

H

HOUSING NOW *Gatineau*

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

www.cmhc.ca

VOLUME 6, NUMBER 1,
FIRST QUARTER 2003

First months of 2003 leave new home market stable in the Outaouais

Residential construction sets off again on the right foot

With a total of 354 new dwellings started in the first quarter, the new home market posted 5 more new constructions than in 2002, for an increase of 1 per cent.

level of activity again this year. In fact, with a similar first quarter, residential construction had reached a peak in 2002.

These first results of the year certainly did not beat any records, but the high volume of construction seems to be pointing to a significant

Still, a more detailed analysis of the results for this first quarter revealed that certain housing types, and certain sectors, were more in demand than others.

continued on next page

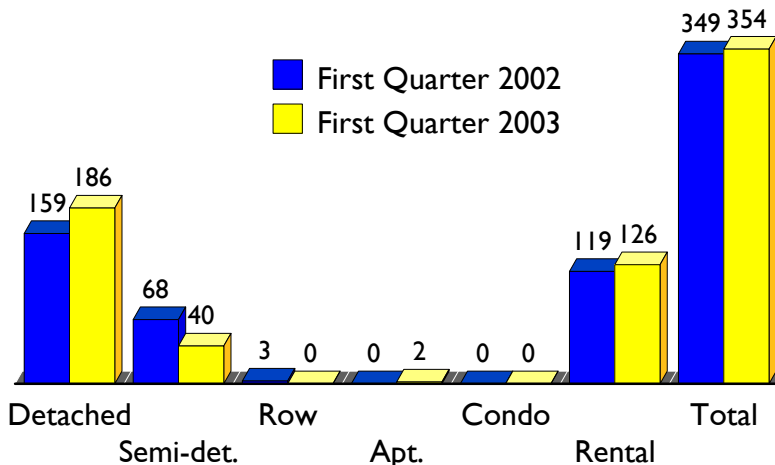
IN THIS ISSUE

- 1 First months of 2003 leave new home market stable in the Outaouais
- 1 Residential construction sets off again on the right foot
- 2 Detached housing upholds its reputation
- 2 Gatineau sector in demand

Tables

- 3 Summary of Activity by Intended Market
- 4 Housing Starts by Zone and by Intended Market
- 5 Detached and Semi-Detached Houses Absorbed by Price Range and by Zone
- 6 Housing Supply and Demand
- 6 Economic Overview
- 7 Definitions and Concepts
- 8 Publications
- 8 Gatineau CMA Zones

Housing Starts by Dwelling Type



HOME TO CANADIANS
Canada

Detached housing upholds its reputation

As in the past, detached housing dominated the market. Whether the market is posting positive or negative growth, this housing type always garners the lion's share. With 186 detached houses out of the total of 354 starts, it accounted for more than half of the activity. Compared to its performance in 2002, this housing type registered an increase of 17 per cent for January to March alone. The tight conditions on the resale market and the relatively low mortgage rates are certainly not extraneous to the persistently strong demand for detached homes.

With vacancy rates remaining low in the area, the rental housing supply is keeping up its efforts to meet demand. In all, 126 rental housing units were started in the first quarter of 2003, or 6 per cent more than in 2002. A sign of the times, 40 per cent of the apartments started are affordable housing units, reflecting the will to fulfill specific client needs.

In comparison with detached houses and rental dwellings, the other housing types looked quite miserable. With 40 starts, semi-detached housing sustained a decrease of over 40 per cent. As for row homes, apartments and condominiums, they were practically absent from the new construction results for the first quarter of 2003.

Gatineau sector in demand

Across the census metropolitan area (CMA), the Gatineau sector was indisputably the one where activity was the strongest. In fact, this sector alone posted 212 starts, or close to 60 per cent of all new constructions. Long privileged for the construction of single-family homes, the Gatineau sector is maintaining this trend in 2003. This sector accounted for over half of the single starts and also took away from Hull its virtual monopoly on rental housing construction. Close to 90 per cent (111 units) of the dwellings intended for the rental market were effectively started in the Gatineau sector.

The Hull sector, for its part, registered only 15 new rental housing units (compared to 109 in 2002). In the detached home

market segment, Hull's performance was also down, with a total of 28 houses, compared to 42 in the first quarter of 2002.

As for the other sectors within the CMA, the outlying sector remained stable, while Aylmer posted a gain of 16 per cent with 57 housing starts.

For more information about this publication, please contact our:

Customer Service

at

1 866 855-5711

or by Email:
cam_qc@cmhc.ca

**Housing Starts by Sector
First Quarter 2003**

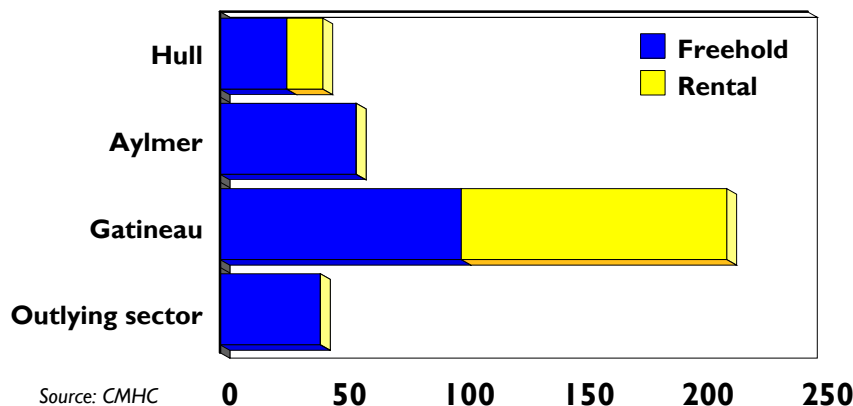


Table I
Summary of Activity by Intended Market
Gatineau Metropolitan Area*

Activity / Period	Ownership		Rental	Total
	Freehold**	Condominiums		
Housing Starts				
First Quarter 2003	228	0	126	354
First Quarter 2002	230	0	119	349
Year-to-Date 2003	228	0	126	354
Year-to-Date 2002	230	0	119	349
Under Construction				
March 2003	674	30	556	1,260
March 2002	551	0	233	784
Completions				
First Quarter 2003	483	0	17	500
First Quarter 2002	306	0	175	481
Year-to-Date 2003	483	0	17	500
Year-to-Date 2002	306	0	175	481
Unoccupied				
March 2003	211	0	28	239
March 2002	62	0	64	126
Absorptions				
First Quarter 2003	404	0	15	419
First Quarter 2002	331	0	115	446
Year-to-Date 2003	404	0	15	419
Year-to-Date 2002	331	0	115	446
Duration of Inventory (in months)				
March 2003	1.5	0.0	1.1	1.5
March 2002	0.6	0.0	3.1	1.0

*As per the old delimitations

** Freehold Duplex

Source: CMHC

Table 2
Housing Starts by Zone and Intended Market
Gatineau Metropolitan Area*

Zone / Period	Ownership					Rental	Total
	Freehold**				Condo- miniums		
	Single	Semi	Row	Apart.			
Zone 1: Hull							
First Quarter 2003	28	0	0	0	0	15	43
First Quarter 2002	42	36	3	0	0	109	190
Year-to-Date 2003	28	0	0	0	0	15	43
Year-to-Date 2002	42	36	3	0	0	109	190
Zone 2: Aylmer							
First Quarter 2003	33	24	0	0	0	0	57
First Quarter 2002	35	14	0	0	0	0	49
Year-to-Date 2003	33	24	0	0	0	0	57
Year-to-Date 2002	35	14	0	0	0	0	49
Zone 3: Gatineau							
First Quarter 2003	95	6	0	0	0	111	212
First Quarter 2002	53	12	0	0	0	0	65
Year-to-Date 2003	95	6	0	0	0	111	212
Year-to-Date 2002	53	12	0	0	0	0	65
Zone 4: Periphery							
First Quarter 2003	30	10	0	2	0	0	42
First Quarter 2002	29	6	0	0	0	10	45
Year-to-Date 2003	30	10	0	2	0	0	42
Year-to-Date 2002	29	6	0	0	0	10	45
TOTAL GATINEAU METRO							
First Quarter 2003	186	40	0	2	0	126	354
First Quarter 2002	159	68	3	0	0	119	349
Year-to-Date 2003	186	40	0	2	0	126	354
Year-to-Date 2002	159	68	3	0	0	119	349

*As per the old delimitations

** Freehold Duplex

Source: CMHC

Table 3
Single-Detached and Semi-Detached Houses Absorbed by Price Range and by Zone
Gatineau Metropolitan Area* - First Quarter

Type	Less than \$90,000		\$90,000 to \$109,999		\$110,000 to \$129,999		\$130,000 to \$149,999		\$150,000 and more		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Zone 1: Hull												
Single	0	0	0	2	7	11	22	22	39	19	68	54
Semi	5	0	4	2	0	0	0	0	0	0	9	2
Zone 2: Aylmer												
Single	0	0	4	3	26	6	20	13	23	23	73	45
Semi	0	1	3	4	12	5	3	0	2	0	20	10
Zone 3: Gatineau												
Single	0	0	10	14	61	42	38	24	90	42	199	122
Semi	0	0	3	4	0	2	0	0	0	0	3	6
Zone 4: Periphery												
Single	0	6	7	19	33	14	13	15	38	35	91	89
Semi	20	3	0	0	0	0	0	0	0	0	20	3
TOTAL GATINEAU METRO												
Single	0	6	21	38	127	73	93	74	190	119	431	310
Semi	25	4	10	10	12	7	3	0	2	0	52	21

*As per the old delimitations

Source: CMHC

Obtain low cost data on the Gatineau market

Each housing market is unique and it is impossible to meet all needs in a single publication. However, we can respond to specific requests to help you better understand your market.

In addition to supplying long term statistical data, we can develop special compilations based on your own criteria.

Contact us!

Tel.: 1 (866) 855-5711

Table 4
Housing Demand and Supply
Gatineau Metropolitan Area* - March 2003

Type	Under construction	Unoccupied	Short-Term Supply	Absorptions (Trend*)	Supply / Absorption Ratio
Freehold	674	211	885	138	6.4
Condominiums	30	0	30	0.25	120.0
Rental	556	28	584	26	22.3

*As per the old delimitations

** 1/2-Month Average

Sources: CMHC

Table 5
Economic Overview
Gatineau Metropolitan Area*

	First Quarter		Trend (Jan.-Mar.)		Variation (%)
	2002	2003	2002	2003	Trend
Labour Market					
Population 15 years and + (000)	208.8	213.8	208.8	213.8	2.4
Labor Force (000)	142.4	146.7	142.4	146.7	3.0
Employment Level - Total (000)	131.4	135.8	131.4	135.8	3.3
Employment Level - Full Time (000)	111.4	113.1	111.4	113.1	1.5
Unemployment Rate	7.8%	7.4%	7.8%	7.4%	n.a.
Mortgage Rates (1) (%)					
1-Year	4.8	5.1	4.8	5.1	n.a.
5-Year	7.1	6.6	7.1	6.6	n.a.
Annual Inflation Rate (2)					
	1.5	4.2	1.5	4.2	n.a.
Consumer Confidence Index (1991=100) (2) (Seasonally Adjusted)					
	131.2	125.8	131.2	125.8	n.a.

*As per the old delimitations

Notes: (1) Canada (2) Province of Québec

Sources: Statistics Canada. Conference Board of Canada

Definitions and Concepts

NOTE TO READERS: Prior to July 2002, the CMHC Starts and Completions Survey consisted of a monthly enumeration of new housing activity in urban centres with a population of 10,000 persons and over. As of July 2002, the survey will be conducted monthly in urban centres with a population of 50,000 persons and over and quarterly in urban centres with a population of 10,000 to 49,999 persons. Statistical models will be used to estimate provincial and national housing starts in urban centres with a population of 10,000 persons and over, on a monthly basis. The methodology is unchanged for estimating housing starts in rural areas (areas other than urban centres with a population of 10,000 persons and over). In these areas, a sample survey is used on a quarterly basis. As was the case in the past, statistical models continue to be used to estimate national housing starts in all areas on a monthly basis. This quarterly Housing Market publication provides statistical data and analysis of the trends in the Intended Markets for the Gatineau Metropolitan Area.

Intended Markets - There are three: the Freehold market refers to Single-Family Houses (Detached, Semi-Detached and Row) owned under freehold; the condominium segment comprises houses and apartments held under divided co-ownership; and finally the rental market encompasses apartments dwellings.

Housing Starts - Refer to the beginning of construction work on a building, usually when the concrete has been laid for the whole of the footing around the structure, or equivalent stage where basement will not be a part of the structure.

Under Construction - Refers to units that have started but are not complete. The number of the units under construction at the end of a period may take into account certain adjustment that took place, for various reasons, after the starts have been reported.

Completions - Refer to units where all proposed construction work has been performed or in some cases where ninety percent of all construction work is completed and the structure is fit for occupancy.

Unoccupied Units - Refer to new completed units that have remained unoccupied.

Total Short Term Supply - Refers to the total supply of new units and includes units under construction and units that are completed but not occupied.

Total Medium Term Supply - Refers to the total supply of new units and includes units under construction, units that are completed but not occupied and the permits issued but not started.

Absorption - Refers to newly completed units which have been sold or rented. The number of absorptions is obtained from a survey initiated when the structure is completed. Units presold or pre-leased are not included until the completion stage. The number of absorbed units is the number of completed and unoccupied units from the previous quarter plus completions for the current quarter minus completed and unoccupied units for the current quarter.

Duration of inventory - Refers to the period necessary for the absorption of unoccupied units, i. e. the ratio between unoccupied units and absorbed units (average for the last twelve months).

CMHC Market Analysis Centre Publications

<i>National</i>	<i>Province of Quebec</i>	<i>Metropolitan Areas - Province of Quebec</i>
<ul style="list-style-type: none"> National Housing Market Outlook Mortgage Market Trends Canadian Housing Markets and many more 	<ul style="list-style-type: none"> Housing Now FastFax 	<ul style="list-style-type: none"> Housing Market Outlook (1) Rental Market Report (1) FastFax - Rental Market Report (3) Analysis of the Resale Market (2) Retirement Home Market (1) <p>(1) Available for all metropolitan areas: Chicoutimi, Gatineau, Montréal, Québec, Sherbrooke and Trois-Rivières (2) Available for Montréal and Québec only (3) Available for all urban centres with population of more than 10,000 inhabitants</p>

To subscribe, please contact our Customer Service Centre:

For publications produced nationally or in other provinces, call 1-800-668-2642
 For publications produced in Quebec, contact the Quebec Market Analysis Centre at 1-866-855-5711

For more information about your local market, please contact our analysts:

Province of Québec: Kevin Hughes (514) 283-4488	Montréal: Paul Cardinal (514) 283-8391	Québec: Jean-François Dion (418) 649-8101	Gatineau: Bertrand Recher (819) 779-2007
Sherbrooke: Hélène Dauphinais (819) 564-5622	Sandra Girard (514) 283-5075 Jean Laferrière (514) 496-8564	Trois-Rivières: Pascal-Yvan Pelletier (418) 649-8102	Saguenay: Benoît Allaire (418) 649-8100

Gatineau Metropolitan Area Zones

Zones	Municipalities or Sectors	Large zones
1	Hull	Centre
2	Aylmer	Centre
3	Gatineau	Centre
4	Buckingham, Cantley, Chelsea, La Pêche, Masson-Angers, Pontiac, Val-des-Monts.	Peripheral Area

Housing Now is published four times a year for the Gatineau Metropolitan Area. Annual Subscription to the Gatineau Housing Now is \$55.00 plus applicable taxes. For more information, or to subscribe, contact our Customer Service Centre at 1-866-855-5711.

© 2003 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada Mortgage and Housing

Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this publication are based on

various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibilities.

F

ORECAST

Gatineau

Spring - Summer 2003

SUMMARY

Canada Mortgage and Housing Corporation

Good years in sight for the Outaouais

Following an exceptional year in 2002, the Gatineau housing market will continue to do very well. Despite a slight decline, the two years to come should post steady levels of activity in the residential construction sector. In fact, around 2,450 new units are expected overall in 2003, representing a drop of 4 per cent from the 2,553 starts recorded in 2002.

The downward trend should keep going in 2004, but the high volume of construction will be the reflection of an area that is now well on the road to prosperity. The new home market, which will benefit from good economic conditions and renewed interest in the Outaouais on the part of Ontarians, should register about 2,350 starts, for another decrease of 4 per cent in relation to this year.

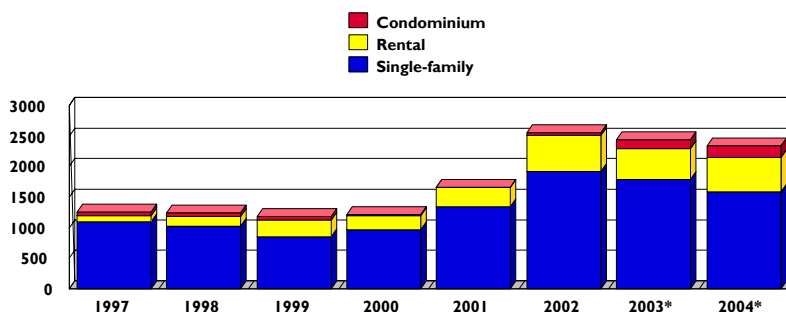
On the resale market, the number of transactions will decline throughout 2003 and reach 3,450 units (-10 per cent compared to 2002). With new listings gradually returning, and demand now not as strong and more exacting, the market will move closer to a balanced level. In all, 3,100 dwellings will change hands in 2004 (-10 per cent in relation to this year). Here again, the number of transactions will remain clearly higher than during the past decade.

As for the rental market, the vacancy rate hikes will remain in check. The arrival of new rental units will not be sufficient to offset the growing demand, even with the current homeownership wave that will contribute to minimizing the increase in the demand for rental housing.

IN THIS ISSUE

- 1 Good years in sight for the Outaouais
- 2 U.S. recovery delayed once again
- 2 Resale market easing, but still solid
- 3 New home market diversifying
- 4 **Forecast Summary table**

Housing Starts



* Forecast
Source: CMHC



HOME TO CANADIANS
Canada

U.S. recovery delayed once again

For our neighbours to the south, the economic recovery remains uncertain, even with the end of the hostilities in Iraq and the recent upturn in consumer confidence. Contractors are still short on orders, and their financial situation is less than enviable. The job market indicators, the key to consumption and economic growth, are down. The unemployment rate is currently on the rise (6 per cent in April), and job losses are being recorded (525,000 in the last three months). The turnaround in corporate investment is now forecast for the second half of the year. This last factor will mark the return of a real and solid economic recovery.

The Canadian economy, for its part, continues to grow, despite a somewhat weaker domestic demand with the decrease in exports and the increase in the loony. Canada's GDP growth was 3.4 per cent in 2002, versus 2.4 per cent for its American neighbour. Inflation in the country remains well above the Bank of Canada control target of 2 per cent. This factor, along with economic activity that is nearing the limits of its capacity and the expected strengthening of U.S. activity, drove Canadian monetary policy authorities to set the official policy rate on an upward course. Consequently, mortgage rates are expected to firm up as interest rates rise this year and in 2004.

Future homeowners should expect moderate hikes in short-, medium- and long-term mortgage rates. For 2003, CMHC forecasts that the average rates on a closed mortgage will be 5.45 per cent for a one-year term, 6.43 per cent for a three-year term and 7.01 per cent for a five-year term. Next year, for these same terms, the rates should reach 6.82 per cent, 7.64 per cent and 8.18 per cent, respectively.

In the area, economic growth will be more significant this year, with the public service now hiring and the high technology sector stabilizing. While the Ottawa-Gatineau economy had grown by just 0.9 per cent and 1.3 per cent in 2001 and 2002, the Conference Board forecasts a gain of 3.7 per cent this year. In all, the number of workers in the area

should rise to 595,000 from 578,000 in 2002. The federal government is still the principal employer, with over 100,000 workers. In the area, the unemployment rate should reach about 7.2 per cent toward the end of the year, compared to 7.3 per cent in 2002. The Quebec part of the census metropolitan area (CMA), which has had nothing to envy its Ontarian side with regard to job growth and the unemployment rate for the past year, should continue to benefit from this situation.

Resale market easing, but still solid

In 2001 and 2002, the resale market price adjustment mechanism was going full tilt, as this sector was marked by a plummeting supply and a soaring demand. After some substantial hikes (+9 per cent in 2001 and +15 per cent in 2002), asking prices in the Outaouais have now exceeded those recorded in the early 1990s (in constant dollars).

The decrease in sales that began around the middle of 2002 will continue but will not accelerate. Throughout 2003, homeowners will be benefiting from the re-assessment of the market, and more of them will be testing its waters. The ensuing rise in new listings will curb the decrease in supply. Another factor essential to the progressive stabilization of the market will also come into play:

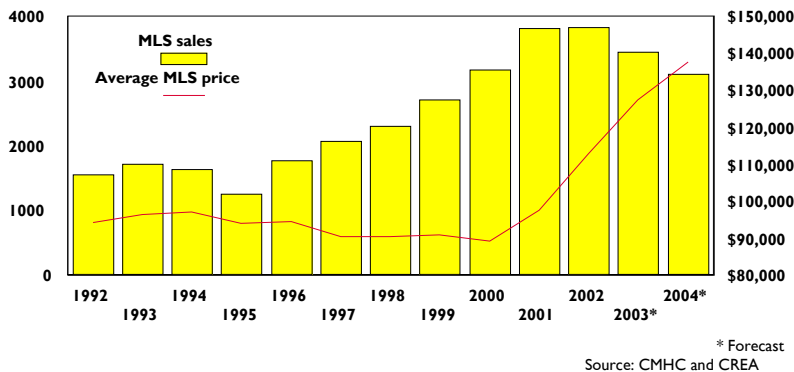
demand will be less vigorous as mortgage rates will rise and the modest gain in full-time jobs recorded in 2002 in the Gatineau CMA will impact the resale market.

While demand conditions will remain good in 2003, potential buyers will be more difficult, given the recent adjustment in prices. Quality homes in the single-family home segment will keep selling without delay, which will cause prices to rise, but at a slower pace.

The adjustment of the demand to the new price reality will also be reflected in the types of homes purchased. With sales in the single-family home segment (77 per cent of transactions at the beginning of the year) having already started on a downward course, more and more buyers will be turning to new or existing condominiums. This last market segment is still posting a slight increase in sales, despite a limited housing stock (more than 10 per cent of transactions in 2003). Condominium units, which are generally more affordable, will post the greatest gain.

In all, there will be 3,450 transactions in 2003, compared to 3,823 last year (for a decrease of 10 per cent). After having reached a low point of 1,532 units at the end of 2002, active listings will slowly go back up and attain 1,800 units by the end of 2003. With demand still strong, prices will rise by 13 per cent to an average of

Resale Market



\$127,000 by the end of the year. In 2004, the market will be more balanced, as it will post 2,400 active listings and 3,100 sales (-10 per cent). The average price of homes sold will go up by 8 per cent.

New home market diversifying

Several factors will continue to support a dynamic new home market. Not only is the limited choice of existing homes pushing many consumers to turn to new housing, but the fact that the resale market is largely favouring sellers is also inciting numerous homeowners to sell their properties in order to buy homes that better suit their tastes. In this context, mid-to-upper range detached housing will continue to account for the bulk of the starts. This phenomenon, combined with higher construction costs, will lead to further significant increases in the average price of new homes (+13 per cent in 2003 and +7 per cent in 2004 for detached houses).

At the same time, though, the rising prices are essentially limiting demand to that from move-up buyers, and this last demand is bound to weaken as the resale market eases. The arrival of Ontarian households will partly offset this decline. Current home prices, lower property taxes and \$5 day care services are in fact excellent reasons that will likely attract Ontarian buyers looking for affordable homes. Following the peak in 2002,

CMHC forecasts a small decrease in single-family home starts in 2003 (-7 per cent and 1,800 units). This downward movement will intensify in 2004 when mortgage rates will go back up (-11 per cent and 1,600 dwellings). However, the growth in the population and employment in recent years will support high levels of construction.

In general, there are still very few homes built without orders, which shows that the market remains in good health. Builders quickly adjust to the tastes and preferences of their clients, in line with their income.

In this sense, the upsurge in condominiums this year is meeting demand from two specific sources: first, young households, for whom single-family homes have become inaccessible and, second, and more significantly, households aged 55 years or older, with no children, who are seeking less space and maintenance. Many condominium projects are now on developers' drawing tables, a sign that this housing type is bound to post growing success in the Outaouais. For the condominium segment, the market will be in a test phase during 2003. If the order books of builders and developers fill up rapidly, new players will undoubtedly rush into this niche. The scenario of 150 starts is maintained for 2003. Then, such starts should go up by 33 per cent in 2004, to 200 new units.

Rental housing construction will still not be beating any records in 2003 or 2004.

However, the dwellings built will meet a varied demand: traditional private units, dwellings intended for students and for seniors, and also affordable housing. Over the next two years, more than 210 affordable housing units will get under way, thanks to government programs, in partnership with the city of Gatineau. It should also be noted that some rental housing complexes with affordable rooms and some private recycled buildings will also be fuelling the rental market. However, the units in these projects will not be accounted for in the starts data.

Rental housing starts are expected to remain relatively stable for the next two years. There will be a downturn in the retirement home segment, mainly due to the significant activity posted in this market segment in the last two years. Traditional rental housing will continue to comprise small wood-and-brick structures (for example, row duplexes or triplexes). This formula appeals to tenants and limits the costs of the new homes and therefore the rents charged. In all, there should be 500 starts in 2003 (-16 per cent) and 550 in 2004 (+10 per cent). The arrival of this new supply, however, will only allow for modest hikes in the vacancy rate (0.8 per cent and 0.9 per cent). Demand in the area will effectively remain strong on account of the rise in immigration levels and the increase in the number of students, on both the Quebec side and the Ontario side, with the arrival of a double cohort of students for the start of the university year in September (abolition of Grade 13 in Ontario).

For more information about this publication, please contact our:

Customer Service
at

Tel.: | (866) 855 5711

or by Email:

cam_qc@cmhc.ca

FORECAST SUMMARY

Gatineau Census Metropolitan Area

Spring - Summer 2003

	2001	2002	2003f	2004f	2002/2003	2003/2004
RESALE MARKET						
Active MLS listings	1,954	1,532	1,800	2,200	17%	22%
MLS sales						
Total	3,818	3,823	3,450	3,100	-10%	-10%
Average MLS price (\$)						
Overall market	97,676	112,755	127,000	137,000	13%	8%
NEW HOME MARKET						
Housing starts						
Total	1,659	2,553	2,450	2,350	-4%	-4%
Single-family houses	1,353	1,929	1,800	1,600	-7%	-11%
Condominiums	0	30	150	200	400%	33%
Rental housing units	306	594	500	550	-16%	10%
Average price (\$)						
Detached houses	145,132	146,163	165,000	176,000	13%	7%
Semi-detached houses	93,270	93,157	100,000	104,000	7%	4%
RENTAL MARKET						
Vacancy rate (%)	0.6	0.5	0.8	0.9	---	---
Change in rents from previous year (%)	6.0	4.0	5.0	4.0	---	---
ECONOMIC OVERVIEW						
Mortgage rate - 3-year (%)	6.9	6.3	6.4	7.6	---	---
Mortgage rate - 5-year (%)	7.4	7	7	8.2	---	---
Change in employment from previous year	350	1,925	3,000	2,000	56%	-33%
Unemployment rate (%)	7.1	6.9	7	7.1	---	---

f:CMHC forecast

© 2003 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada Mortgage and Housing

Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this publication are based on

various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibilities.