granted, the criteria are different, but there could be an attestation around those criteria. No one understands why it has taken.... It will be over three weeks from the date of the original announcement.

As you've heard from many of these businesses, they need certainty. And they need the cash. Every week puts another person closer to bankruptcy.

Mr. Todd Winterhalt: Thank you for the follow-up.

I think everyone is working very stringently and as quickly as possible to get us through to that solution.

Again, when you're working with north of 230 financial institutions, many of which have different platforms and different programs, the desire to get this out as quickly as possible in a considered and consolidated way so it's standardly delivered across the country has taken the time it has to this point. The team is confident we are moving toward being able to deliver on that through our financial institution partners, as I said, as early as the beginning of next week.

● (1515)

Mr. James Cumming: What's the total allocation the government has put forward for the CEBA loans, and what kind of headroom do you have left?

Mr. Todd Winterhalt: We're currently at a $55-billion notional cap for the program. As of noon today, we have disbursed $26.2 billion. There's roughly $30 billion in headroom from the notional cap of the program, but certainly we would be open to considering negotiating an increase, should that prove necessary.

Mr. James Cumming: I want to move to the BCAP funding and the loan guarantees. Can you tell me how many loan guarantees have been granted since March?

The Chair: Who's taking this one?

Ms. Mairead Lavery: Mr. Burlock will take this question, Mr. Chair.

The Chair: Mr. Burlock, go ahead.

Mr. Carl Burlock (Executive Vice-President and Chief Business Officer, Export Development Canada): To date, we don't have a number we can report. We are getting periodic reporting. By the end of the week, we will get a report on actual guarantees signed.

In terms of the BCAP guarantee, we're working with 120 financial institutions that are implementing or have implemented the guarantee in their systems. Over 2,000 Canadian companies have registered their interest and eligibility with us. The institutions we're working with tell us they currently have about 400 applications going through the approval process.

As we start to get reporting on signed applications, we will be able to come back and confirm numbers, hopefully as soon as the end of this week.

Mr. James Cumming: Given the size and scope of business across Canada, 400 sounds like a pretty narrow number to me. Does that meet expectations, or are you surprised by the low uptake? Four hundred across Canada is very small.

Mr. Carl Burlock: I think what we've seen.... We've done some sounding with the institutions. We've done some surveying with some of the companies that have registered with us. What we're seeing is that a number of companies that had shown interest in this BCAP solution went to some of the other government solutions that were available, such as the wage subsidy and the CEBA.

What we're hearing is that as companies were looking at what was happening in the economy, they were hesitant to take on debt right away, so now we have a program that is ready and stood up. It's in 120 financial institutions. As companies gain confidence and start looking at debt solutions, we believe that with an 80% guarantee behind the financial institutions we will see more flow. You know, with 400 in progress now, we're starting to see some of that flow.

Those facts would explain, perhaps, the decisions companies have made in terms of the types of programs to use initially.

The Chair: You have time for a quick question, James.

Mr. James Cumming: From date of application to approval of guarantee, what kind of time frame is that? Have you added staff to deal with the additional requirements that EDC is now under?

Mr. Carl Burlock: Yes, we do have the staff necessary to deal with what's coming through on these guarantees. In fact, part of what we've done is work very closely with the financial institutions to put in a streamlined approval process so that we could run these at scale. We're confident that we're going to be able to deliver for Canadian companies.

The Chair: Okay. We'll turn to Mr. Fraser, who will be followed by Mr. Ste-Marie.

Sean.

Mr. Sean Fraser (Central Nova, Lib.): Thank you so much, Mr. Chair.

Thank you to our guests for being with us.

I was actually going to go down a path very similar to that of my colleague Mr. Cumming on the timing issue. When I first looked at the numbers, I would have said the same thing. It does look like a fairly limited early uptake. From your testimony, though—and frankly, from the business owners I've spoken to in my own community—it's clear that there is a real frustration with the sense that debt seems to be one of the few options available in certain circumstances.

I think you eloquently outlined the fact that perhaps business owners were going to the CERB for personal income; for fixed expenses like utilities, CEBA seemed to provide the fix; the wage subsidy for wages, and so on. I think you're right to say that business owners are availing themselves of these other, potentially more generous measures first. There is a great difference between the time of application, I take it, and the time the program was opened, because business owners need to figure this out for themselves.

I'm curious, though. What information are you relying on when you say that you project this to pick up over the summer? Do you have numbers you're looking at that you anticipate to see in terms of what would look like success?

● (1520)

Ms. Mairead Lavery: Mr. Easter, I can take that one.

We did participate in what's called the BCAP steering committee, which includes members of commercial banks, the heads of small business banks at most of the major financial institutions, together with the Credit Union Association, etc. We used that forum to help guide us: not only to give us the data on what's coming through the financial institutions—because that's really where the loan must originate—to give us some qualitative data on what they see coming through, but also to talk to us about what they're hearing from their customers.

When I talk to them and when I reach out to Canadian companies, what they're telling me is that job number one was to reduce their operating expenses in whatever way they possibly could. The first thing their bank told them was to reduce their operating expenses and really make sure they were managing their own expense profile. Job number two was sitting down with their bank and looking at what they could do with their bank specifically.

Many banks have issued waivers and consents or adjusted the payment profile of some loans, and all of this was done in the context of not understanding when the economy would open up. Back in March, many of the companies we talked to were planning a three-month assumption as to when they would see the economy opening up. As things got worse, they weren't really sure that was the assumption they should plan under.

Now what the banks are telling us is that the companies perhaps have line of sight to the economy opening up. They're starting to understand what they would need to do with their inventory. They may be recalling employees. They have a better understanding of their costs. Equally, they may be talking to their customers about when orders will be coming in. Starting to build those scenarios and understand their business is then allowing them to start building confidence in whether they can take on debt and how long they will take to repay that debt. It's truly been, I would say, different reactions at different times.

Mr. Sean Fraser: One of the things that keep coming up when I speak to business owners locally is that businesses are running out of money. We tend to call it liquidity in Ottawa and on this committee; we tend to call it money at home. There's a short-term and a medium-term crunch. I think in the long term people have faith that Canada is strong enough and we're going to get back on our feet. Everyone's optimistic that, five years from now, the economy will look roughly the way it would have looked had this not happened. The intervening period could come with a lot of pain if we don't have an effective policy response.

It sounds like some of the programs you're discussing today are great to solve the medium-term liquidity crunch, but while we're waiting for a $6.25-million loan or a wage subsidy, for that matter, do you have advice on what kinds of programs would support those businesses that are just trying to get that bridge between now and when these bigger allotments of funds to help with their liquidity or money come in?

Ms. Mairead Lavery: In fact, we encourage companies to talk with their financial institution. That's their primary partner. All of these companies have a financial partner. We encourage them to reach out to their associations, which may be able to help them more quickly triage different programs that are available federally, provincially or municipally. There are many, many different programs available. Understanding all of that is some of the challenge that small companies face in knowing where to turn next. We encourage them to work with their existing financial institution. In some instances, that is EDC.

I mentioned credit insurance in my opening remarks. That's not a debt solution, but it is a solution that's recognized by the banks in helping with working capital needs, and it ensures that companies get paid for the products they are putting into the market. So there are other mechanisms. Honestly, at this time, working with your financial institution is the best way to understand what's available to you.

● (1525)

Mr. Sean Fraser: Thank you.

Mr. Chair, I assume that's my time.

The Chair: It is, unless you have a very quick one.

Mr. Sean Fraser: I'll pass it on to our next questioner. Thank you.

The Chair: We have Mr. Ste-Marie, followed by Mr. Julian.

Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

I'd like to thank our guests for joining our committee this afternoon.

I have technical questions about the Canada Emergency Business Account, CEBA, and the Business Credit Availability Program, or BCAP.

Mr. Burlock, do you guarantee the loan or advance the funds to the financial institution for each of these programs?

[*English*]

The Chair: Go ahead, Mr. Burlock.

[*Translation*]

Mr. Carl Burlock: Thank you for the question.

With respect to the Canada Emergency Business Account, our role is indeed that of a government administrator. We are the ones who put in place the documentation with the financial institutions and ensure that the funds are transferred to them according to the standards set out in the program.

In the case of the Business Credit Availability Program, our role is that of guarantor. The financial institutions provide a loan, and Export Development Canada, or EDC, guarantees 80% of the loan.

Mr. Gabriel Ste-Marie: Loans provided under the Business Credit Availability Program are not zero-interest loans. If you had to characterize this interest rate, would you say it is lower, higher or equivalent to market rates?

Mr. Carl Burlock: These are interest rates set by financial institutions, so they are market rates. Since EDC guarantees 80% of the amounts, the loans are given to companies with more confidence, and in this way we make sure they have access to credit.

Mr. Gabriel Ste-Marie: So this program was put in place because the government was concerned, as you were, that financial institutions would lend less money because of the current crisis. The guarantee means that more loans are being made.

Have your partner financial institutions told you that some of the loans they have provided would not have been available if the amounts had not been secured?

Mr. Carl Burlock: In fact, we put the program in place with EDC's Business Credit Availability Program board, government departments, EDC, the Business Development Bank of Canada, or BDC, and the financial institutions.

This is indeed the purpose of the program. The program standards were put in place to encourage financial institutions to work in partnership with EDC.

Mr. Gabriel Ste-Marie: As I understand it, EDC acts as an intermediary between the financial institution and the government. If a company were to go bankrupt or be unable to repay its loan, it would be the government, with its funds, that would repay the financial institution, not EDC.

Is that correct?

Mr. Carl Burlock: There is a difference between the two programs. The Canada Emergency Business Account is a government-backed loan. The Business Credit Availability Program is guaranteed by EDC, but it's really a loan that comes from the financial institution. If a company were unable to repay its loan, the portion guaranteed by EDC would be paid by EDC.

● (1530)

Mr. Gabriel Ste-Marie: All right, thank you.

I imagine you have to work on the basis of assumptions. Economic conditions mean that things are constantly changing.

Have you established a default rate for each program? If so, is it possible to share this with the committee, based on your most recent hypotheses?

Mr. Carl Burlock: That's a good question.

As risk managers, one of our roles is to properly manage our funds and commitments. I don't have precise figures to give you right now, but I could come back to you with more precise data.

Mr. Gabriel Ste-Marie: We would appreciate it if you would come back to the committee when you can to provide us with the data.

I'm getting the signal that my time is almost up. I'm going to stop here.

I'll try to ask you one more question in the second round.

Thank you.

Mr. Carl Burlock: Thank you.

[*English*]

The Chair: Thank you, Gabriel.

From New Westminster, we have Mr. Julian, who will be followed by Mr. Cooper.

Go ahead, Peter.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thanks very much to our witnesses for being here. We hope that your families are safe and healthy.

I'd like to continue along the lines that Mr. Ste-Marie was speaking on.

It's particularly around the BCAP. I'm very interested in that. I gather that, of the 400 applications, none have actually made their way to EDC, so at this point, you have nothing to report. Is there any provision for loan forgiveness in this program? What is EDC's charge, either to the business or to the financial institution, in terms of fees or in terms of an interest rate?

Ms. Mairead Lavery: Carl, would you like to provide some details?

Mr. Carl Burlock: Yes, thank you.

The financial institution will provide a loan to the customer at its normal business rate. EDC charges a fee of 1.8% per annum to the financial institution to cover its guarantee percentage. In terms of forgiveness, there is no provision for forgiveness in these loans. As Ms. Lavery mentioned at the beginning, EDC typically does not provide grants, so the loans are on a commercial basis.

I think the other part of your question was around what we expect to see. Currently, our sounding with the financial institutions indicates that there are about 400 loans in progress in their systems.

Mr. Peter Julian: Yes, but none are completed at this point.

Mr. Carl Burlock: None have been reported to us as completed. We get periodic reporting, so there may be some that are complete that we haven't seen yet. We will get some more reporting at the end of the week.

Mr. Peter Julian: In the program, is there any cap on interest rates? I know you're saying that it's normal business rates for the banks, but is there any cap or are there provisions on limitations? What is the average interest rate that Canada's big banks would be charging those businesses?

Mr. Carl Burlock: I can't tell you specifically the rate that each bank charges. They are their normal business rates. This program is open to 120 different institutions, so there's an ability for companies to use different institutions for these programs.

Mr. Peter Julian: Yes, but you would have an estimate of the percentage that would go to Canada's biggest banks. Is that right? You would already have a sense of how many of the applications would come through the big six.

Mr. Carl Burlock: That's correct.

Mr. Peter Julian: What percentage of the applications do you expect to come through the big six?

Mr. Carl Burlock: We would expect a fairly large number, given the number of customers they have and the number of companies they deal with.

● (1535)

Mr. Peter Julian: Would it be fair to say a majority?

Mr. Carl Burlock: Yes.

Mr. Peter Julian: Okay.

There is no cap on any of the rates that they charge. However, among the big six, what is your impression of the interest rate that they would be charging, despite the fact that EDC is guaranteeing the loan?

Mr. Carl Burlock: That's a number that we could get more accurately from the big six. I don't want to speak on their behalf. I would say that, as Mairead mentioned in her opening, the banks have provided deferrals of principal to their companies, to their customers, and we believe they have an interest in providing them additional credit so they can grow as the recovery starts.

Really, that's the basis of this program: that the banks will want to help their companies recover and grow. This will help that credit flow, our taking 80%. That will take some of the risk away from the banks and help credit flow.

Mr. Peter Julian: I guess that's my point. The big banks have announced $5 billion in profits so far during this pandemic. They've been showered with various levels of support. Putting aside the EDC, the OSFI estimates it is $750 billion in liquidity supports to date. If there is no cap on interest rates, the government is socializing all of the risk but the banks are privatizing all of the profit. I think that would be of concern to a lot of Canadians.

You mentioned the issue of deferrals. What are the provisions in this program for a deferral or interest in kind? That has certainly been a controversy in the LEEFF program, whereby Canada's largest companies get monies but don't have to pay interest on it. For folks who have mortgages on their homes, the mortgage deferrals still come with all kinds of penalties and fees, and with interest charges on top of charges. What are the provisions in this program for smaller companies to pay interest in kind or to have an interest-free deferral over a period of a year or two, as with the LEEFF program?

Mr. Carl Burlock: Every loan will price the risk, and the purpose of the guarantee is really to encourage lending rather than to dictate pricing. In fact, I guess, specifically to answer in terms of the ability to do deferrals or interest in kind, if banks are willing to do that, they can approach us under the guarantee mechanism for approval to do it.

The Chair: Okay. We'll have to end that round there and start on the second round of five minutes.

We'll start with Mr. Cooper and go on to Ms. Koutrakis.

Go ahead, Michael.

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Thank you, Mr. Chair, and thanks to the witnesses from EDC.

Back in April, EDC announced a program to backstop loans for the oil and gas sector. In particular, the program was focused on companies that produce 100,000 barrels of oil or less per day. What is the status of that program?

Ms. Mairead Lavery: Carl, would you comment?

Mr. Carl Burlock: We are in the process of operationalizing that program now with financial institutions that lend to those companies. We have a guarantee developed, and we actually have application documentation now in the market that's available to companies. The guarantee is very close to being operationalized and used in the market.

Mr. Michael Cooper: You have application documents that have been out and circulated, but there is no actual application process at this time. Is that right?

Mr. Carl Burlock: There has not been as of yet.

Maybe I'll just add that this type of guarantee is being provided to exploration and production companies that finance themselves based on the value of their borrowing base. That borrowing base gets redetermined twice a year, so really, we're putting the guarantee in place so that it coincides with the spring borrowing base reset. We intend to have it ready so that when banks start re-evaluating credit, it will be there to help keep liquidity in the sector during this period of stress in the markets.

● (1540)

Mr. Michael Cooper: Thank you.

You said that it will be operationalized imminently. I don't want to put words in your mouth, but as I interpret what you said in your answer.... It's been a number of months now. We're talking about over 50 days since the program was announced. Could you be a little more specific?

Mr. Carl Burlock: Yes. We're working with the banks now and are really very close to finalizing the final details of the processes that will be used to approve the applications and provide the guarantee on the loans.

Again, the timing coincides with the redetermination period of the borrowing bases. That's really the key milestone. It's to have the guarantee ready for when the semi-annual redeterminations happen.

Mr. Michael Cooper: We heard from a witness who came before our committee a meeting or two ago. He represents a large company that is a TSX company based in Edmonton. Their company has significant operations in the United States. He indicated that his company brought an application for an EDC loan on March 10. He doesn't expect that any support will be available until at least the latter part of August.

By contrast, he noted that an application that was brought for similar support in the United States was processed and the financing was provided within five business days. That's just one example, but that seems to be a striking difference between a matter of five business days in the case of the United States versus a months-long process under EDC. He expressed some frustration. I was wondering if you might care to comment in broad terms on the striking contrast.

The Chair: I'll just interrupt for a second, Michael. Was that with EDC or BDC? I thought it was BDC.

Mr. Michael Cooper: It was EDC. I have the transcript in front of me.

The Chair: It was. Okay.

Mr. Michael Cooper: Yes.

The Chair: Good, because I wondered about asking that question myself. Thanks, Michael.

Go ahead, Mr. Burlock.

Mr. Carl Burlock: We certainly look forward to the opportunity to hear from the company directly to make sure that we're meeting their needs for whatever it is they were looking for. It's hard for me to answer more precisely without having heard from the company and seeing the details.

Mr. Michael Cooper: Surely you're aware that there has been a lot of concern about rules that have been changing and about eligibility criteria that are difficult to meet. There seems to be concern around issues of red tape. Surely you're aware of these concerns. What is EDC doing to address them?

The Chair: Go ahead, Ms. Lavery.

Ms. Mairead Lavery: Thank you for that, Mr. Cooper.

Of course, we do hear from customers who would have liked to see the program roll out faster than it has. We've been working very closely with the associations to try to ensure that the support was specifically needed to help the main drivers of the industry, which were the E and P companies.

It has taken some time to work out the eligibility criteria and to work out the specifics of a very complex guarantee product, as Mr. Burlock said, that's linked to reserve-based lending. We have been driven to ensure that it's available for the redetermination period.

We have been keeping in constant touch with the associations and understand the frustrations of their members, but believe we have a product now that is available at the time we need it. It is one of the products that we are providing to the oil and gas sector.

We should also mention our bonding products, which provide support for letters of credit. Those are products that EDC has always had available and that we have been continuing to issue, and in fact they are ahead of this actual guarantee going out into the market.

There's a combination of products, including our credit insurance product, and the RBL guarantee will be there to support during the redetermination period, which is when it's needed.

● (1545)

The Chair: Thank you.

On Mr. Cooper's question, the individual indicated that he didn't think the loan would be finalized until...I believe it was August. You're saying, Mr. Burlock, that this is practically ready to go now and should roll out. How long is the process after that?

It does amaze me, not just with EDC but with so many things in this crisis, that something seems to be able to get done within days in the United States and but takes much longer in Canada.

When will this be available, and how long will the process be after that? Is this guy right that it's going to be August before it gets done?

Mr. Carl Burlock: I'm not sure if it's the same type of support that this company is referring to, but in terms of the guarantee for reserve-based lending, we would work at the same pace as the banks. As they come and do their redeterminations and renew the loans, we would apply the guarantees. We're looking to work at the same pace as the banks and not slow the end result for the customer.

That's been part of the process we've put in place—a little bit of time up front to try to ensure that we have something that can flow more quickly.

The Chair: Thank you.

Next is Ms. Koutrakis, followed by Mr. Morantz.

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair.

Thank you to all our witnesses this afternoon. It's nice to see you before the finance committee.

EDC has commented on some short-term trends and challenges faced by retailers as a result of COVID. These include a rise in U.S. retailers declaring bankruptcy, limited liquidity to produce next season's merchandise and a decline in demand for consumer products. So far, we've seen a number of short- to medium-term solutions for businesses through and including the BCAP and CEBA loan programs.

What long-term challenges might continue to exist following the crisis, and what role can EDC play in providing these long-term supports?

Ms. Mairead Lavery: We have been public in giving some information by sector on what we see in terms of the sectors that have been more impacted through the crisis and also what this means for emerging from the crisis. Without a doubt, retailers have been one of the most impacted sectors. I think we are seeing some fundamental shifts in retailing. That said, not all retailing is the same. We are seeing it much more as it would relate to clothing than to food, for example. There's a very large range as it relates to retailing.

I think what we look to in emerging from the crisis are sectors that we can help accelerate. As we roll back to perhaps looking in the longer term at just exporting, then we look at how we can help companies actually sell their products further abroad. We have a number of programs that would help companies do that. They're not just financing products but products that make introductions for them, help introduce them to foreign buyers and make connections for them so they have a place where they can extend their products.

It's hard for many of us to think beyond COVID-19, but when I think of recovery, it's about making sure that companies are strong enough and ready for recovery. It's about making sure they have the working capital that will be needed to build the inventory to sell. Then it will be finding other opportunities to expand their reach and help them maybe even do acquisitions, to move closer to their customers if they're in another country, or build warehouses, etc.

We have many tools to help Canadian companies diversify. Those would be tools to see how the Business Development Bank of Canada could help, and the trade commissioner services. If there was a specific need to look at some sectors, then we would try to put our sector expertise into play as well. We do see opportunities in terms of food security, agriculture, advanced technology and clean technology. Those are areas where EDC puts some focus to make sure we are supporting them going forward.

● (1550)

Ms. Annie Koutrakis: Thank you for that.

Yesterday the EDC published a report entitled “Women in trade: What it takes to succeed”. It outlined the under-representation of women entrepreneurs in Canada. It was also noted that equal ownership of businesses by men and women would add $2.5 trillion to $5 trillion to the global economy.

What needs to be done, in your opinion, to foster greater female representation in Canadian business? Could this greater representation create a greater source of economic growth following the COVID-19 pandemic?

Ms. Mairead Lavery: Absolutely. Women's entrepreneurship is something we've been talking about for a number of years and really focusing on. The difficult answer to hear is that there isn't one silver bullet for this. We have to do many, many different things, whether that's giving women the confidence to declare themselves as a woman-owned or woman-led business or whether it's creating the networks they can access to understand the tools that are available to them. We're building understanding and building awareness and then ensuring that our programs have no bias in them and that they are very appropriate and deal with the different needs of women as business owners.

We've gone as far as designing a website page specifically for women, because what we had didn't work. That's a very simple example. As a different example, in our investments program we appointed a lead to look at investing in women-owned, women-led businesses, a woman who can work with those entrepreneurs. They feel more comfortable with her in understanding what they need to accelerate their business. I think that's been one finding. We appointed a lead for the rest of our products as well to educate and bring women to the table and ensure that those products were available.

We're very pleased. We started with a small program at $50 million. That program is oversubscribed. The level of support that we've seen and the level of interest has been much greater than we imagined. It's certainly something we're focused on.

During COVID-19 we launched what we called an investments matching program, whereby, if investors were investing in companies, EDC would match their support. I'm really pleased to announce that we have a number of woman entrepreneurs on that list as well. We're starting to see it coming into more of our mainstream products rather than specifically designed products.

The Chair: Okay. Thank you both.

We're turning to Mr. Morantz, followed by Ms. Dzerowicz.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

Thank you to the witnesses for being here today.

I have just a couple of questions. I'm interested in understanding more step-by-step how these loans get implemented.

First, when it comes to the underwriting, do you rely on the banks for the underwriting, or do you work with the banks? Do you have your own set of criteria the banks have to adhere to before you'll agree to a guarantee on a loan? If you could answer that as briefly as possible, I have a few follow-ups on this topic.

Ms. Mairead Lavery: I will answer quickly: We rely on the banks' underwriting.

Mr. Marty Morantz: A bank will approve a loan application, and as long as it's okay with them, you will provide your guarantee.

Ms. Mairead Lavery: The program is governed by specific legal agreements that set out the criteria specifically for BCAP. Yes, if the application meets those criteria, which are simplified, then we do rely on the banks' underwriting.

Mr. Marty Morantz: Are these agreements between you and the banks? Who sets the criteria under the agreement?

Ms. Mairead Lavery: If it's with respect to our existing products, we set the agreement with the bank, but for BCAP there were a number of policy decisions. We worked with our colleagues at the Department of Finance and at Global Affairs to ensure that the criteria were well understood and were available to all.

● (1555)

Mr. Marty Morantz: The underwriting criteria are ultimately from you and the government, then, and not set at the bank. Is that right? They are described in this agreement you refer to.

Ms. Mairead Lavery: The conditions of the guarantee are described by us in the agreement, but loans themselves are with the financial institution and its customer.

Mr. Marty Morantz: Presumably the terms under which you provide a guarantee must mirror or reflect in some regard the underwriting criteria, the decision of the financial institution to provide the loan.

Ms. Mairead Lavery: Yes. What we are setting is the tenor of the guarantee. We're setting the percentage of the guarantee. We're setting the fee. We're setting some conditions related to it in that we don't want to see those funds being used to repay loans. We don't want to see those funds being used for shareholder payments, etc.

Mr. Marty Morantz: What I want to clarify is that these guarantees, though, are for the security of the bank and not for the security of the borrower. If a loan were to default, the borrower isn't off the hook. You would take, likely, assignment of the bank's security, like a normal guarantor would, and pursue the borrower.

You said earlier that there are a number deferrals that are in place. When we had CMHC before the panel, I asked about that, and they said that the deferrals were going to be capitalized in some cases. Is that the plan? Once we come out of the crisis, will borrowers be expected to repay their deferrals? Will the interest be capitalized?

Ms. Mairead Lavery: Is that specifically on the BCAP guarantee itself or on our existing products?

Mr. Marty Morantz: It's on either, or maybe on the BCAP if there's a difference. Start with that.

Ms. Mairead Lavery: Well, with regard to the BCAP guarantee, the loan itself is with the bank for which we are providing the guarantee. I think, as we said, we are awaiting details from the banks of actual guarantees that have been done.

The guarantee was structured to provide a guarantee on additional lending, not on lending or loans that existed at the time of the COVID-19 crisis. It would be, in my view, unlikely that this would be the one that would be deferred, because that would be a discussion with the bank and its customer.

Mr. Marty Morantz: When the bank makes a decision to defer a loan.... You mentioned that there were deferrals earlier, and I assume that they were EDC-guaranteed loans, but on those ones, does the bank need your permission to do that, or can it just do it on its own?

Ms. Mairead Lavery: No, it would need to come to us for some type of waiver on one that is with respect to any of our guaranteed products.

Mr. Marty Morantz: Again, with regard to the issue of deferrals, if a loan were to default, would you be in a position then, if the loan remained in default, to ultimately end up executing on the security and requiring the borrower to pay?

Ms. Mairead Lavery: I know that you will not like the answer of "it depends", but it does depend on the capital structure of the companies themselves. Often we understand where different loan arrangements themselves fit in the waterfall. The loans that are under COVID-19 are usually additional loans for loans that already exist, so it then relates to the actual ranking of the loans in the capital structure.

The Chair: Do you need more clarification there, Marty?

Mr. Marty Morantz: Yes. I'm really simply asking if there can be a situation in which a loan that you guaranteed goes into default. In most cases, a guarantor, if they had to step in and provide their guarantee, would then take over the security and execute on it. Is that a possibility under any of the BCAP loans?

Ms. Mairead Lavery: Yes, it is a possibility.

Mr. Marty Morantz: Okay. Thank you.

The Chair: Thank you.

We'll turn to Ms. Dzerowicz, followed by either Mr. Ste-Marie or Mr. Brunelle-Duceppe. It's whoever wants to go on the Bloc side.

Go ahead, Ms. Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much.

I want to thank all of our panellists today. Thanks for the important role that you are providing to Canadian businesses during this time. I know that you've had to step outside of your main mandate, so I very much appreciate all of your efforts.

I am curious. You mentioned that there have been 400 loans approved. Do you keep a tally on how many loans have not been approved?

● (1600)

Ms. Mairead Lavery: Perhaps I can take that one quickly.

These are the loans that the banks have advised us that they have currently in the works. We've also asked them to provide us with some details of loans that they have declined. That's the data that we are collecting and that we would hope to then share with the committee by the end of the week when we have that data.

Ms. Julie Dzerowicz: Okay. That would be helpful, just because it would be nice to know who is asking for help that for some reason we're not able to provide.

Then it gets into a little bit of the transparency of just who is receiving the loans. Do we have a clear list of who the loans are going to and how much money is actually being allocated for the different loans?

Ms. Mairead Lavery: We will have details of who is in receipt of the loans. They are formal arrangements between the bank and the customer, so we will have that.

As we built the program, one of the things that we put in place was a reporting requirement 45 days after loans are assigned and agreed to with the customer. Part of our challenge in reporting data is that there is quite a lag time in getting the data. We have subsequently asked that we have the ability to reach out to the companies and understand a bit more about the data behind the company itself, not just the name but what sector it is in, what geographical area it is in and perhaps some other information about the companies receiving the loans.

With respect to the CEBA program, that information is all available today.

Ms. Julie Dzerowicz: Just so I'm clear, are you asking the banks for that information, and then you are just waiting for a reply? I think that's important information. Ideally it would be more timely than 45 days.

Ms. Mairead Lavery: Yes, we understand. Perhaps we should have reflected at the start, when we set the criteria with the banks, that they should be collecting all of the information. One of our parameters was to try to ensure that it was faster, so we didn't ask for a lot of upfront data on the companies. We will have to collect it afterwards, and we are seized with getting that done.

Ms. Julie Dzerowicz: Thank you.

As you know, we're starting to reopen the economy. We're starting to try to look into the future. Our Prime Minister has often talked about how we're going to be moving forward to build back better. I think everybody knows that we have a number of commitments around a net-zero economy and achieving our Paris accord targets.

If you look at the loans and the loan programs that the federal government has introduced for large employers as supports, you see that a number of criteria have been applied. One of those criteria is around climate-related disclosure and how their future operations will support environmental sustainability and national climate goals. If we were to apply that criterion to our medium-sized companies, do you think it would have an impact in terms of companies applying for these loans in the BCAP program?

Ms. Mairead Lavery: There are two BCAP guarantee programs, one for the small companies and one for the medium-sized companies.

What I can share with you is that with respect to our support in the oil and gas sector, we have attached the requirement for climate-related disclosures in line with the task force for climate-related financial disclosures. We have done that very specifically with respect to our carbon-enhanced industry. That is part of the criteria for our support with respect to the RBL guarantee.

With respect to the guarantee, it's difficult for me to say whether companies would decide that this was something they would take on or not. We certainly are advocates. In fact, EDC itself signed on to the TCFD in 2018. These are discussions we have often with our large customers in understanding their own approach to climate and where they're going.

As for the companies themselves, we have not had any feedback to EDC specifically with respect to either accepting or declining loans on the basis of climate-related disclosures.

● (1605)

Ms. Julie Dzerowicz: Mr. Chair, may I just clarify one point?

The Chair: Go ahead.

Ms. Julie Dzerowicz: Are you already asking, right now, for companies that are applying for BCAP to disclose the risks posed by climate change to their business before they can apply for a loan?

Ms. Mairead Lavery: We are asking that specifically in our support for the oil and gas sector.

Ms. Julie Dzerowicz: Okay. It is only to them. Thank you.

The Chair: Thank you.

Before I turn to Mr. Ste-Marie, I have a question myself. With the new measures that have been put in by the COVID-19 pandemic, how far has that taken EDC from its original mandate, or is it any distance at all, for that matter?

I know EDC through the potato industry and the aerospace industry. In fact, in the potato industry, the various exporters wouldn't be in their markets if it weren't for EDC. You get very high marks in my province for the efforts you make in guaranteeing loans with other countries.

Where do these new programs put you in terms of your original mandate in the export business? We are an exporting nation, so I don't see it being another bank. That's the bank's job.

Can you answer that?

Ms. Mairead Lavery: Yes, I can, Mr. Easter. Thank you for that question.

You're quite right that there are some sectors where EDC is extremely well known. Another one would be seafood. We've done a lot of support in those specific sectors. I would say that those customers are very familiar with EDC. During the crisis, we've seen a lot of outreach from those very traditional exporting sectors that do understand EDC.

I would say that where we have seen it the most is in our credit insurance program, because that's truly where we are counter-cyclical. Often in these times of crisis, the coverage in insurance programs can be pulled back from the market because the risk has increased, so that's really where EDC needs to step in with a product for people who are interested in insuring their receivables. We now get a lot more queries from domestic companies that are interested in understanding credit insurance and how EDC supports credit insurance.

Our basic principles are ensuring that we are complementary to the market, so when you ask if we've moved away from our traditional mandate, the answer is yes, in areas where we have had to move away to try to help companies. Can we move back from that? Absolutely. We did it in 2009 and we can do it again, but the primary place would be in our credit insurance product.

The Chair: Okay. Thank you very much.

We'll go to rounds of two and a half minutes for the next two questions.

First is Mr. Ste-Marie, and then it's Mr. Julian.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

This is an interesting discussion. It's impressive to see how quickly EDC can change its fields of action.

Mr. Marc-André Viau, from Équiterre, said when he appeared before this committee that his environmental partner organizations had had a study done on your organization. The study found that since 2016, EDC has provided $45 billion in assistance to oil and gas companies, but $7 billion to the clean energy sector.

Can you corroborate those figures? In your opinion, will the ratio between the two sectors continue or will it change in favour of clean energy during and after the COVID-19 pandemic?

● (1610)

[*English*]

The Chair: Who wants to take that? Would it be Ms. Lavery?

Ms. Mairead Lavery: I'll let Mr. Burlock start, and then I can weigh in.

The Chair: Go ahead, Mr. Burlock.

Mr. Carl Burlock: Thank you.

Our clean technology initiative started in 2012. It's come from zero seven years ago to what it is today, which is about $2.4 billion per year. It's been a growing part of our business.

That said, we still do business across all Canadian sectors. The energy sector has been a big component of the Canadian economy. We continue to support it. We did make commitments in our climate change policy, which we publicly issued in 2019, to set a target for the percentage of our portfolio in carbon-intensive industries. We set a target to reduce our carbon-intensive sector portfolio by 15% through 2023.

The Chair: Okay. We'll turn to Mr. Julian.

Do you have a supplementary question, Gabriel, or are you okay on that answer?

[*Translation*]

Mr. Gabriel Ste-Marie: I just want to make sure I understand. The clean energy sector is weaker because it is a new sector, since 2012. However, as I understand it, this portion of your portfolio should continue to grow because you have made a commitment to it. Is that right?

Mr. Carl Burlock: That's exactly right.

I'm sorry: when you first asked the question, I heard the interpretation, not the French.

[*English*]

The Chair: Thank you both.

Mr. Julian will be followed by Mr. Cumming.

Mr. Peter Julian: Thank you. I'd just like to clarify something.

Thank you very much, Mr. Burlock. You said there was $2.4 billion last year for clean energy. How much in supports through the EDC went to the oil and gas sector? You didn't answer that part of Mr. Ste-Marie's question.

Mr. Carl Burlock: I don't have the exact number for last year, but it is higher than the $2.4 billion. I can come back with an exact number, unless one of my colleagues has it.

Mr. Peter Julian: Okay. Thank you.

Équiterre has said it's $45 billion compared to $7 billion for clean energy, but it would be great if you could clarify that with us.

I have a quick question around conditions on the credit facility. You alluded, Ms. Lavery, to share buybacks. Are dividends and executive bonuses also included as part of the credit facility, and when the credit facility is approved, is it transferable? In other words, if a bank is really gouging a business that is trying to make a go of it, can they take it to another financial institution so that they can get a less onerous interest rate?

Ms. Mairead Lavery: We have been very specific in the conditions for the BCAP guarantee to eliminate any payments in dividends or increases in CEO or executive compensation as shared by banks, etc. Those are not permissible under the program itself.

With respect to dodging and transferring, it is a specific loan between a financial institution and its customer that is supported by EDC. We do internally ensure that we are providing the same facilities to the 120 institutions that are in the program, so if a customer wanted to break their loan with their financial institution and move to another one, as long as that financial institution is in the 120 programs where the guarantee is offered, it would be available to them from us.

The Chair: Go ahead, Peter. You have time for a quick one.

Mr. Peter Julian: Thank you.

To come back to violating the issue around executive bonuses, share buybacks and dividends, who polices that? Is it the bank that polices it, or is it EDC that gets a report from the company and makes sure that it doesn't happen?

● (1615)

Ms. Mairead Lavery: This would be a specific term and condition of a legal agreement. We would continue to monitor the companies we have relationships with, as would the banks with respect to their agreements. I would say there is both self-monitoring and monitoring from all parties to the agreement. It is a legal agreement.

The Chair: Thank you.

Mr. Cumming will be followed by Mr. Fragiskatos. James, you have five minutes.

Mr. James Cumming: Thank you.

On the BCAP loans, if the bank ends up having to extend the term because the client is in a bit of trouble, does it follow that you will extend the guarantee over the term?

Ms. Mairead Lavery: Carl, would you like to answer that one specifically?

Mr. Carl Burlock: Yes, typically we're open to doing that. The BCAP guarantees were modelled after our existing export guarantee program that we've had in place for many, many years. That program supports over 1,500 Canadian companies, and those are the principles by which we've always operated. If a bank is willing to renegotiate the term with a company, they have to ask EDC, and then we consider that request.

Mr. James Cumming: This question is probably for Mr. Burlock because he dealt with the CEBA loans before.

One thing you didn't mention with the changes that are coming in the next week is personal bank accounts. Will those provisions be included with the upcoming changes, the use of personal bank accounts?

Ms. Mairead Lavery: It's for Mr. Winterhalt.

Mr. James Cumming: Mr. Winterhalt, sorry.

Mr. Todd Winterhalt: That's okay. I can take that one.

Under CEBA 3.0, that's not contemplated. The policy owners of the CEBA program are both the Department of Finance and Global Affairs Canada, and they've taken any further discussion on program evolution away with them.

Mr. James Cumming: The announcement that the minister made that they will consider personal bank accounts will not be coming with the changes coming up in this next version. Is that correct?

Mr. Todd Winterhalt: That's correct. They're not part of the 3.0 version.

Mr. James Cumming: At this time, we have no idea when that may happen.

Mr. Todd Winterhalt: I do not.

Mr. James Cumming: Can someone tell us what the actual size of loans within the CEBA program is, on average?

Mr. Todd Winterhalt: I'm happy to do that.

Actually, that is a program where we do have a fair amount of data, given that it's a little bit longer in the tooth, so to speak. In terms of average size, it is pretty close to the full $40,000 that is eligible. That's partially a function of the fact that the grant component is attached to that. Companies that apply for the loan to get the $10,000 grant amount take the full $40,000, of which $10,000 is repayable.

Mr. James Cumming: With regard to the $10,000 repayable, if a company starts to pay down the loan before 2022, how do you determine what the forgivable amount is?

Mr. Todd Winterhalt: It is a flat forgivable amount, so for that up to $10,000, that's forgivable, regardless of when the payment occurs, as long as it's before the end of the period, as you indicated.

Mr. James Cumming: If they only have the capacity to repay $15,000, then the forgivable amount is not forgivable. It's not pari passu or pro-rated.

Mr. Todd Winterhalt: That's correct.

Mr. James Cumming: Okay.

The Chair: Is that it, James?

Mr. James Cumming: Yes, that's good. Thanks.

The Chair: Okay, we'll turn to Mr. Fragiskatos, and if Mr. Cooper wants in, there will be time. Then we'll go to Mr. McLeod.

Mr. Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chair.

Ms. Lavery, you said in your opening statement that at the heart of EDC's work is risk mitigation. What is understood by risk mitigation? How do you conceptualize it?

Ms. Mairead Lavery: Yes, we do see ourselves as risk mitigators, whether that's by providing insurance products, which are a very traditional risk product, to ensure that people get paid, or by providing some of the knowledge products that we provide, ensuring that people have the knowledge to reduce the risk of actually entering into specific export transactions. It's also with respect to even the due diligence that we will do with our customers with regard to CSR, for example, and non-credit risks. Those are ways in which we can ensure that exporters are evaluating all of the elements of their international deals, whether they're sales agreements or expansions abroad.

When we work with them to understand their financing needs, we're also working to ensure that they understand issues like human rights, climate change and business integrity so that even just that process is very helpful to them. This is because we truly do believe in responsible business.

● (1620)

Mr. Peter Fragiskatos: Thank you very much.

EDC's mandate says that export credit insurance is offered “to protect against uncontrollable events such as a buyer refusing to pay.”

My question relates to the understanding of uncontrollable events. How flexible is that definition and how stable is the fund? Simply put, is there enough money there to ensure that insurance payments are made and that companies that might be in need are supported?

Ms. Mairead Lavery: Yes, absolutely. With regard to uncontrollable events, we have very specific insurance policies and insurance agreements. We try to simplify those as much as we possibly can. In fact, we've developed an online product, and for some of our smaller customers who just need to know if the buyer is in fact creditworthy, they can even just do a credit check with us. That's a way that we can help them. Then it goes to the policy itself. It's very clear, particularly with our online products, what the coverage provides, what would be examples of events, and what the obligations are of the companies themselves because we've also seen examples whereby people want to make an insurance claim, but they haven't actually provided the product to the foreign buyer.

Mr. Peter Fragiskatos: Ms. Lavery, I'm sorry. I hate to interrupt, but time is limited. When you say that the understanding of uncontrollable events is flexible, if reasons for non-payment include COVID-19, simply put, would that be something EDC would accept?

Ms. Mairead Lavery: We have actually been working with our clients on issues such as this, where goods have not been received...or, sorry, have not been able to be delivered, just because of closures of borders, etc. Those are all examples of where we will work with the policyholder to make sure we understand very specifically what was needed.

With respect to your second question, on whether there are sufficient funds, the answer is yes. EDC has for a long period of time been self-sustaining in terms of its own performance. We are able to meet the requirements of insurance claims that may be posed upon us.

Mr. Peter Fragiskatos: If you don't have this today, that's fine, but do you have the figure for what was paid out in 2019 in terms of insurance? Is there an estimate that the EDC has come up with at this point in time as to what could be paid out in 2020, this being obviously an extremely difficult year?

Ms. Mairead Lavery: I apologize, but I don't have that with me. When you say “paid out”, I assume you mean the claims that we have actually paid on our insurance program.

Mr. Peter Fragiskatos: That's right, for the year 2019. If you don't have it today, that's fine.

I ask the question because when we talk about whether or not there are enough funds there, it would be interesting to see what was paid out in 2019 and if there is an analysis on an estimate for 2020, comparing the two.

Ms. Mairead Lavery: Okay.

The Chair: We'll look forward to that information. You can send it to the clerk.

We'll split the remaining time. That will give each of you about two minutes, Mr. Cooper and Mr. McLeod.

Mr. Cooper.

Mr. Michael Cooper: I will pass. I'll concede to Mr. Cumming or Mr. Morantz, if they have anything to follow up on. Otherwise, I'm good.

The Chair: We can come back to Mr. Morantz, if he wants in.

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

I want to thank the presenters for the information provided to us today. I really appreciate it.

I represent the Northwest Territories. Right now we have no COVID cases in the Northwest Territories. That's largely because we've closed all our borders to Yukon and Alberta. We've done a pretty good job of keeping ourselves locked in. It has really had an impact on our economy, though.

The government has done a pretty good job of supporting the different businesses, as we saw with the introduction of the northern business relief fund. That really helped us when we focused on the companies that fell through the cracks, but we're still hearing from companies that are very worried. Even though they have been able to access funding, loans and contributions, they still feel that in the long term they're going to struggle, because other parts of the world are opening up.

I'm referring to the tourism industry and the hotel industry. We're seeing destinations in Alaska, Iceland, Greenland, Sweden and Norway all opening up for travellers. We're going to see that in our country too, in Canada, and we need flexibility. We've seen some flexibility in the CEBA program that made sole proprietors and those with a payroll less than $20,000 eligible. I'm assuming there's been a big uptake on that.

Has there been any kind of recommendation, or any position, or any kind of thought on what will be needed as we go forward? Some jurisdictions and some regions will be closed for a longer period than others. I'm thinking that the north will probably be closed a lot longer than the southern part of Canada. I'm wondering if you could provide me with any kind of comment or thoughts on that.

● (1625)

Ms. Mairead Lavery: The area of tourism and hotels is not one that EDC has focused on a lot in the past with our exporting mandate. It's not a sector at which I would say we are sufficiently sophisticated.

I do know, participating as part of team Canada with both ISED and BDC, which are more involved in those sectors, that there are discussions around what the specific needs of those companies are, given that they are real estate-based and given that they are dependent on the flow of traffic, and what actually could be done.

That's one that I know my colleagues are working on but that EDC is less involved with.

The Chair: Is that it, Michael?

Mr. Michael McLeod: That's it. Thank you.

The Chair: Peter, I believe you had a quick question.

Mr. Julian.

Mr. Peter Julian: Yes, thanks very much, Mr. Chair.

A lot of businesses have said that they have had difficulties accessing liquidity. Do you feel in any way that this program has had an impact on actually diminishing what the banks should be doing which is providing liquidity to a lot of businesses outside of these programs? Under this program, the banks basically get a guarantee, so for them it's a no-brainer. They get the guarantee. It's a sweet deal. They get the guarantee from EDC. They assume all the profit from that transaction. Very clearly, from all of our hearings, it has proven to be true that the banks are simply not providing supports outside of these programs, under which the federal government or Canadian taxpayer provides all the guarantees. They are not providing the supports. Do you feel this has had an impact in a negative way in that sense?

Ms. Mairead Lavery: We were very careful, Mr. Julian, when we struck the program to make sure that it was complementary and that it was bringing the private sector along. It's not a 100% guarantee that it is for new funding, and to actually get the guarantee the banks have to extend new credit and then they get, in the small case, an 80% guarantee and as we move up to the larger companies they get only a 75% guarantee. We've been very careful in the design of that program to actually bring the private sector along with us. That's one of the funding principles of EDC, which is to be complementary and commercial. By remaining commercial, we can ensure that we can step into commercial arrangements and then those that are complementary, making sure they are done with the private sector. We do not want to crowd out the private sector.

● (1630)

The Chair: Thank you. We will have to end it there. We are at the designated time. That was good information.

On behalf of the committee, I want to thank Export Development for the work it does as a company and to thank the three of you for coming as witnesses today and answering our questions. We are an exporting nation, so you are a crucial cog in the wheel of the Canadian economy.

Thank you again for your presentations. I believe there are a couple of questions on which you can send the information back to the clerk.

With that, we'll suspend for a few minutes while the clerk arranges the next panel.

● (1630)

_____________________(Pause)_____________________

● (1635)

The Chair: We'll reconvene. The meeting is called to order.

This is the second panel of meeting number 35 of the Standing Committee on Finance.

Pursuant to the order of reference from the House, we are meeting on the government's response to the COVID-19 pandemic. We're pleased to have with us, for the next hour and a half, from the Business Development Bank of Canada, Mr. Denham, president and CEO; Jérôme Nycz, executive vice-president, BDC Capital; and Karen Kastner, vice-president, partnerships and government relations.

Welcome, folks. If you could hold your remarks to 10 minutes or thereabouts, that'll give us ample time for the committee to go to questions.

I imagine, Mr. Denham, that you are leading the presentation and we'll go from there.

Welcome.

Mr. Michael Denham (President and Chief Executive Officer, Business Development Bank of Canada): Yes, Mr. Chair, and thank you very much.

I want to start by thanking all the members of the committee for your service and for the work you do, especially during these challenging times. Canadians are counting on solid leadership, and I'm very pleased that the committee members are providing it.

I also want to reiterate, Mr. Chair, that my two colleagues are with me. In particular, Jérôme Nycz, who is the EVP for BDC Capital, will answer detailed questions on our pandemic response as it relates to venture capital. I'll make sure that Jérôme has a chance to answer those.

I know that BDC doesn't require a long introduction, by virtue of our 75-year history and the fact that we have been mentioned a fair bit in the media since the start of the pandemic, but for the record, I just want to remind folks that BDC is Canada's only bank that focuses exclusively on entrepreneurs. We're a Crown corporation that reports to Parliament through the Minister of Small Business, Export Promotion and International Trade.

We operate at arm's length from the government as a lender and as an investor. In this sense, we complement rather than compete with private sector financial institutions, and we're not in the business of providing grants. We take on more risk than other financial institutions, and when times are tough, as they are now, we like to step up and we expect to step up. We also have venture capital and advisory offerings.

What I would like to do is describe the listening to entrepreneurs that we've been doing and share with you as well the direct and indirect measures that we've undertaken to help companies in response to COVID and also in response to the drop in oil prices.

We've done six surveys, both of clients and non-clients, basically once every two weeks since the crisis started. These are published on our website. Since the beginning of the pandemic, the sentiment has improved. Entrepreneurs are still quite concerned—don't get me wrong—but the sense of panic that existed initially has subsided as entrepreneurs have taken stock of the situation and the host of relief measures now available to them. Let me illustrate.

In response to the question, “How worried are you about the impact of COVID on your business?”, 83% were concerned at the end of March. That number is down to 69%, as of midnight. Similarly, on the ability to borrow, 36% were concerned at the start of April. That number is now down to 20% in May.

We're also seeing sentiments improving around several key business dimensions, including the ability to keep employees on payroll, at 47% then versus 65% now; ability to repay debt at 45% then and now at 60%; and, on keeping businesses open, 37% then versus 61% now. In fact, concern is growing more about the ability to meet demand and the lack of personnel to do so. Notwithstanding these improvements.... Don't get me wrong, because the level of concern in absolute terms remains very high, but I do want to highlight that there has been some limited progress made in terms of levels of [*Technical difficulty—Editor*].

On recovery, 76% of those surveyed feel ready to resume their activities, with 50% saying that it will be easy. The top lessons entrepreneurs have learned, which they have shared with us, are the importance of good cash flow and an emergency fund, as well as expense control. Looking ahead, 36% plan to reduce their expenses and 32% to broaden their offering, and 30% plan to sell online.

That's a summary of what we've heard in our extensive surveying of entrepreneurs.

Moving out of BDC's activities to our direct measures, we introduced a postponement of payments for up to six months free of charge for existing BDC clients with total loan commitments of $1 million or less. We've done almost 37,000 of these postponements, representing more than $800 million in cash flow benefits to our clients and $16 billion, or about half, of our existing loan portfolio. The volume of requests for these postponements continues to decrease. Now we're down to about 30 per day from a peak of 1,200 per day in late March.

We're also authorizing new direct loans, with an online financing loan of up to $100,000. We've drafted this to use a higher risk threshold than normal. We're accepting lower credit scores than had been the case, given the uncertain times, and we reduced our pricing.

● (1640)

We're also offering working capital loans for up to $2 million providing flexible payment terms and payment postponements for the first six months. We've reduced pricing on this product as well.

Application rates for these loans were tremendous early on. We received literally more online applications for working capital loans in the two weeks after announcing our first wave of measures back on March 18 than we typically do over a full year.

I'd also like to note that since this peak, demand has been normalizing, and seemingly in parallel with the improving sentiment of entrepreneurs, demand for online loans through BDC continues to fall. Notably, online financing applications are dropping gradually from about 80 per day, due to the Canada emergency business account and other emergency measures that have been made available for entrepreneurs.

Together, all told, we've authorized almost 10,000 direct loans for nearly $2 billion since our fiscal year started in April. Compared to our normal levels for these types of loans, this represents eight times more in terms of volume, and almost 14 times more in terms of the total value of the loans we've authorized.

Again, our debt solutions are intended to complement the other liquidity support measures that federal and provincial governments have introduced. Indeed, many SMEs have ended up opting for these solutions as they're sometimes preferred as the only solution they need.

To help early-stage tech companies in consultation with the CVCA, which is the Canadian Venture Capital and Private Equity Association, and Réseau Capital, we've put in place a bridge financing program—this relates to venture capital—to match a current financing round being raised through qualified existing and/or new investors into eligible Canadian VC-backed start-ups. The program is ideal for high-potential companies that have investor syndicates willing to support them. BDC invests alongside these syndicates.

To date, we have done about 23 deals totalling $45 million of investment. We originally announced the size of this bridge financing envelope to be $150 million, but based on the demand and the conversations we've had with VC-backed companies, we've increased the size of this program to $300 million based on this assessment of the market.

BDC also offers advisory services. At our advisory services, we want to make sure that Canadian businesses have all the information they need to cope, pivot and recover once the crisis is over. We're doing this primarily through bdc.ca—primarily free of charge—including advice for entrepreneurs in the form of tool kits and articles on their key performance indicators.

There have been just over two million sessions so far on bdc.ca, including close to 25% that have gone to specific COVID-related viewing pages. We will continue to make sure that businesses are aware of this free information that we're providing. Three new COVID-19-themed solutions are now available to address the most pressing issues. We've created a resource tool for entrepreneurs, summarizing federal and provincial COVID supports. This summary tool has been downloaded over 6,000 times.

BDC can't do it alone. Inspired by the experience of the 2008 financial crisis, we're also involved with our shareholder, EDC, and Canadian financial institutions in BCAP, the business credit availability program. The intent, as you all know, is to partner with private sector lenders to provide incremental credit into the system on market terms on a risk-sharing basis.

Only the banks, along with other commercial lenders, can provide the massive reach and the speed that the economy requires now. The speed comes from leveraging their existing banking relations to minimizing the time-consuming back and forth known as “know your client”.

Banks have a key roll to play in this program, as do credit unions. Small and medium-sized businesses can get support through a co-lending program for their operational cash flow requirements through BCAP. Eligible businesses can obtain up to $12.5 million through the program, which will be risk-shared 80% by BDC and 20% by the financial institution. This broadens our reach very significantly. This solution complements the EDC export guarantee program, which I know you discussed earlier today.

Our program launched on April 24. Eighteen financial institutions are now signed up, with dozens more in active negotiations.

● (1645)

Now, reporting on volume is dependent on the FIs and will involve a lag, so we don't have the volume information just yet, but I will be pleased, very pleased, to come back to this committee with the banks to report how the program is going.

Also, as part of BCAP, BDC announced a mid-market financing program to make additional credit available, up to $60 million per business until or before September, working closely with the companies of the primary lenders. That means loans are meant to be used to fund operational cash flow needs for a 12-month horizon, which will in turn ensure a degree of continuity of operations during this period of uncertainty.

It's structured as a junior loan, and it serves as a bridge, which is very light on cash flow to a point in time four years down the road. I'd be happy to discuss the mechanics with the committee when we get there. This facility will be launching in a couple of days. We're just finalizing now the legals with the bank and have included support for all sectors, including oil and gas, as previously announced.

Looking ahead to the fall, BDC will be there in the recovery, as we've been in the past, including during the credit crisis. We'll work with the government to make sure we share our market insights as the situation continues to evolve. Regarding loan offerings, we'll stay vigilant and continue to adapt to evolving needs as the economy ramps up. We'll ramp up in a commensurate way to help businesses invest and to help them grow. In particular, we can expect that Canadian businesses will continue to digitize and to adapt to the new reality, and we'll work to minimize the risks on their supply chains.

Thank you for your attention. I hope this lays a useful frame for our discussion.

The Chair: Thank you very much, Mr. Denham.

We will go to a six-minute round starting with Mr. Cumming, followed by Ms. Dzerowicz.

James.

Mr. James Cumming: Thank you.

Thank you for appearing today. I was glad that we were able to get BDC here so we could hear how your programs are working.

You've described an incredible volume, some cash out the door and large application volumes. How have you adjusted your staffing levels to deal with that demand? What would be the comparable time of application to funding year over year, given the volumes you're experiencing?

Mr. Michael Denham: This is an ongoing challenge that we're dealing with, but we've been able to move people to our key loan processing bottlenecks. For example, as I mentioned, when the crisis first struck in late March, we received in a couple of weeks as many applications for loans on the online financing platform as we do in a year. That type of volume uptick is not something that any scenario or planning exercise would pick up.

We have moved people from parts of BDC that weren't as busy. We've trained them up very, very quickly. We have done our best to disaggregate the work so that we can simplify some of the tasks for these people. These folks have been stuck in to get the work done. Depending on where the queue is forming, we've done our best to simplify our requirements and move people to the bottlenecks to make sure we are moving as quickly as we can.

Frankly, to your question, when all this started in March, we did our best to respond, but again, it was such a huge uptick in volume that we weren't able to meet the service expectations of entrepreneurs. That frustrated them, and that frustrated us, but now we're getting back to a zone where service levels and turnaround times are getting back in line with what we've done historically, and we're picking up much less frustration from our clients.

It took us a while to get to this point. It was chaotic and, frankly, slow at the beginning, given the volume, but bit by bit we've made improvements, adapted and moved people, and I feel we're back in a good place right now.

● (1650)

Mr. James Cumming: I spoke to one of your clients, one of the accounting firms here, and they expressed their frustration. The message to them is that, if they aren't an existing client, you just cannot take on any more applications. Is that the message that's going out until you deal with the backlog, or have you put processes in place that can deal with this emergency funding? Really, what we're talking about is emergency funding, and emergency to me isn't five, six or eight weeks. These companies need money, and they need it relatively quickly.

Mr. Michael Denham: I totally agree. You can imagine how much feedback I get from individual companies and entrepreneurs who don't feel as though they've been well served, but there was no priority given to current clients versus companies that don't currently work with us. When I look at the loans we've authorized since the crisis started, the number of new clients we're authorizing loans to is up significantly.

I'm not challenging what you were told, but the person from our side who said that to the individual you reference wasn't properly informed, because there is no priority given to current clients. Frankly, we're doing our best to satisfy the needs of all entrepreneurs with viable businesses who request help.

Mr. James Cumming: Do you have actual measurables now of where you are in that loan application process? Believe me, I understand it when you have a peak in volume. I get it and I have empathy for that, but there should be some measurables. Were you at two months and now you're at six weeks? There must be some measurables that are in place now. What could I tell businesses to expect if they apply tomorrow?

Mr. Michael Denham: Again, it's depending on the type of loan and the complexity, obviously, but let's just keep to the online loans, which are unsecured loans below $100,000, for the sake of simplicity. Our turnaround times now from application to authorization are two weeks and shrinking. We still have these additional resources we've brought to bear. They'll continue to eat into the backlog, so our plan would be to get down to service levels of within a week, which is our norm, hopefully by next week or the following one. We're almost there, but not quite.

Mr. James Cumming: You mentioned the mid-market financing program and the oil and gas sector financing programs. On your website, you characterize them as different programs, but you did mention them together. Are they dealt with as separate programs?

Also, you said “days”. We're often hearing that from the politicians. Days turn into months. In the oil and gas sector, it's been from the announcement politically.... It's been well over two months now. In fact, I think it's going on three months. Can you elaborate a bit on those two programs?

Mr. Michael Denham: Yes, and again, we're not pleased with the lag in timing, either.

They are one program. Our chief risk officer would be here with Jérôme, Karen and me right now, but he's actually in a room with lawyers from Gowling's and McCarthy Tétrault finalizing the terms of the contracts with the banks. It's the same solution from our side.

The only difference is that for E and P producers, oil and gas producers, it is important to get their reserve base bolstered. What you just heard from EDC in terms of their guarantee for their reserve base is actually an important first step to make sure that the immediate cash flow requirements are met for the oil and gas companies, and our junior loan comes on top of that as liquidity for the future. Once you get outside of oil and gas, you don't have the same sort of reserve base lending dynamic. Our traditional junior loan works on its own. It's the same product, but it's more hitched to EDC's guarantee for the reserve base for oil and gas than it is for the other sectors.

That's a complicated answer to your question, but I hope it's clear.

● (1655)

The Chair: Thank you, James. You'll have another chance a little later on.

Next is Ms. Dzerowicz, followed by Mr. Ste-Marie.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

I want to say thanks to you, Mr. Denham, and to your team, for the important work that BDC is doing to support our businesses during this unprecedented time and to support our economy.

When this all started, the federal government was introducing a whole series of programs right away. We introduced the Canada emergency business account. We went to phase one, phase two and phase three, so it's been an iterative process. Do you think it's been a good and effective model in terms of putting this program into place?

Mr. Michael Denham: The one perspective I can give you on that is the effect it has had on entrepreneurs and the liquidity they need. From our surveys of entrepreneurs, for example, having access to that $40,000 has been very significant. One of the reasons why I think and we think that sense of panic has gone to a lower level of concern and there's much less demand now on us for online financing loans, etc., is that CEBA has provided a very important source of financing for the hundreds of thousands of clients and companies that have taken advantage of it. It's been a big source of pressure relief and an important source of liquidity. We see that through our surveys and the reduction in demand on BDC for loans.

Ms. Julie Dzerowicz: Thank you for that.

My next question gets into the data. I think you were talking about some of the surveys that you've been putting out, and I think you've given us some numbers as well.

Do you have an accounting of who is actually receiving loans and how much they're actually receiving? Is that publicly available data?

Mr. Michael Denham: It is. The loans we provide are direct loans. Of course, we track everything—who the clients are, what their credit scores are, what industry they're in and where they are located—but that is proprietary, private, confidential information between the BDC and the individual.

Ms. Julie Dzerowicz: Perfect. Thank you.

My next question is with regard to entrepreneurs.

You talked a bit about how, moving forward, you're going to continue to be sharing your market insights with government, which I think is going to be very appreciated and much needed.

Do you get a sense of how this whole pandemic, and how we move out of it, is going to change the way entrepreneurs do business moving forward? Have you started getting some sense of whether it's moving to digital, whether it's pivoting to different parts of their businesses or whether it's focusing? Do you have any insights that you might be able to share at this point?

Mr. Michael Denham: I think there are many, but the most important one that you referenced is the shift to digital.

What has become clear since mid-March for companies that never really had a digital presence and didn't think digitally is how relatively easy it is to stand up and enable a business through e-commerce. I may get some of these specifics wrong, but if you look at Canada, you'll see that something like 50% or 60% of Canadians do their buying online, but that something very low like only 5% or 6% of Canadian businesses have the means to effect transactions through e-commerce. Canada was actually behind where it should have been and where other countries were, going into the crisis. This has convinced us collectively of the need not only to catch up, but to go beyond.

I look at the conversations we're having now between our advisory services teams, in particular, and entrepreneurs. We're having orders of magnitude and more conversations on the need to digitize and to have an e-commerce capability than was the case. This is, I think, one of the good, lasting implications of what we're going through right now.

● (1700)

Ms. Julie Dzerowicz: Is that support that you provide?

I ask because I talked to a lot of entrepreneurs and small businesses, and I'll tell you that there's an unevenness to how far along the role they are.

Is that a support that BDC actually offers at this time, or is that a need that has yet to be filled?

Mr. Michael Denham: We offer the support. Right now, we don't offer the support at the scale required, so it's something we're looking at.

Ms. Julie Dzerowicz: That's great.

That pivots me to my next question. This is for the BDC. I want to get a sense from you, as you're moving forward, how the needs of entrepreneurs are changing in terms of the demands on you, and whether you have started looking at that.

You've talked about digital. Are there any other aspects that you're starting to see might be a need from BDC?

Mr. Michael Denham: I think you all know that we're going to have some ebbs and flows as the weeks and months progress.

Right now, because of the credit provided through the banks and because of some of the government measures like CEBA, as we speak, the global demand on us for loans is a lot lighter than it was. I think that will change over time as we recover and as the economy progresses.

We are beginning to see—and this is pronounced in BDC Capital, where Jérôme has responsibility—companies begin to look to make acquisitions. Asset values are low. Some companies have weathered the storm quite well. They will have either attractive share prices right now or money in the bank. Bit by bit, we're seeing more activity and interest around acquisitions, as companies look to try to consolidate their presence and possibly integrate either horizontally or vertically.

That's another theme that's emerging as we look at the demands on us right now, in addition to discussions around e-commerce and digital.

The Chair: We're a little over, Julie. Do you have a quick supplementary question?

Ms. Julie Dzerowicz: No, I think I'm good. Thank you, Mr. Chair.

The Chair: Then we'll go to Mr. Ste-Marie and after that to Mr. Julian.

Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Good afternoon, ladies and gentlemen.

Thank you for being here at the end of the afternoon to answer our questions.

We know that the Business Development Bank of Canada is a key partner for businesses. It's a business partner in just about every sector in normal times, and as you showed in your presentation, particularly during the crisis. I found it very interesting that you do random surveys of your members and non-members. You gave some figures that seem quite encouraging.

In your surveys, do you do a breakdown by economic sector or by industry?

If so, what conclusions do you draw from your analysis of these breakdowns?

[*English*]

Mr. Michael Denham: I don't have that breakdown in front of me. I'm looking at my colleague Karen to see if we have it.

Whatever type of breakdown we have in the data I will happily provide to the committee.

The Chair: Does Karen want to come in? She's welcome to come in if she has a point.

Mr. Michael Denham: Karen, do you know?

Ms. Karen Kastner (Vice-President, Partnerships and Government Relations, Business Development Bank of Canada): Thank you, Mr. Chair.

I don't have that information on hand, but we will undertake to check to see if we can provide an industry breakdown.

The Chair: Thank you.

Mr. Michael Denham: It's self-evident, as you know, that certain sectors, such as accommodation, travel, retail, restaurants and entertainment, have been hit incredibly hard. I'm sure when we get the data breakdown, you'll see that the level of concern from entrepreneurs in those sectors is significantly higher than that from entrepreneurs in other sectors.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

In my view, it would be very important for the government to monitor and map the economic sector by territory, company size and sector. I'm really interested in your surveys. If you could provide us with a snapshot of the information you have, we would appreciate it.

At the moment, we feel like we're sailing in the dark. The economy is picking up in certain sectors and regions. However, in order to properly modify emergency measures to support businesses during the crisis, we need this information and an understanding of how the situation is evolving.

According to the figures you gave in your presentation, there was a clear improvement between the months of March and May. We can expect a further improvement in June. In my opinion, it will be important to support the sectors that are considered sustainable and important for our economy, those that will need help and are slower to restart.

As you were saying, Mr. Denham, with regard to the tourism sector, restaurants, hotels, and so on, it will obviously be very important to ensure a follow-up.

You also mentioned in your presentation that you provide loans to businesses and that you have made a decision to increase your risk tolerance when financing businesses. Can you tell us more about that?

You may have some information with you that could be made public. Under normal circumstances, what is the percentage of funds invested that may not be repaid? When we talk about risk-taking, that's what we're talking about. What would be the difference between these levels of variation?

● (1705)

[*English*]

Mr. Michael Denham: We're what we call a responsible lender. We lend to companies that we deem creditworthy. As I said, we take four times the risk that traditional banks and private financial institutions do, so we're taking a lot of risk. However, we're very careful in our lending models and loss models to make sure that we are lending to companies we think will repay their obligations.

We're not in the business of lending to companies that we know in advance won't have the ability to repay. It's important to note this for a couple of reasons. First, as you would all know, it doesn't help a struggling company to burden itself with debt that it can't pay. That's in nobody's interest, so that's one thing that we try to avoid. Second—and this is important—we have a million dollars of capital to lend and we do what we think we're good at, which is to focus on the companies that represent some risk but can pay back the loan.

As for the way the modelling works, with this million dollars we have we can actually lend out $7 million. We get a lot more reach and a lot more support, and it's a lot more efficient. However, to overstate it a bit, if we do lend to companies that won't and can't pay back a loan, we're stuck lending only that million.

In terms of not burdening individual companies and getting as much reach out of this scarce capital that exists, it is very important for us to do our best, while taking a lot more risk than banks do, to make sure we are providing loans to companies that we think have the ability to repay us and that think they can too.

That was a long answer to your question, but I hope you found it useful.

[*Translation*]

Mr. Gabriel Ste-Marie: Yes, thank you.

Does the BDC conduct analyses of the current situation taking into account the entire economy?

We're in a crisis with regard to supply management. Because of the health rules that have been imposed, companies have had to close their doors. Now they are gradually resuming their activities. However, we are also in a crisis as far as demand is concerned. I am concerned that, at this time, consumers may prefer to stay home and pay their debts rather than go out and spend. Have you analyzed this aspect?

Considering this item and the income support measures that have been introduced, is the multiplier effect as great as you would expect?

That's a broad question. I'd ask you to answer it in a few words, if you can.

[*English*]

Mr. Michael Denham: To your first point, we have a chief economist, a gentleman called Pierre Cléroux. He has been, because the economy has been in such flux, regularly analyzing the state of the economy, which is to both your points in terms of issues around demand as well as issues around supply. That's led to, again, particular focus on industries where both those factors are particularly challenging.

Again, in terms of the various support measures that have been taken, we haven't analyzed the efficiency of these measures. I can't comment on that, but what I can comment on is the fact that liquidity has been very important for the survival and the continuation of many, many companies. Again, we see that in terms of reduced demands on us for financing.

● (1710)

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: We'll go to Mr. Julian, followed by Mr. Morantz.

Peter.

Mr. Peter Julian: Thanks very much to our witnesses for being here. We hope that your families are safe and healthy.

I have a series of questions, so I'll just put them right out. I hope to get responses.

We heard from EDC that, in the BCAP program, they currently had 400 applications that were in the process of being signed. I think you indicated, Mr. Denham, that there were 18 financial institutions with whom BDC has signed agreement around the BCAP.

Could you tell us the number of applications that are currently being considered, though we understand you can't tell us the number that have been approved?

Mr. Michael Denham: I'm going to give you an answer that is a bit long—let me just preface it with that—because the nature of the EDC product and what we do is quite different.

The way that co-lending works is that it is entirely with the banks to do the adjudication and the decisions. We've written the contract so that the expectation on the banks, what they signed up for, is to make sure that they use this credit enhancement for less, to make sure that they lend in a way that reflects the specific challenges and circumstances of COVID. We're asking them to get beyond their traditional risk appetite to level the risk.

Mr. Peter Julian: Okay.

Mr. Michael Denham: They take care of the adjudication, the lending, all the customer relationships and then send to us once a month a kind of master file. Once we get that master file, we fund 80% of what they've done.

Right now, we're going to get this master file over the course of the next couple of weeks. That's why I say that, once that information starts to flow, we'll have more precision. I'd happily come back with the banks to talk about, at least for this first month, what the volumes look like.

Mr. Peter Julian: If the banks are doing the actual lending, do you have in place conditions such as prohibitions on share buybacks, on dividend payments and on executive bonuses, as the EDC program does?

Mr. Michael Denham: These are for very small companies. These are loans that are up to $12.5 million. The vast majority of these are privately owned, entrepreneur owned, so most of those provisions are irrelevant for companies of this size.

Mr. Peter Julian: You don't have those conditions.

Mr. Michael Denham: Not for this program, no.

Mr. Peter Julian: You mentioned earlier postponement of payments for six months. This is outside of BCAP. I'd be interested in knowing about provisions around whether or not companies can provide for in-kind interest and whether there's interest forgiveness as part of the program, either through BCAP or any of the other programs that BDC runs.

Mr. Michael Denham: What we've offered, and the 37,000 examples I described, is just for interest deferral. On a case-by-case basis, we'll deal with clients who have repayment issues, but what's been offered, what's been taken happily so, is interest deferral.

Mr. Peter Julian: Okay. Does that come with fees, penalties or compound interest charges?

Mr. Michael Denham: No, we've waived all the fees.

Mr. Peter Julian: Okay. Please lead us through this. We did this a bit with EDC as well. Basically, the guarantee is through the BDC. I would say it's somewhat of a sweet deal for the big banks, of course. What they get is the socialization of the risk. Perhaps you can correct me if I'm wrong, but it doesn't appear that there's any cap on interest rates that the banks would charge.

What does BDC charge? Is it equivalent to the EDC guarantee fees of 1.8%? Are there charges to the banks, and are there any caps on fees and charges on interest rates that go to those businesses that are struggling to make ends meet?

Mr. Michael Denham: We don't charge anything. It's different from what EDC is doing. The way the program is meant to be designed, it's a loan that a bank would extend to a client. It's a client the bank sees as representing more risk than had been the case. It's a client who has tapped out their operating lines of existing facilities. The client needs more liquidity, needs more money, but left to their pre-existing risk appetite and processes, the bank wouldn't be able to do anything. By BDC stepping in and taking 80% of the loan, it gives the bank capacity and a means to extend more credit without taking 100% of the risk. The bank will adjudicate and decide on the loan based on how it lends, its underwriting, the requirement to adapt its risk sweet spot for the environment, and then once a month it can pass that loan to us to fund.

We're not involved day to day like EDC is. We're not really approving anything. The premise of our program is to get the banks to move out of their traditional risk-taking and take advantage of the massive reach, scale and speed that all these private sector financial institutions can deliver.

● (1715)

Mr. Peter Julian: You can understand that with $5 billion in profits for the big banks so far in the pandemic, a lot of people are raising concerns about the amount of largesse that's been showered on our big banks without any types of conditions. You can correct me again if I'm wrong. I gather there are no caps on fees and charges or interest rates charged to those clients, even though it's Canada that is basically assuming the guarantee on the loan. It's very sweet for the banks.

Are you concerned about the milking of these businesses, windfall profit, when the risk is all assumed by Canadians, but there aren't any caps or conditions around fees and charges, and the gouging of those companies that are struggling to breathe, to make ends meet and need this type of loan?

Mr. Michael Denham: We are concerned. We meet with the big BCAP banks every two weeks to talk about the program and its operationalization. I welcome feedback from all of you and others as to how it's being used, whether folks are being gouged, whether it is delivering the policy goal to get credit moving very quickly. When issues come up that need to be tackled, we tackle them. We're getting better or more frequent reporting in place for every two weeks. We'll get much more granularity around volumes, pipelines, decline rates, etc. As I say, I'd be happy to come back with the banks to take you through that.

We're trying to be as vigilant as possible to make sure that, with the banks, this program delivers on the expectations that entrepreneurs rightly have.

The Chair: Okay, we'll have to end that round there.

Before I go to Marty, on Peter's question, say, ABC company has a $4-million loan with one of the major banks. That loan is with them. You come in with the new scenario to get additional capital. Is that guarantee of the 80% only on the additional capital, or is it the additional capital plus the original loan?

Mr. Michael Denham: It's just on the new loan.

The Chair: Okay.

Mr. Michael Denham: The notion of this isn't to guarantee commitments banks have made. It's co-lending; it's not a guarantee. We take 80% of the value of loan, but it's only for net new money.

It's designed to get new credit flowing, rather than protect the banks vis-à-vis existing credit.

The Chair: All right. Thank you.

Mr. Michael Denham: I'm glad you addressed that point. It's very important.

The Chair: Thank you for that.

We'll go to five-minute rounds, with Mr. Morantz first, followed by Mr. Fragiskatos.

Marty.

Mr. Marty Morantz: Thank you.

Mr. Denham, what I wanted to chat with you about today is what some have described as the deferral cliff. We had Mr. Siddall from CMHC on a couple of weeks ago who talked about this. He said there are something like 12,000 deferrals between insured and uninsured residential mortgages.

BDC is involved in deferrals, as we just heard a few minutes ago. You referred to them as postponements, but this deferral cliff that people are describing.... I'm not arguing that these programs shouldn't be in place, but I am concerned that the ultimate effect of this will be that we're essentially kicking the can down the road. Ultimately, this money is not forgiven—you're not in the business of grants, as you said, nor is EDC—and it's going to be owing. As a banker, if a loan is in default, at some point you're going to have to execute on your security.

I'm just wondering if there has been any thought or planning or discussion with government, as we move through the ebbs and flows of this crisis, as you describe them, about what happens when we get to that point in time where these deferrals are owing.

● (1720)

Mr. Michael Denham: It's a real issue—there's no question—because there have been deferrals from CMHC, EDC and BDC, and I think every chartered bank and credit union has offered deferrals. That is an awful lot of payments that have accumulated and that have to get paid out.

I do think, looking at ourselves, that we will organize the repayments around those deferrals to make them less burdensome, but that said, it's still going to be an issue for the economy to deal with. When I've had conversations about this with some of our companies we deal with, they've recognized that they are going to be building up obligations to repay in the fall, but given the choice of the obligation to repay in the fall or to not pay any interest for the next six months, it was an obvious decision for them to make.

I think the collective deferral of payments was the right thing to do, but I think you're accurate in saying that it's going to lead to a challenge that we will have to tackle in the months ahead. I think each institution will do what it thinks is right. I know that we will be flexible and understanding—we get it—but I think you're right to put this as an important issue.

Mr. Marty Morantz: Yes, I think it's going to be a big issue.

Just to continue, you talked about risk and how the effect of the program is to make banks a little more comfortable in their risk-taking, which seems to be the opposite of what banks would normally be doing. Under ordinary circumstances, some of these loans probably would never be made.

I understand the reason they're being made, but what I'm having trouble reconciling, interestingly, is that when we had Mr. Siddall before the committee, he talked about the possibility of tightening their underwriting policies. In fact, they went and did it. They just made that announcement. The thrust of it was that he essentially cited COVID-related vulnerabilities in the financial market.

There we have on one side a government entity basically pulling their reins back and saying that they're going to make it more difficult for people to qualify for loans, and on the other side, on the commercial side, we're having government say, “We have to make sure there's liquidity in the business market”. I'm just wondering if you could reconcile these two approaches for me as I've described them.

Mr. Michael Denham: I don't want to comment on what has been said at CMHC, but I know that from the perspective of small business, which is our bailiwick, demand basically stopped, as we all know, for many weeks, and it's only now coming back. Companies were having no revenues coming in and they had bills to pay. They had rent to pay, they had people to pay, they had utilities to pay and they had accounts receivable to pay.

Frankly, the first requirement was to make sure that we got liquidity moving so that they had some money coming in, albeit in the form of loans, that they could use to pay their obligations and keep their business going. I don't think there was any choice. Look around the world. There was no choice involved, other than to get credit moving so that companies had some cash coming in that they could use to keep their businesses going.

I don't think anybody should be second-guessing that, because that was and in fact remains the right thing to do given the lack of demand and traditional [*Technical difficulty—Editor*]

Mr. Marty Morantz: I agree with you.

Just on interest rates, I know BDC has a number of floating base rate facilities out there, as many of the banks do. We've had now the former governor of the Bank of Canada on committee saying he thinks rates are going to go up. We had the PBO, Mr. Giroux, and many others say the same thing. If interest rates do start to rise and then we have the debt cliff coming that we've already discussed, I'm just concerned about what's going to happen down the road when these bills start coming due.

Do you also consider that it's likely interest rates will rise, given that they probably have no other way to go? If you put your banking hat on for a second, if you were to look out a year from now, where do you think rates might be?

Mr. Michael Denham: Again, based on the work that our chief economist research function does, we do not anticipate increased rates in the 12 to 18 months that lie ahead.

● (1725)

Mr. Marty Morantz: That's interesting.

Mr. Michael Denham: I think that would be the prevailing view of most lenders, most financial institutions.

The Chair: Thank you.

We'll turn now to Peter Fragiskatos, followed by Mr. Cooper.

Peter.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

Apologies in advance to the translators. I have lost the Internet connection in my office here, so I'm working off my phone, and I hope they can hear me. If they can't, please let me know.

If I can ask the question, sir, you said that BDC, and I'm quoting now, focuses “on the companies that represent some risk but can pay back the loan.” Can you define what is understood by “some risk”? How is that measured?

Mr. Michael Denham: If you look at our provisions, our allowances, and you look at the level, the percentage of investment grade companies we lend to, we take four times more risk than the chartered banks on average. We look at the ability of companies to repay. We look at their cash flows, their scenarios, etc., and we just have an ability.... We're able to put in the time and make the effort to understand the expected cash flows and underlying assets of these companies.

We take more risk. We take more losses as a result, but the combined effect is that we can stay responsible, maintain the capital we need and have the acceptable level of financial return.

Mr. Peter Fragiskatos: How would you say the current situation we find ourselves in compares to previous difficulties, say the post-2008 situation?

Mr. Michael Denham: The big—

Mr. Peter Fragiskatos: Just to clarify, I'm talking about BDC's role in terms of restart, recovery and helping businesses.

Mr. Michael Denham: What's fundamentally different, as you would all know, is that there was a massive credit crunch and credit crisis back in 2008-09. Our role was to, in many ways, inject some capital to support the banks. We put in place a number of secure securitization facilities because the alternative lender markets had basically fallen apart.

The issue now is different in the sense that the banks are functioning; they're robust. The efforts that so many people have made over the past number of years made sure they had the right capital base and continue to play their key role in times of stress like now. All of those efforts have paid off. The banks have the capital base in place. They're able to lend. Overall lending amounts, as you know, are up 20% or 30%. It's a fundamentally different crisis because Canada now has, again, a rock-solid set of financial institutions through which credit can flow to get to companies.

Mr. Peter Fragiskatos: Are there any lessons learned from previous situations? If it's not 2008, perhaps there's something else in terms of a playbook, or there's not. Is this truly completely unique from BDC's perspective? It sounds like it is.

Mr. Michael Denham: This situation is unique, but the one thing that we've learned in times of economic crisis, whether it was then or now.... We've been very active out in the oil patch since 2015 with the price environment.

The lesson that we've learned is that we shouldn't hesitate to step up. We shouldn't hesitate to adjust the levels of risk we take. We shouldn't hesitate to put in place new financing envelopes. We shouldn't hesitate to put in place new solutions because that is what a development bank is meant to do. We've learned to not hesitate. Jump in; step up. Do what's needed to make sure that credit continues to flow and companies are in a position to take advantage of the credit to invest, grow and fund their working capital.

Mr. Peter Fragiskatos: To what extent are you engaged with other development banks globally in terms of comparing strategies, of comparing notes, if you like?

Mr. Michael Denham: Highly, and actually, to your point, we recognized a number of years ago that there were key learnings we could get from other development banks. We formed and created a group, a federation, if you will, of development banks around the world. It's called The Montreal Group, since it was our idea.

That brings together the French development bank, the British Business Bank, Finnvera in Finland, the Mexican development bank, BNDES in Brazil and the Chinese, India, the Italians and the Spanish, etc. We get together regularly, but we also have just regular discussions through that to compare notes on what to do and what's being done in times like these. Certainly, the development bank in France, which is called Bpifrance, is quite similar to what we do. There's been a massive amount of exchange and learning on an ongoing basis since the crisis started.

● (1730)

The Chair: Thanks, all of you.

We'll go to Mr. Cooper, who will be followed by Annie Koutrakis.

Michael.

Mr. Michael Cooper: Thank you, Mr. Chair, and thank you, Mr. Denham.

Mr. Denham, you provided some results, a survey of BDC members, indicating some reason for optimism. You've provided some additional statistics, which are good news, but I think you'd admit that the one sector that probably is not all that optimistic at this time is the oil and gas sector.

You've acknowledged in your testimony today that in terms of the rollout of liquidity support it has been imperfect, or not as good as it could be, having regard for the fact that this is an emergency situation in which the oil and gas sector, more than any sector, is in dire, dire straits. We know that the announcement for liquidity support was back in mid-April. I was on the website today. There are very few details.

Now, you've said that good news is on the way in a matter of days. Can you clarify exactly what oil and gas companies can look forward to? When will be the day that they will finally be able to apply for this much-needed support?

Mr. Michael Denham: Thank you for the question. We have been slow getting to market and operationalizing this solution.

We've been frankly quite steadfast with respect to providing support over the years more to the SMEs that provide services to the oil and gas sector. Again, back in 2005, as I mentioned, when prices plummeted, we put in place an extra $1.2 billion, I think it was, in a financing envelope with different levels of risk to make sure in the days of that aggressive price decline that SMEs had access to the funding they needed. We get the importance.

Again, I anticipate that on Thursday or Friday of this week, or on Monday, we'll be issuing a press release and putting all the details on our website of the specifics of the junior loan financing program we're offering. Again, it's for loans between $12.5 million and $60 million. For E and P companies that need more than that, the right place for them to go is the LEEFF facility that has been set up.

As for the way this is structured, again, it's delivered through the banks because of the knowledge of the clients they have and the quality of due diligence they can provide. The basic structure is that it's a junior loan. What it means, really, is that companies pay back nothing just for the first year, and then for years two, three and four, interest payments on the principal. That principal payment is just meant to be paid in one shot as a bullet in year four.

Mr. Michael Cooper: Right, understood, and I appreciate that, Mr. Denham. It's good that the details will be announced on Thursday, Friday or Monday. In terms of the application process, when would that be?

Mr. Michael Denham: Again, we're insisting that companies learn about the program through us and apply to the program through their bank and the lead arranger. All the lead arrangers have been heavily involved in discussions so far. The banks would make it operational quickly. If an E and P were to call me to say, “What do I do?”, I'd say, “Go talk to your bank, here's the program and tell them what you need.” That will lead them through the bank to us.

Again, we're trying to move as quickly as we can because we recognize that every day and every week count.

Mr. Michael Cooper: Right, and what would the processing time be?

Mr. Michael Denham: It's a good question. It would be weeks. It depends on the complexity of the company, and it depends the specifics of their asset base. Again, there is so much expertise that the banks have around these companies that we're going to be able to short-circuit a lot of the traditional diligence and underwriting because of the role the banks are going to play.

The Chair: Jérôme is looking rather anxious. Did you want in there, Jérôme? Okay.

Go ahead, Michael. You have time for another question.

● (1735)

Mr. Michael Cooper: You're saying it could be several weeks—and I understand, obviously, depending upon the complexity of the specific application—but the bottom line of what you're saying is that the oil and gas sector can't look forward to seeing liquidity for another three weeks to a month in most instances.

Mr. Michael Denham: You know the sector better than anybody.

What really matters to the E and P companies, frankly, is getting their borrowing base firmed up. With the decline in prices, there's a real risk that the borrowing base gets firmed up at too low a price and asset value, so it's the EDC guarantee that is much more time sensitive and urgent, because that's what's essential to get the borrowing base bolstered up at an acceptable price.

For most clients we talk to about the liquidity we can provide, which they want, they need and they'll get, the top priority for them is to get their borrowing base firmed up with their bank, so that's where the EDC solution is required, but we don't play a role. We're ready, but I frankly don't think that the junior loan we're providing is going to be a critical path for most E and P companies. It's the borrowing base and the guarantee that they need first.

The Chair: Thank you.

We'll go to Ms. Koutrakis, and then we'll go on to Mr. Ste-Marie.

Annie.

Ms. Annie Koutrakis: Thank you, Mr. Chair.

Thank you to all of our witnesses from the BDC this afternoon. It is truly useful information that is being shared.

One of the recommendations that has been made by the BDC for building small business resilience is to diversify the product and supply chains. It goes without saying that this will be easier for some businesses and more challenging for others. What business or sector is the BDC expecting to struggle most with this diversification, and what can the BDC as well as the federal government do to support these businesses as they diversify their products and supply chains?

Mr. Michael Denham: This is a very important topic, and we researched it hard a couple of years ago.

What we found with diversification is that a staggeringly high number of companies, especially, frankly, in Alberta—a service provider to the oil and gas industry—were dependent on one client for over 60% of their revenues. We're not talking about diversifying from oil and gas to airlines or from retail to wholesale; we're talking about diversifying your source of revenue from client one to client two.

We think every company needs to diversify its client base, even within its core market, its client base, the geography-dependent traits and the segment it sells to. There are lots of sales and marketing tools, techniques and strategies that we've been introducing as a way to help people to migrate from a highly consolidated source of revenue to something much more diversified and, as a result, more stable and less risky.

Ms. Annie Koutrakis: The businesses that you've been in touch with or from what you're hearing out there, are they open to the recommendations? Are they willing to work and move in that direction based on the recommendations that are being made?

Mr. Michael Denham: Yes, they all get it. A challenge a lot of companies face.... We meet with some very small clients. We have some clients that are very small that are owner operated, and it's just hard for that owner-operator to have that. He or she is so busy fulfilling demand and taking care of the current customer set that it's just hard to find the time and the tools to diversify.

I think, without question, all entrepreneurs get it, because diversification means stability. The big challenge is just finding the tools and finding the time to make it happen.

Ms. Annie Koutrakis: How has BDC's experience been working with financial institutions to provide loans for the new programs? Can you comment on any challenges that the BDC has experienced in these partnerships and how have they been managed?

Mr. Michael Denham: Since we were formed 75 years ago, we've worked alongside banks and we have relationships with them in place. By definition, every client we lend to has a bank account and operating line from a bank, so our business is just working alongside banks.

On your question with respect to BCAP, what we've found is that the structure of our co-lending solution actually works and it's smooth and easy to administer. The thing we just need to collectively look out for is to make sure that the banks are taking full advantage of this credit enhancement to get outside their traditional and pre-existing risk sweet spot.

That's the collective challenge, so that they do what's expected and it puts it in the deal to find ways to lend more to clients than would otherwise be the case. That's a function where we have information flowing now and we have a dialogue in place.

That's the key thing that we need to make sure we get right.

● (1740)

Ms. Annie Koutrakis: What role does the BDC see young entrepreneurs playing in Canada's COVID recovery?

How important are programs such as Futurpreneur Canada to ensure that young entrepreneurs get the funding and the resources and professional service that they need to succeed? How will the government's commitment of $20 million be used for young entrepreneurs?

Mr. Michael Denham: I might ask my colleague Karen if she's comfortable with answering that question, because one of our key partnerships, frankly, one of the most important partnerships we have at BDC, is with Futurpreneur. As you know, we provide the vast majority of capital that they lend. That, frankly, is our best vehicle to provide loans to young entrepreneurs.

Karen, perhaps you can answer that question since you're closest to that relationship.

Ms. Karen Kastner: We were thrilled to find that Futurpreneur was given additional capital to be able to help during this very serious time.

As Michael said, we've been a long-standing partner of Futurpreneur, both in terms of providing capital that piles onto the capital that they provide to individual young entrepreneurs and also that we have a really good referral relationship with them. That's one of the things we've tried to do during these last couple of months, to really make sure that the ecosystem is working well together, whether it be building on our existing partnerships with organizations such as Futurpreneur, or making sure that where we can't help there's a warm hand-off to another organization that can. That goes for Futurpreneur, and we've also been working with the RDAs and with other partners just to make sure that the ecosystem is working as best it can in support of the businesses that really need our collective help.

The Chair: Thank you, Ms. Kastner.

We'll turn, then, to Mr. Ste-Marie and Mr. Julian, for a couple of minutes each, if they could.

Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Madam, gentlemen, my question concerns your corporate clients. The health crisis is having an economic impact. That is why the government has put in place various measures such as income support measures.

What is the picture that emerges from your client companies regarding salary support measures? Are they satisfied with the Canada Emergency Response Benefit and the Canada Emergency Wage Subsidy? Which of the two measures is used more often?

Furthermore, I have just raised the issue of maintaining workers' wages, but there is also the issue of fixed costs. There has been no direct subsidy in that regard.

Do the companies that do business with you feel that such a program would have been necessary, or do they feel that current loan programs are sufficient to cover these costs?

[*English*]

Mr. Michael Denham: I don't want to offer any conjecture on this point.

What I see, though, and I've mentioned this point before, and my inference from it is that through the reduction in demand on BDC for online financing loans and working capital loans, the clients are getting their needs met largely through the government programs that have been put in place around wages, around rent, around CEBA and so on.

I don't want to speak personally, because you've asked the question about what BDC knows. We haven't actually surveyed this question directly per se, but by inference, through the reduced demands on us, our assumption is that the needs, at least right now, are being met and have been met through these programs.

[*Translation*]

Mr. Gabriel Ste-Marie: I'm going back to the question I asked before, which wasn't clear enough.

Now that the economy is picking up, some restrictions are being lifted and people can start going back to businesses. Do your business clients see that the demand is there?

Earlier I was talking about income support. Is it enough? Isn't it more a question of consumer behaviour, whether it's related to the fear that people are still feeling, or the fact that they've changed their buying habits?

What do your client companies say about this?

● (1745)

[*English*]

Mr. Michael Denham: Right now, when I think about the obvious examples of retail or restaurants, it is clear that clients' habits have changed. We're not visiting these places as we used to. We're buying disproportionately online. As I said before, companies that had close to zero online sales are now quite active online. In many cases, it is the online sales that have saved the business.

Consumer buying factors, consumer buying behaviours, have changed significantly. What nobody knows is the extent to which that is going to endure in the months ahead as people feel more confident to get back into restaurants and get back into retail. Will they, or will they continue just to demonstrate the buying behaviours they're demonstrating now, which is buying things disproportionately online?

It's a very good question. I can't predict which way it's going to go. Frankly, a lot of our clients in these sectors are preparing themselves for a much more active online book of business, rather than the traditional come-in book of business. They're seeing these behaviours enduring. I guess we'll see in the weeks and months ahead. It's important for clients to be prepared for a much higher penetration of online business.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you.

We'll go to Mr. Julian next, who will be followed by Mr. Cumming. Then Mr. McLeod will wrap it up.

Peter.

Mr. Peter Julian: Thanks so much for being here today, Mr. Denham. I appreciate your comments about concerns with the banks.

I'm very much in touch with small businesses in my riding. A lot of them have found that there's been no support at all from Canada's big banks despite the fact that, as the OSFI tells us, there's been an accumulative level of support of three-quarters of a trillion dollars, $750 billion in liquidity, showered on Canada's big banks. They've declared five billion dollars' worth of profit so far in the pandemic. There is a real, emerging concern about this. I appreciate your legitimately saying that this is something that we absolutely have to monitor.

Do you have a sense of what the average interest rate would be for the BCAP loans once they start to be approved?

I understand that there's no cap, but do you have a sense of what the average interest rate would be or what the range would be from Canada's big banks on these loans?

Mr. Michael Denham: I don't. As I mentioned, we don't get the information until next week.

I want to make just one comment. If you look at the data from the Bank of Canada and look at non-mortgage—you know this—lending for March and April, you will see that it was up 22% in March and another 30% in April. In total, it's up $61.5 billion from the banks. This is putting aside the CEBA and other stimuli.

I hear the same frustration from a lot of our clients, partly relating to us, partly relating to the banks. We can't lose sight of the fact that there has been a pretty significant extension of non-mortgage lending from the financial institutions to the economy: $61.5 billion, 22% and 30% increases. Your comments are valid, but I want to make sure that we calibrate that in the sense that the financial institutions really have put a lot more credit into the market than was the case.

Mr. Peter Julian: Fair enough. However, I would just compare our local credit unions, Vancity and Community Savings, which reduced their interest rates to zero on lines of credit and credit cards because people are so desperate that they are having to borrow just to make ends meet and get through the month. The banks, as you know, have not done that.

I understand your point. The point back from individuals and businesses is that, ultimately, the banking sector is going to reap windfall profits from this crisis. It is already starting to. At the same time, it is not passing on all the largesse that it has received in the last few months to small businesses and to consumers.

I'll pass the microphone back to you, Mr. Chair.

● (1750)

The Chair: Thank you.

Mr. Michael Denham: We will keep our eye on that as well.

The Chair: We'll turn to Mr. Cumming, followed by Mr. McLeod.

Mr. Cumming.

Mr. James Cumming: Mr. Denham, you quantified that you're here to help the banks because they don't have the risk appetite. You said, "four times the risk". Is there a risk premium associated with that? I'm thinking of the co-lending program, where you're actually providing the capital, not a guarantee. What's the risk premium for that?

Mr. Michael Denham: Again, the banks do the adjudication, the decisioning, so it's the banks that will determine to authorize the loan. The banks will price that based on the risk they see on that individual loan. When I talk about "four times", that's our direct lending, where we take risk well beyond what I'm describing, but again, it's with the banks to price it. It with the banks to process it.

Mr. James Cumming: So whatever the—

Mr. Michael Denham: I haven't heard any stories of unacceptable rates of interest, but this committee has been a good reminder that this is something we'll need to look into carefully when this data starts to flow from them to us in the days ahead.

Mr. James Cumming: If you're providing 80% of the capital, I presume, then, whatever interest rate they set, you're achieving that level of interest.

Mr. Michael Denham: Correct.

Mr. James Cumming: They're just generating off their 20%.

Mr. Michael Denham: Correct.

Mr. James Cumming: Okay.

Mr. Michael Denham: The banking term for this is pari passu.

Mr. James Cumming: It just strikes me that if we're really trying to help these small businesses—I'm really looking forward to seeing the data—that's a huge issue for me. Along with what Mr. Julian brought up, you're picking up 80% of the risk. You're riding on whatever premium they've associated with it, but you're willing to take four times more risk.

To me, there's a bit of a disconnect here with the funding model versus the banks adjudicating it. I think the data will be critical to see if we're actually helping these businesses that need the help.

Mr. Michael Denham: Just as a reminder, we continue to have our direct lending business, which the BDC traditionally does. Again, we've authorized over $2 billion of loans since the year started. The working capital loan component of that is 14 times more than it was in the previous year. For direct lending, we're taking kind of four times the risk of existing banks. That direct lending solution will continue to exist and will continue to be there.

Again, it's a big number. We anticipate its staying big as companies continue to come to us when their needs can't get met elsewhere.

Mr. James Cumming: Yes, they can't get credit elsewhere, so there is a risk premium on that. Your lending practice on that is a premium over what the commercial rates are, as I used to understand it when we looked at BDC.

Mr. Michael Denham: Exactly.

Mr. James Cumming: Okay.

In terms of the data, some of these loans go back to March and April. I know you said there's a month's lag, but it's been several months now. Why the delay on the data for us? Particularly, there should be plenty of data with your direct loans, performance on those loans, the size of loans and those sorts of things. Is that the kind of data the committee can get from you now, or in due course?

Mr. Michael Denham: With BCAP it's the 15th day of every month. Some credit unions need the time to get the information pulled together. On the 15th day of every month they send their files to us, and that's where we get all the information. Then we fund the 80% that stay with us. Next week will be the first real data flow, because this will cover all authorizations during the month of May.

What we've learned, and what the banks have learned as well, is that having this information flow only once per month, especially now, just isn't frequent enough. We're putting in place biweekly reporting from the banks, which gives us more granularity and more detail. We're not waiting four weeks for each plug of information. That's something that we're putting in place as we speak. It means we don't have to wait until mid-July for the next installment of funding data.

Mr. James Cumming: I agree with you on diversity. You talked about diversity by client base, to a large extent. I would encourage you, with the oil and gas sector, that the quicker we can get something out there, the more likely we will have diversity of client base. I am deeply concerned that we'll see a massive consolidation and there will be no diversity of client. Thursday or Friday would be better than even Monday.

Thank you.

● (1755)

Mr. Michael Denham: I hear you.

The Chair: Thank you, James, for that point.

Mr. McLeod, you shall wrap it up. The floor is yours.

Mr. Michael McLeod: Thank you, Mr. Chair.

I have a couple of quick questions. I was very happy to hear some of the information that was provided, especially on the concern levels across the country going from 83% in March down to 63%. I expect that information is different depending on what region of the country you come from. I'm just wondering, in light of the extensive surveys that were done, what the concern levels are in the north.

Mr. Michael Denham: That's a very good question. We don't have the data in front of us. We will look into what we have and share what we have. I just don't know whether each survey has enough data from the north for it to be statistically significant, but whatever we can share that's meaningful, I'll make sure we do that.

Mr. Michael McLeod: It can't be extensive if you're leaving a good part of the country out. I'd appreciate it if you could provide me with that.

I'm also very curious to see if there are applications and participation from indigenous companies.

Mr. Michael Denham: That's a very good question. We've been working hard for the past while through NACCA, an organization you know, to get more funding available for the aboriginal financial institutions. We have our own indigenous business unit, but we've just concluded that the best way for us to reach as many indigenous entrepreneurs as possible is through the network of AFIs, which are tailor-made to do this.

We've been working with NACCA on a deal called the indigenous growth fund, which would set up a permanent facility that could be used to provide capital to the AFIs on an ongoing basis. We continue to work on that with them behind the scenes, but as you know, NACCA was given a funding envelope over the past couple of weeks to, in turn, deploy through the AFIs in this emergency situation.

Our indigenous business unit is active. We're excited about this facility. We've been working on it to get more permanent capital set up to support these AFIs. Again, some of the more intense emergency requirements, I think, from what Shannin has told me, are being met through this government funding via NACCA to the AFIs. That was announced a couple of weeks ago.

Mr. Michael McLeod: That's very exciting news.

I'll ask my last question, if I have time.

The Chair: Yes, go ahead.

Mr. Michael McLeod: Are we seeing applications from the north in general and, more specifically, the Northwest Territories?

Mr. Michael Denham: One of my good friends, Adeel Moghal, is our business centre manager. You may know him. He's up in Yellowknife. He is busy. We are getting applications from the Northwest Territories through Adeel. We have an office in Whitehorse as well.

Unless Karen can correct me, from what I've read, the levels of activity and demand we're having up there are in the same range, the same zone, as we're seeing nationwide.

The Chair: Thank you, Michael. We'll have to end it there.

I have a couple of questions.

We've had some concerns raised about personal guarantees with the BDC. How prominent is the personal guarantee side of the lending you do?

Mr. Michael Denham: Personal guarantees, as you all know, are a standard practice for any bank when it comes to unsecured lending. It's just to make sure that the borrower has skin in the game. It's like a large-scale version of the skin we all have in the game with respect to our credit card bills and telephone bills. The difference is that it's at a much higher scale.

Personal guarantees are things that we request. When the loan is against either secured assets or fixed assets as collateral, the guarantees are less important. Again, to the extent that the situation doesn't work out—I had to call today one of our clients in Guelph, Ontario—and the personal guarantee is called on, especially for us, we always have discussions with the entrepreneur in a very collegial and non-dramatic way. Again, personal guarantees are a core building block of unsecured lending.

The Chair: Yes, I know all about them from my farming days.

The other point is that the one thing we are short of in Canada is capital investment, especially private investment by companies, to invest in innovation, new technologies and job upskilling, training and so on. Coming out of this pandemic, do you have any suggestions for us?

The committee will be looking at what we do post-COVID, what we should be recommending in government policy, etc., in moving ahead to strengthen and improve our economy, productivity and investment. Do you have any suggestions you can offer on where we ought to be going?

● (1800)

Mr. Michael Denham: I know time is short, so you don't want a long-winded answer. I know there are two priorities. One is that there are some industries that are just going to stay hard hit for a while. I'm thinking of hotels, retail and aerospace-related industries. There I think we need to be vigilant in the medium term in terms of support. This is more Jérôme's direct bailiwick than mine, and we don't have time to hear from him. If we do, we should.

We have venture capital investments in over 800 companies across the country. Some of these companies are fantastic. There are a handful of unicorns in there. I think we need to make sure that we, collectively, ensure that these great cash-consuming, rapidly growing companies have access to the financing—especially equity financing—they need, and I think governments, both through the VCCI program and part of that BCAP program....

Ottawa has done a very good job and a very thoughtful job in making sure that incentives are brought to bear for equity investments to be available for these companies. I do think we can't lose sight of that, because these truly are remarkable companies that have come a long way. It would just be a real shame and sad for the country if we can't find a way to make sure they have access to the equity they need to continue to grow and ensure their rightful potential.

The Chair: Jérôme, we will give you a little space for a few words.

We'll be a little over, but we have a committee meeting following this, so we can squeeze in a little time. Go ahead if you want to add to that.

Mr. Jérôme Nycz (Executive Vice-President, BDC Capital, Business Development Bank of Canada): Thank you, Mr. Chair.

I think it's fair to say, as Michael said, that we have tremendous innovation in Canada. We have a thriving VC community and innovation entrepreneurs.

I think one of the challenges that we have in Canada is having interest from mid-sized companies and large companies in buying innovation from tech start-ups. Many of our tech start-ups are selling to the U.S. way before they are able to sell to Canadian companies. Bridging the gap between large corporates and the start-up community is key to enabling those relationships. We've done a number of initiatives in the past year to try to bridge that and bring innovation to these corporates.

I think the financial institutions, the FIs, have moved well in fintech and insuretech, but I think that traditional corporates are slow in adopting Canadian technology. Anything that could be done in that regard would be helpful for the start-up community.

The Chair: Thank you very much for that advice.

Thank you, all three, for your presentations, your answering our questions today, and also thank you for the work you do in terms of trying to make our economy more secure and getting businesses to make the investments to secure livelihoods for all Canadians.

With that, thank you again.

We'll suspend for about two minutes, and then we'll come back with the committee meeting to do committee business.

Mr. Michael Denham: Thank you, all. Thanks for the opportunity.

Ms. Karen Kastner: Thank you.

The Chair: Thanks very much.

● (1800)

____________________(Pause)____________________

● (1805)

The Chair: We'll call the meeting to order. This is in public. People should know that. We'll just go through the business until, hopefully, next December, but as you know, things are always subject to change.

I believe, David, you sent a copy of the report of the steering committee to members, so that's been done. You have that in your hand. We will discuss it. I know that Mr. Ste-Marie had a concern with one point. There's that to deal with, so we'll go through that report and discuss it fully. Also, Mr. Poilievre has a motion he wants to put on the floor.

We won't be able to hold committee meetings on June 25 as we proposed because the House of Commons is closing down to do technology upgrades and whatever between June 23 and, I believe, July 5. I don't have the exact dates but I believe that's it. We'll have to do something about that June 25 meeting if we go ahead with it.

The subcommittee report is before you. I don't believe it's necessary for me to read it. You have all had the opportunity to read it.

I'll just quickly explain that for paragraph 1(a) we've already had those meetings today.

For paragraph 1(b), on Thursday, June 11, we'll be hearing from the Minister of Finance, department officials as well as the Canada Pension Plan Investment Board and the Canada Development Investment Corporation.

For 1(c), on June 16 we'll hear from the new Governor of the Bank of Canada, and we'll do a second panel study of the main estimates.

For 1(d), on June 18 we'll dedicate a meeting to a panel composed of economists from the major Canadian banks. We ask that members submit their witnesses no later than the end of the day today. I want to remind people, because we've seen some of the names coming in, this is for bank economists and probably we should stick to bank economists. That's what the panel is for. I see Peter shaking his head. He can discuss that later. We'll let you in on that, Peter, but that was what that panel was for, bank economists. We had economists previously.

For 1(e), on Monday, June 22.... The reason we're going to Monday is that June 24 is Saint-Jean-Baptiste Day, and there are celebrations on June 23. We felt in fairness to anybody from Quebec that we should move the Tuesday meeting forward to the 22nd. On Thursday, June 25, we will have to make a change there, as indicated, on account of the House. Then there's Tuesday, July 7 and Thursday, July 9. All of those various meetings will be two hours and dedicated to hearing respectively from the Auditor General of Canada, the chief executive officer of the Canada Infrastructure Bank, the commissioner of the Financial Consumer Agency of Canada and the superintendent of Bankruptcy Canada, and another four hours will be dedicated to the hearing of witnesses who have requested to appear.

Let's deal with point one first, and see where we are on that. I don't know whether we want to go by agreement or by motion. We can do it either way, I think.

Is that possible, Mr. Clerk?

● (1810)

The Clerk of the Committee (Mr. David Gagnon): Yes. You can have some sort of agreement if you want, but the motion that was passed in the House requires that for any motion that is moved there be a recorded vote.

The Chair: Okay, that's fine. We can go to a recorded vote.

All right, are there any comments on point one? If we break it down that way, it might be easier to do. I know Peter had proposed a witness who wasn't from a bank.

Go ahead.

Mr. Peter Julian: Thank you, Mr. Chair.

I did propose a witness who understands the banking industry profoundly, and who I think it's fair to say is a very legitimate witness. When we talk about bank economists, I believe the intent is to make sure that we have economists with good knowledge of financial institutions, which this individual does.

Aside from that, I agree with everything you mentioned, including the fact that the House is shutting down, so June 25 cannot be a hearing date anymore, unfortunately.

The Chair: Okay. What do you want to do with the June 25 meeting? Where do you want to move that to? Do we want to cram it in and basically be done as a finance committee, except for emergency situations? It only takes four members to call a meeting. The House of Commons is meeting a number of days, as well.

Do we want to try to insert that meeting before July 9, or what? We can work on that. Does anybody have any comments?

Mr. Peter Julian: Sure. That makes sense.

The Chair: Peter's okay with that.

Gabriel, are you okay with that?

[*Translation*]

Mr. Gabriel Ste-Marie: There are two things I'd like to say.

About June 25, we could have a four-hour meeting on Monday, June 22. As for Mr. Julian's first request, I agree with him. We have the right to invite economists who know the banking sector well, even if they do not work in a bank. I agree with Mr. Julian on this point.

Mr. Peter Julian: Thank you.

[*English*]

The Chair: Do I see any other comments?

The clerk and I will work on tying that meeting to either the meeting on June 22 or one of the other dates. We'll try to get there.

On point two, that in relation to the committee's 2020-21 pre-budget consultations, we basically go with normal procedure. I've explained this before. We'll put a press release out in June, and the theme will be an economic restart and recovery. That's what we're proposing. That's open to change if people are not comfortable with it.

We'll ask for submissions to be sent to the clerk by August 7 at midnight, 11:59. All the submissions will have fewer than 2,000 words. We ask them to put their recommendations up front. The reason they're in that early is so that they can be translated and go out to members. Then we'll organize the hearings in the fall. Everyone who has made a submission is considered to have made a request to be a witness. We will have to sit down as a steering committee to try to work out that witness list, because sometimes there can be as many as 500 to 600 submissions.

The point that Gabriel was concerned about, paragraph 2(f), I believe it was, reads as follows: "notwithstanding the routine motion on the distribution of documents adopted by the committee on Wednesday, January 29, 2020, the clerk be allowed to publish briefs in the language they are written on the Digital Binder Site of the committee".

Just to explain why that was included, Gabriel, it's because there are a lot of submissions when they come in. It's going to take quite a while for them to be translated. They do have to be translated to be considered on the official record of the committee. It was just to give committee members the opportunity to pull them up on the digital site if they wanted some bedtime reading between July and August. That's the reason. Officially they have to be translated to be considered as submissions to the committee.

What's your thought on that?

● (1815)

[*Translation*]

Mr. Gabriel Ste-Marie: I appreciate your points, Mr. Chair. They are good ones. However, it goes against what we agreed to in January on the usual functioning of committees. The problem here is that it gives an advantage to those who are fluent in both languages or in English, since many more organization reports are tabled in English first. This gives an advantage to English-speaking MPs over French-speaking MPs.

In the spirit of Parliament, it has always been very important to put all members of Parliament on an equal footing, regardless of the official language they speak. I understand that this may delay things for a month or two and that it is a disadvantage, but, in keeping with the principle of equality in terms of the languages used in Parliament, I would ask you to withdraw item 2.f.

[*English*]

The Chair: I see Peter's hand up as well.

Go head, Peter.

Mr. Peter Julian: I agree with Mr. Ste-Marie. I think one thing we could do is to encourage organizations. We get a lot of briefs from companies and organizations that can do the translation themselves. I think that would be one where I agree with Mr. Ste-Marie on the principle.

I would suggest that we invite Canadians, if possible, to provide a translated document, English and French. I think we'll find a lot of the organizations and the companies will endeavour to do that for us, which will facilitate things so that there's not as much of a charge on the House of Commons. As to the principle of having both official languages, I can only agree completely with Mr. Ste-Marie.

The Chair: Could we do it this way, that for those submissions that come in both official languages, they be posted to the digital binder site right away? The ones that are not will go to translation. Are we agreed on that change?

Some hon. members: Agreed.

The Chair: That was number two. Point number three is that, when the motion was presented in the first House meeting after the pandemic started and we were all shipped out of Ottawa, part of the motion was the (k) part:

> (k) the Standing Committee on Finance be instructed to commence a review of the provisions and operation of the COVID-19 Emergency Response Act within six months of the day on which the act receives royal assent and to report its findings to the House no later than Wednesday, March 31, 2021....

What we're proposing in point three is that, in order to meet the requirements of that motion in the House, our very first meeting in the fall when the House reconvenes would be on that topic, to kind of organize ourselves. Then we would set that topic aside while we do pre-budget consultations and get that work done. As soon as possible after the pre-budget consultations are in the works, we would do the requirements to get a report done by March 31—hear the witnesses, complete it and have the report in the House no later than March 31. That way we're not mixing up the two subjects, and we meet the requirements that the House has asked us to meet by starting within six months.

That's the report. Does somebody want to move the report as amended with those slight changes that we've made, changing (f) to ensure that, if it's bilingual, it will go to the digital binder, and for June 25 we'll rejig that meeting. Does somebody want to move that?

● (1820)

Mr. Peter Julian: I so move.

The Chair: That's moved by Peter and seconded by Julie.

We'll go to a recorded vote.

(Motion agreed to: yeas 10; nays 0 [*See Minutes of Proceedings*])

Thank you all.

The floor is yours, Pierre.

I think the motion was sent out to the people. Perhaps you want to go to the motion, read it and then go to discussion.

Hon. Pierre Poilievre (Carleton, CPC): Thank you very much, Mr. Chair.

I think this should be a relatively uncontroversial motion that should achieve unanimous support from committee members today.

As all of you know, the Auditor General has indicated a shortage of funding. This is due to the exceptional volume of government spending in need of auditing and some specific tasks that Parliament has given the office. One is to audit the missing funds in the infrastructure program. The other is to audit the $152 billion of new spending in the last two and a half months in response to COVID-19.

There are also, of course, typically audits that the office is doing of its own accord without any parliamentary direction at all. The office has indicated, though, that this workload cannot happen with the current funding levels.

I'll put it into context here for clarity. This year government spending will be twice what it was a decade ago. It's hard to believe the government has doubled its expenses in just one decade, yet the Auditor General's budget has barely grown at the rate of inflation. The Liberal members—

● (1825)

Mr. Sean Fraser: I have a point of order.

I know during your prelude, Pierre, you indicated you hope to get support. I don't know if you were wanting to convince us with the introductory remarks, which you're entitled to, but I expect you'll find support from our side of the table for your motion. If it changes your approach to the sales job, that is information I thought you may want to have.

The Chair: I don't really believe that was a point of order, but we'll let it go.

Pierre, the floor is yours.

Hon. Pierre Poilievre: It was actually a helpful intervention. A wise salesman once told me that when you have the sale just shut the heck up.

If I do have the support of all members of the committee, then I will just put the motion forward. I did take my friend's intervention to mean that the Liberal members would support it. I do have past commitments from the Bloc and the NDP. With that knowledge, I'm going to just assume that everyone is still of the same view and I'll let my motion stand.

The Chair: All right, Mr. Clerk, we will have a recorded vote, please.

(Motion agreed to: yeas 10; nays 0 [*See Minutes of Proceedings*])

Is there any other business that anyone wants to bring up?

With that, thank you all. We'll see you on Thursday.

The meeting is adjourned.