



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

45th PARLIAMENT, 1st SESSION

Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

EVIDENCE

NUMBER 036

Thursday, May 7, 2026

Chair: Robert Morrissey



Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

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• (0815)

[Translation]

The Chair (Robert Morrissey (Egmont, Lib.)): I call this meeting to order.

Good morning, everyone. Welcome to meeting number 36.

[English]

of the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities.

Pursuant to the motion adopted on Thursday, April 23, the committee is meeting on the management and impact of benefits delivery modernization, BDM, for the first hour and on housing starts for the second hour.

Today's meeting is taking place in a hybrid format, pursuant to the standing orders. Members are appearing virtually on Zoom and—

[Translation]

Eric Lefebvre (Richmond—Arthabaska, CPC): Excuse me, Mr. Chair, but we don't have interpretation.

Louis Villeneuve (Brome—Missisquoi, Lib.): Interpretation is working fine on my end.

[English]

Eric Lefebvre: I'm sorry about that.

The Chair: Members are attending virtually and in the room. Those appearing virtually have been sound-tested and approved.

Before we begin, I remind all members that they have the option of participating in today's meeting in the official language of their choice.

Please select the correct channel before the meeting begins to ensure that you have the language of your choice, in order to avoid disruptions. If there is a breakdown in interpretation, get my attention. We'll suspend while it is being corrected. If you're appearing virtually, click on the globe icon at the bottom of your Surface and choose the official language of your choice.

Please direct all questions through the chair and wait until I recognize you by name before speaking. If you have any devices with you, put them on silent mode so they do not go off and cause issues for the interpreters. Please refrain from tapping the boom of your mic because that can cause hearing issues for the interpreters.

This morning, for the first round, I welcome Cliff Groen, associate deputy minister and chief operating officer for Service

Canada; and Brian Hickey, assistant deputy minister, benefits delivery modernization implementation and service design branch.

Welcome. You have up to five minutes for an opening statement if you wish to make one.

• (0820)

Cliff Groen (Associate Deputy Minister and Chief Operating Officer for Service Canada, Department of Employment and Social Development): Thank you very much, Mr. Chair.

[Translation]

As you indicated, my name is Cliff Groen. I am the associate deputy minister for the Department of Employment and Social Development and chief operating officer for Service Canada.

[English]

I would like to begin by acknowledging that the land on which we gather today is the traditional unceded territory of the Algonquin Anishinabe people.

[Translation]

On behalf of the department, I would like to thank you for the opportunity to appear before this committee today. It's a pleasure for me to be here because this program is very important for all Canadians. I'm happy to be here to answer your questions.

[English]

I am accompanied today by my colleague Brian Hickey. As indicated, he is the assistant deputy minister of the benefits delivery modernization implementation and service design branch.

As this committee is aware, our department has been investing in benefits delivery modernization, which is replacing legacy technology platforms that deliver income security benefits, such as old age security, employment insurance and the Canada pension plan, because Canadians absolutely deserve functional, responsive and dependable services. OAS, EI and CPP are the foundations of Canada's social safety net, and any interruption on account of aging systems could significantly affect recipients in meeting their basic daily needs.

[Translation]

We have long known that the IT systems that support these critical benefits were at serious risk of failure. In fact, back in 2010, the Office of the Auditor General highlighted the absolute need to take action to ensure that these important benefits will continue to be there for Canadians.

The old age security program was the first to be onboarded to the new platform last year. The system is operating as expected and is delivering results for Canadians already.

[English]

As of April 30, 2026, the new system has issued nearly 100 million payments to more than 7.7 million Canadians, with a total value of nearly \$87.5 billion.

Work has also already begun to move the employment insurance program onto the new platform. In fall 2025, the first EI benefit to move to the platform was successfully deployed, as part of a series of upcoming releases. It was EI compassionate care benefits for the self-employed.

The call centre technology modernization project is also well under way. In fact, just last month the first of 14 call centres was successfully deployed onto the new call centre platform.

[Translation]

In summary, the benefits delivery modernization program, or BDM, is more than just an old age security migration; it is a digital transformation across multiple programs and business lines.

It's clear that even one senior citizen waiting months for their old age security benefits is one senior too many. We take this situation very seriously.

[English]

An OAS action plan was implemented to improve service delivery results, decreasing the overall inventory of new applications, and reducing the number of clients waiting for initial payment beyond the first month to 50,000 at the end of April, which is a decline of 35,000 since the end of January.

Mr. Chair, I'd also like to take a moment to reiterate the costs for the programs very clearly.

First, from 2017, with the initial authority to start the initial planning for the BDM program through to the end of the last calendar year, December 2025, \$1.8 billion has been spent on the BDM program. That includes the OAS migration completed last year. The OAS project was actually delivered approximately 6% under budget.

Second, it's important to understand that the figure of \$6.6 billion represents an overall multi-year estimated forecast for the entire BDM program through 2030-31. In addition to OAS, EI and call centres—all of which have either been completed or are under way—this work also includes migrating CPP to the new platform. That work has not yet begun. The funding also includes contingency funding—which is essential for any large projects of this scale—that has not been required, to date.

Third, the estimate of the total cost has evolved. The myriad of costs needed to be considered could not possibly have been known at the outset of this program. That was why very deliberately the initial estimate was of a rough order of magnitude. The estimate was established and then costs evolved as expected.

• (0825)

As the largest transformation in the history of the Government of Canada, we are doing many things for the first time. Hence it is very clearly understood why, as expected, the costs have evolved.

[Translation]

I'd now like to clarify a funding announcement in the recent spring economic update.

Specifically, \$176 million was proposed in the 2026 spring economic update to increase old age security processing capacity to address increased workload given the continued increase in the number of old age security beneficiaries, and for system maintenance and support. This funding was not for the projects within the BDM program; the \$6.6 billion program estimate will not increase.

[English]

My apologies, Mr. Chair, for going too long.

This crucial transformation has been undertaken in a responsible and transparent manner in a series of well-planned and prudent phases within the appropriated budget.

I'm very pleased to be here today to answer any questions you may have.

Thank you.

[Translation]

The Chair: Thank you.

We'll start the first round of questions.

You have the floor for six minutes, Mr. Lefebvre.

Eric Lefebvre: Thank you, Mr. Chair.

Good morning, everyone.

Thank you both for being here.

I have some questions for you, Mr. Groen.

How many employees report to you?

Cliff Groen: As the person responsible for Service Canada, I have around 30,000 employees across the organization.

Eric Lefebvre: Okay.

Can you provide us with your organizational chart showing the titles and positions of every employee, without revealing their names please?

Cliff Groen: Yes, of course.

Eric Lefebvre: Thank you.

Some of your employees have written to me to say that the system is unusable.

How many times has the minister accompanied you on the ground to meet with the employees who use the Cúram system?

Cliff Groen: We have regular discussions with Service Canada employees across the country.

Eric Lefebvre: I'm sorry, but I only have six minutes.

How many times has the minister accompanied you on the ground to meet with employees?

Cliff Groen: I can't give you a specific answer, but I've attended several meetings between the minister and employees.

Eric Lefebvre: Has the minister met with employees to ask them about issues with the system?

Cliff Groen: As far as I know, there hasn't been a specific meeting between the minister and employees regarding the old age security system, but I've had many in-person and virtual meetings with employees to discuss this issue.

Eric Lefebvre: You're confirming that the minister has not gone directly on the ground to ask employees about what is not working.

What tool do you use to measure the system's efficiency?

Cliff Groen: We have a variety of tools. We review results constantly. We have many performance indicators for the entire old age benefits delivery program. We have a variety of tools to ensure that the system is operating as expected, and we also have quality programs to ensure the accuracy of payments.

Eric Lefebvre: What management tool do you use for problematic cases? Can you track the evaluation of problematic cases on a day-to-day basis?

Cliff Groen: Yes, we have a process. Obviously, we process millions of claims annually, and we have processes to monitor the entire workload.

Eric Lefebvre: How many people use performance analysis grids to track problematic cases?

Cliff Groen: Hundreds of employees are tasked with monitoring the entire old age security program, and 5,000 employees have been assigned to the program.

Eric Lefebvre: Have any employees personally told you that the system is unusable?

• (0830)

Cliff Groen: We received feedback from employees right after we rolled out the new system last April, and we also have a process for collecting their feedback on an ongoing basis.

One of the biggest challenges we had with this system had to do with change management. Many of our employees spent years working with the old system, which was 60 years old. The system

is really old. Our more experienced employees therefore had some challenges adapting to the new system—

Eric Lefebvre: In short, you're telling me that employees are to blame because they were uncomfortable managing change and had worked with the old system for a long time.

Cliff Groen: I didn't say employees are to blame, sir. It's just that they had some challenges, which is to be expected. For instance, whenever I upgrade my cellphone, I get a different model and it takes some getting used to, even though my old phone was more or less up to date. The old system was 60 years old. This was a big change.

Eric Lefebvre: I get it, thank you.

The update refers to \$473 million in 2031 for day-to-day operations. Normally, that represents 10% of costs. This therefore comes to \$600 million to \$1 billion a year for system operation.

Do you think that amount could be accurate?

Cliff Groen: I missed—

Eric Lefebvre: Operating costs are projected at \$473 million from 2031. However, normally, these costs represent 10% of the total cost, and so if the total cost is expected to be \$6.6 billion, operating costs would come to \$660 million a year, and could reach \$1 billion per year due to cost overruns. That is what it would cost Canadians.

Cliff Groen: I'm sorry, but I don't quite understand what you mean by operating costs.

Eric Lefebvre: Never mind.

Let's recap the current situation: 70,000 seniors have not received their pension; the Liberal government refuses to acknowledge that there's a problem; the system is not working and employees have told us that it is unusable; and there are cost overruns of \$5.5 billion as well as a further half a billion dollars that was not announced in the economic update.

Mr. Chair, I propose that the committee resume debate on Ms. Larouche's motion to order the production of documents on the management of the benefits delivery modernization.

[English]

The Chair: Monsieur Lefebvre made a motion, which I rule to be in order because it's consistent with the topic that the committee is discussing.

Is there debate on the motion or does—

Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Is it dilatory?

The Chair: It's a dilatory motion, so we have to go immediately to a vote. I'll ask the clerk to call a recorded vote. The vote is on whether the committee wishes to return to the motion of Madame Larouche.

(Motion negated: nays 6; yeas 5)

The Chair: Your time has concluded, Monsieur Lefebvre.

We'll move to Ms. Tesser Derksen.

• (0835)

Kristina Tesser Derksen (Milton East—Halton Hills South, Lib.): Thanks very much Mr. Chair.

It's nice to be here this morning. I am filling in for my colleague, MP Koutrakis. Thanks for the warm welcome.

I want to mention the motion we just voted on. I think it's important that people understand that the reason we didn't vote in favour of the motion is that we have witnesses we want to hear from and we didn't want to—

Garnett Genuis: Why did you shut it down last time?

The Chair: I'll have order. I'll not tolerate any disruption in the committee. The witnesses are here to present evidence as questioned by the member who has the floor at the time. Please respect that.

Go ahead, Ms. Tesser Derksen.

Kristina Tesser Derksen: Thanks, Mr. Chair. I appreciate that.

Some of you may know that I am regular member of the Standing Committee on Public Accounts. We have been dealing quite extensively with this issue there. We've had motions presented there that we've debated at length. It's supposed to be a non-partisan committee. We do a pretty good job of that at public accounts. We have good discussions and are able to put good probing questions to our witnesses there. I appreciate the opportunity to do some of the same here.

I want to direct my question to Mr. Groen.

Yesterday at public accounts we had some of your colleagues from Public Services and the Treasury Board, as well as the Auditor General. We received some good information from them.

Some common themes have been arising throughout our time of questioning witnesses. My interpretation of those themes is that we have a very complex project on our hands. There's been a lot of difficulty in estimating costs with accuracy. This may be my opinion, but there seems to have been some underestimating on the part of the departments on the magnitude and breadth of the project over time.

I want to talk to you a little bit about the costs. You did address them, somewhat, in your opening remarks. You referred to the initial estimates as “a rough order of magnitude”, which was based on preliminary estimates. We've had some quite significant increases.

I'd like you to take us through the complexities of those initial cost estimates and how the departments budget for unknown contingencies that may arise

Cliff Groen: In 2017, when ESDC first received the authority to proceed with this program, there was a requirement that when any project was initiated, as Treasury Board policy, you had to provide an estimate, in a rough order of magnitude, before you could even start the work.

In budget 2017, tied to that decision, an initial estimate of \$1.8 billion was put forward. That was before any planning work started on the program, because we did not have the authority. Budget 2017 provided \$12 million for initial planning work, and it was understood—and all the documentation submitted as part of that proposal was clear—that we had to do the detailed planning work to have any understanding of the costs.

As things have evolved since 2017, the costs have changed. There are three primary reasons for that evolution of costs.

First, we're dealing with 50- and 60-year-old systems. When we open those systems and code that were developed decades ago, there are things that we do not know. The documentation in the systems related to the coding and the infrastructure could not possibly have been known until we opened the hood. Unravelling that complexity and ensuring that we are doing it appropriately was critical.

Second, some scope of the program has changed as well. In particular, the migration of 14 ESDC call centres was not part of the initial scope. That has resulted in an additional change related to the overall scope and, as a result, the cost estimate for the program.

Third, cybersecurity costs have absolutely contributed to the increase in costs as well. In 2017, there were real cybersecurity issues. However, in 2026, with the advent of lots of new technologies, one of which is AI, the reality is that these present a new threat landscape. Therefore, that has resulted in additional cost estimates to ensure that these programs are adequately protected, from a cybersecurity perspective.

Kristina Tesser Derksen: Thanks for that.

I know there was a review by some consultants who said the initial cost estimates for software and implementation were well below the industry average and timelines would likely be much longer. Perhaps they had the benefit of hindsight. You did explain that it was impossible at the time to estimate how much complexity you'd be dealing with.

Do you think that's a fair comment from those consultants, that the industry average was a certain threshold and that we fell far below estimating?

• (0840)

Cliff Groen: I think that is a fair conclusion. It's also consistent with the Auditor General's 2023 finding that the initial estimates were lower than similar projects.

The challenge with the BDM program is that it's the largest IT project, not just in the history of the Government of Canada, but also in Canada and in our entire history, period.

The complexity of the size and scope made it very difficult to have an initial estimate. Could we have done better in terms of that initial estimate? For sure.

I'm very proud to report that, as the program has evolved, as we have done the detailed planning and have begun executing, our estimates are now way more accurate. For the old age security program, now that the OAS and BDM programs have been completed, we have ended up 6% lower than the estimated total cost for that component of the BDM program.

Kristina Tesser Derksen: In the Auditor General's 2023 report, she was pretty pointed in her critique. She said that some of the biggest, most important computer systems were basically falling apart and might crash. She pointed out that it had been decades since it was first brought to the government's attention, that there was a "significant issue" with "delays in modernizing" and that it was crucial to do so. Based on her opinion, there was really no choice but to modernize and to do it quickly.

It was quite a different time 24 years ago. You've already mentioned cybersecurity. We have AI as well. I want to give you an opportunity to comment on how these more modern problems have added complexity to the implementation of this already very complex project.

The Chair: Thank you.

We're well over the time. Perhaps you could you address that in another question.

[Translation]

Ms. Larouche, you have the floor for six minutes.

Andréanne Larouche (Shefford, BQ): Thank you very much, Mr. Chair.

Mr. Groen and Mr. Hickey, thank you for joining us today.

Although you say that you did take care of people, some red flags were raised, but the department ignored them. In 2017, you started the benefits delivery modernization with Cúram. Say what you will about your figures, Mr. Groen and Mr. Hickey, but the fact is, the Auditor General raised the red flag about cost overruns in a 2023 report. Mid-June last year, the Public Service Alliance of Canada said that it was anticipating delays with benefits delivery. We've seen media stories stating that the Cúram platform has an employee rating of one out of 10.

Earlier this year, in response to my questions in the House of Commons, we started to hear that there were a few cases, and eventually, at committee, it was revealed that there were 85,000 cases. The number has gone down since then after the media broke the story and because of the work we have done and the questions we have asked in this committee and in the Standing Committee on Public Accounts. There was some filibustering here in this Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities and in the Standing Committee on Public Accounts in order to withhold documents. I'll come back to that later.

That brings me to my question.

Over 85,000 people have been affected by delays associated with the Cúram system. That was confirmed in the Standing Committee on the Status of Women when we asked questions as part of the study on senior women. The former president of FADOQ, which is

now the National Association of Federal Retirees, spoke about some tragic cases where people could not afford rent, medication and groceries.

Has the government now acknowledged that this project has had serious human consequences on vulnerable Canadians? Well, yes, you have acknowledged that because you had to add \$176 million in the last economic update.

Cliff Groen: I don't know if there was a question about that, but I'd like to point out that one senior waiting one year for their benefits is one senior too many.

When it comes to the delivery of various programs for millions of Canadians, I wish I could say that everyone receives their benefits on time, but unfortunately, that's not possible and it's not the case. Last fall, we rolled out an action plan to address the issues that lead to benefits not getting through on time, and we have achieved some positive results.

I'd also like to reiterate that the system has nothing to do with things not working well. Yes, transitioning to a new system is a big project, and employees have challenges adjusting. We had to give them the support they needed to help them use the system. However, 7.7 million Canadians continue to get old age security benefits, and that was the challenge we faced when the project was launched. The old system was at risk of failure, and we wouldn't have been able to pay a single senior, and that would have been unacceptable.

• (0845)

Andréanne Larouche: You also ignored the red flags regarding this system that were raised somewhere else. The Standing Committee on Public Affairs managed to pass a motion for an independent public inquiry into the Cúram system to shed a light on this matter and to give people all the information they need. However, that was rejected in the House by the Liberals and the Speaker.

Earlier, there was a proposal to resume debate on my motion, which reads as follows:

That the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities request that the Department of Employment and Social Development, the Department of Public Works and Government Services, the Privy Council Office, as well as the Prime Minister's Office, provide to the clerk of the committee, within 30 days of the adoption of this motion, all reports, correspondence, emails and documents related to the management of the benefits delivery modernization since January 1, 2017, and that the departments and offices responsible for producing the documents apply redactions in accordance with the legal obligations set out in the Privacy Act and the Access to Information Act.

What is holding up the production of these documents? Why can't we get the documents, Mr. Groen?

Can you give us a commitment that you will provide us with the documents?

Cliff Groen: I know that this issue has been discussed in this committee, today and on previous occasions. I'm not in a position to comment on that, but I'd like to say one thing: This is at least my fourth time before you and I've also appeared before other parliamentary committees, and I'm always happy to come and answer your questions because this program is extremely important for Canadians. I'm glad to see that this issue has prompted questions.

Andréanne Larouche: Canadians have the right to know why cost overruns have reached \$6 billion.

Here is my final question: Who allows cost overruns? Who writes the cheques when costs start to spiral out of control?

Is there an independent budget oversight mechanism?

Cliff Groen: Thank you for that question.

As I've said multiple times, there are no cost overruns. There were estimates for this program and there have been many presentations in Parliament about the budget requirements associated with this program since 2017. We managed the evaluation of these cost estimates appropriately.

The Chair: Thank you, Ms. Larouche.

[English]

We now move to Ms. Roberts, for five minutes.

Ms. Roberts, you have the floor.

Anna Roberts (King—Vaughan, CPC): Thank you, Mr. Chair.

We all live on a budget. If you don't get your paycheque on time, how do you pay your bills?

What would you say to seniors who haven't received their OAS payments?

Cliff Groen: Certainly, paying Canadians is absolutely essential. Paying them on time is absolutely critical. That is why when we successfully implemented the program back in March 2025, migrating 7.4 million Canadians onto the new platform was absolutely essential.

There have been active offers to any Canadian who has experienced a delay to contact Service Canada, and we will prioritize anyone who has seen any type of payment delay.

Anna Roberts: My question is very simple. How do I explain to seniors who call me why they haven't received their paycheque? There are 85,000 seniors claiming that there was a delay. As far as I'm concerned, this system was a failure, just like the Phoenix system was a failure.

Did you consult the staff prior to purchasing the Cúram system?

Cliff Groen: As part of the overall planning for the project and the procurement process, there was extensive consultation. There were dozens upon dozens of engagement sessions with staff across the country in terms of their requirements for the new system and how to effectively proceed. That was an absolutely fundamental part of the overall planning process.

Anna Roberts: Mr. Groen, the letters I received, and my colleagues received the same letters, are from employees of the depart-

ment saying that they're continually working overtime and that it has taken a big toll on their mental health.

How much overtime has been paid to staff to ensure that we correct these problems?

• (0850)

Cliff Groen: Any concern related to mental health is certainly a priority for me. What I would say is that no employees are mandated and required to work overtime. However, overtime is offered to employees to assist us with managing our overall workload.

Regarding specific numbers, I'd be able to provide you with specific numbers subsequent to this meeting.

There's no requirement that individuals work overtime, but those who are interested... Many of our employees are very interested in working overtime to help serve Canadians.

Anna Roberts: That's not the information we were provided. We were told that it was mandated. I stand corrected. Maybe you could explain that later on.

When a senior's payments are late, stress is caused. How many more backlogs are there in order to ensure that these issues are corrected in an efficient manner?

Cliff Groen: Currently, as of the end of April, there are 50,000 Canadians who did not receive their payment within the first month of entitlement, which is what our service standard is for the old age security program. That number has continued to go down over the last number of months. That number continues to evolve, because we pay people, but then another month passes and there are more individuals who become eligible.

We are committed, and we are seeing results that continue to drive that overall inventory down.

Anna Roberts: You have 50,000 seniors. What is the time frame? Have they been delayed a month? Have they been delayed nine months?

I have seniors calling me saying, "I can't pay my bills. I'm going to get kicked out of my rental. Who's going to compensate me for that?"

I have a second question. One of the comments that was made was that GIS payments were made to individuals who did not deserve it. How much money was overpaid to those individuals, and how are you going to recover those funds?

Cliff Groen: I'll answer your first question.

The length of delay certainly varies from individual to individual. We do track and monitor that. It depends on lots of different factors. Sometimes there are delays because we are missing information from the client and we need to follow up with them. Other times we have the information, but it's a question of being able to complete the transactions for those clients.

The GIS is an income-dependent program that also depends on other factors, such as change in marital status. That happens fairly often, which can affect individuals' entitlement to benefits. Those changes can have an impact on whether they're entitled. That can result in overpayment, or also underpayment, if a situation changes.

Anna Roberts: I have very little time. How much money was overpaid? Do we have a number?

Cliff Groen: I'm trying to understand the precision of your question, because there are lots of reasons for different overpayments. Regarding your question about how that is recovered, there is an offset of someone's ongoing entitlement based on their ability to pay to ensure that people receive the amount they are entitled to.

Anna Roberts: You agree that errors have been made with the current system.

The Chair: Ms. Roberts, your time is well over.

Anna Roberts: Thank you.

[Translation]

The Chair: You have the floor for five minutes, Mr. Joseph.

Natilien Joseph (Longueuil—Saint-Hubert, Lib.): Thank you, Mr. Chair.

Allow me to lighten the mood, because for the past little while, I've only heard people trying to make political hay. I'll address Mr. Cliff Groen and we'll talk about delays.

First, what has caused these delays? Does it have anything to do with the fact that some people submit forms with major mistakes, such as poorly written names and addresses or boxes that are checked when they shouldn't be? In my opinion, if that happens, then the file cannot be processed, and the form is sent back. Can you tell us about that?

The opposition is giving Quebecers and Canadians the impression that Canada is broken. We need to stop disparaging Canada. We live in a great and beautiful country, and it's a great place to call home. It's time we stopped scaring Quebecers and Canadians by saying that Canada is broken. I want to reassure people that Canada is not broken.

Can you tell us a little bit about the delays? Are they caused by poorly completed application forms?

Take as much time as you need to explain that.

• (0855)

Cliff Groen: Thank you very much for that question.

Old age security is the oldest statutory program that provides benefits for Canadians. One of the biggest issues we used to have was related to the fact that the system and the process were entirely paper based. All claims were paper-based and as a result, we had a lot of challenges processing claims efficiently. Occasionally, as you have pointed out, we'd have difficulty reading clients' handwriting. We also had more significant issues related to incomplete benefit claims. When that happens, we have to follow up with clients and request additional information.

The new system is digital and people can submit their claims online. As such, we have the necessary controls to ensure that a sub-

mitted claim is complete. That really helps us to provide better service. One of our biggest challenges right now is the utilization rate of this online application, which is very low. We're therefore making Canadians aware that the old age security program finally has a modern system designed for the 21st century, and they can use it to submit their claims. A digital system that allows people to submit their claims online helps us to better serve Canadians.

Natilien Joseph: We have a duty to protect our seniors. They worked their whole lives to build this country and it's our turn to reciprocate.

Simply put, are these delays linked to Cúram?

Cliff Groen: I think it's very important to emphasize that the delays have not been caused by any inefficiency with this system. Unfortunately, delays are caused by a variety of reasons, and that also happens with other programs and services that we manage. Four years ago, we had long wait times with passport issuance. Last year, as part of the passport program, we exceeded our service standard, and 92% of Canadians received their passports on time.

Unfortunately, delays are likely to occur when it comes to benefits under these big programs that involve interactions with millions of Canadians, but I can assure you that this has nothing to do with the Cúram system failing to operate as intended. It is working properly. With regard to the accuracy of payments, our objective is to ensure that at least 95% of payments are accurate. We are still meeting this standard as well.

Natilien Joseph: Why was the benefits delivery modernization program needed?

Cliff Groen: It was essentially because there was a significant risk that the system would stop working, and millions of Canadians would not get the benefits they need. It was critical. We could not afford to rely on a 60-year-old system to deliver these benefits, which are extremely important.

Natilien Joseph: Thank you, Mr. Groen.

The Chair: Thank you, Mr. Joseph.

Ms. Larouche, you have the floor for two and a half minutes.

Andréanne Larouche: First, I'll say that we needed more transparency on this matter. The Liberals passed a motion in the Standing Committee on Public Accounts for an independent public inquiry, but all of a sudden, when the matter came up in the House, the motion, which was adopted unanimously by the Standing Committee on Public Accounts, was defeated.

In the interest of transparency, can you tell me, in 30 seconds, if you're prepared to provide the committee, within the next two weeks, with the full list of contracts associated with Cúram, the initial costs versus the current costs, the beneficiary firms and the amounts paid?

Cliff Groen: With regard to the contracts, we have already provided all the contracts associated with the benefits delivery modernization program multiple times. As I said earlier, it's not my position to engage in debate on issues between members in the House of Commons or in this committee.

● (0900)

Andréanne Larouche: My question included other points.

When it comes to operating costs, during technical briefings, officials could not provide us with the annual system operating costs, transaction costs or licence costs.

How can Parliament oversee the use of public funds if this information is not even available?

Cliff Groen: From what I recall, the question that came up during technical briefings was on the costs of continuing to operate the system at the end of the benefits delivery modernization program in 2031. Our response included the exact cost of operating the system in five or six years. Because we were criticized for not coming up with a good estimate for 2026, it would not be appropriate to offer an answer.

However, I can assure you that the costs associated with delivering this program, per client, will be lower because we have a modernized, automated system.

Andréanne Larouche: I'd like to talk about the human aspect quickly.

Besides acknowledging that 85,000 seniors got their benefits late and were impacted, does the department acknowledge that working conditions have deteriorated with Cúram due to the pressure on employees to respond to Canadians in distress using defective tools?

Cliff Groen: Thank you for that question.

We're taking the situation with our employees very seriously. However, the Cúram platform provides us with a modern system for delivering benefits to Canadians. Having a system that's not working would have been more stressful for me.

The Chair: Thank you, Ms. Larouche.

[*English*]

Ms. Goodridge, you have five minutes.

Laila Goodridge (Fort McMurray—Cold Lake, CPC): Thank you, Mr. Chair.

Thank you, Mr. Groen, for being back here at committee.

I appreciate that we received the responses to the questions that were asked at the March 26 meeting. In those responses, there were 53,000 people waiting for payments, and now there are 50,000 people. That means in a couple of months, you were able to clear the backlog by 3,000. That is a fairly troubling amount. I understand that you guys are doing your best, but that still means there are 50,000 Canadians who don't have their funds.

One of the things I wondered after our last meeting on this was what I would do if I were a senior and I were not technological. I would probably go to a Service Canada office.

I needed to get my son's passport, so rather than just submit the paperwork, I decided I would go to the Fort McMurray Service Canada office and wait. Do you have any idea how long I had to wait on March 31 at the Fort McMurray Service Canada office just to see someone?

Cliff Groen: We do have regular stats related to all of our offices and the average wait times, but I could not tell you what the wait time was on March 31 at the Fort McMurray Service Canada centre.

Laila Goodridge: I waited two hours and 20 minutes.

I witnessed multiple people walk in who waited for about an hour but couldn't afford to wait any longer, so they got very frustrated and left. It was obvious to me while I was there that the staff were stressed because many people were there because they hadn't received their payments. They were waiting for EI or they were waiting for different pieces like that, and they did not have the support. At one point, there weren't enough chairs in the waiting room for everybody who was waiting. That's a problem, and this is the reality.

A lot of seniors don't have the capacity to go online or they don't have the skill set to go online. They feel safer going in person or calling on the phone. I've tried calling. It doesn't quite work; people are getting lost all the time. Our offices are getting phone calls on a regular basis, and people are frustrated.

Is there any way you can improve your customer service to help people when they say, "I'm waiting for my OAS," so they can go to the front of some line somewhere? Even at a Service Canada office, they still had to wait for two and a half hours.

Cliff Groen: Service Canada wait times are posted online on an ongoing basis every day. I encourage individuals to go online and look at the average wait time.

There may have been a situation on March 31. I'm not doubting your experience at the Fort McMurray centre, but our average wait time across the country is not two and a half hours. It is not one hour. Typically, the average wait—

● (0905)

Laila Goodridge: I appreciate that.

When I decided to go to the Fort McMurray Service Canada office at 9:50 a.m., I checked what the wait time was before I went there. It said the wait time was an hour and a half. When I got there, the receptionist told me it was probably going to be closer to two hours. It was two hours and 20 minutes before I saw somebody.

I understand different clients take different amounts of time, but that is a very long wait, regardless. That's the reality a lot of our seniors are facing. If they walk in and the waiting room is completely full and they've already tried phoning a few times but they haven't gotten through, they feel like they're not going to wait for two and a half hours, so they will just walk out.

Cliff Groen: I think it's important to ensure we are dealing with the norm rather than some particular one-day case.

Last year—fiscal year 2025-26—the average wait time for the pensions call centre was 17.8 minutes. For the EI call centre, it was 4.8 minutes. For our dental call centre, it was 10.4 minutes. Those are the averages. On certain days, the average time can be longer or shorter depending on a variety of factors.

Do we want clients to have to wait more than an hour? That is not the expectation, and that is not the typical service result.

Laila Goodridge: I think it's probably fairly typical in Fort McMurray, based on some of the feedback I've received, but that's neither here nor there.

Would it be possible for you to provide a new breakdown of where those 50,000 people are by province, as well as an urban versus rural split, and could you give us a better explanation of how you decided what was rural?

I don't know if you necessarily followed the standard rural definition, because you decided to do it based on service delivery. Perhaps it would be helpful if you could list which communities are classified as urban, or something similar to that, so we have a better picture.

Cliff Groen: Certainly. We have the data related to the breakdown of the 50,000 by province. We did use Canada Post information in the determination of urban versus rural, but I'm happy to provide further clarification.

Laila Goodridge: Thank you.

[Translation]

The Chair: Welcome, Mr. Villeneuve.

You have the floor for five minutes.

Louis Villeneuve: Thank you very much.

Good morning, gentlemen. Thank you for being here.

I'm taking part in this committee for the first time. In a past life, I worked in an IT role for a company that used to provide digital transition services. We handled many cases, and not a single one was straightforward. There are always challenges and unknowns. I think it's the same thing in this case. Obviously, one senior person or one person waiting for government service, without success, is one senior and one person too many. I think everybody agrees on that.

The current system issues benefits to 7.7 million Canadians. How effective is the system currently, percentage-wise?

Cliff Groen: Percentage effectiveness—

Louis Villeneuve: Yes. How effective is the system right now, as we speak, percentage-wise? We know that there have been some is-

ues and that you're still trying to resolve them. I'd like to know about the current status.

Cliff Groen: Some 7.9 million Canadians were receiving benefits as of the end of April. Some 50,000 people applied for benefits and are waiting beyond their first month of entitlement. Thus, 7.9 million recipients are getting their benefits on time, and we're still processing the 50,000 people to ensure they get their benefits as soon as possible.

Louis Villeneuve: Thank you.

What action has been taken to turn things around and ensure that the system is working properly?

Cliff Groen: We've implemented many measures to address this issue. We've added more capabilities in the system to increase the rate of automation. The new system provides more opportunities for automation, and we've added another component in the system to enhance automation. We've also increased the number of employees to process the backlog.

Our program, which seeks to encourage clients to submit their claims online, is another essential element. It delivers a better experience because clients don't need to go to a Service Canada office to submit their claims. It's also more efficient for us because a big proportion of online claims can be processed automatically, without human intervention, and our employees can focus on clients and on the claims that require manual review.

● (0910)

Louis Villeneuve: Thank you.

We know that any system inevitably comes with challenges. If we had not changed this system, what risks would that have posed to our fellow Canadians?

Cliff Groen: We had serious concerns that the system could stop working.

I'll give you an example.

The United States had a similar system for veterans, and it was also using COBOL language. They made a slight modification due to political change, and they could not pay veterans for several months. We had serious concerns that that could happen here in Canada. That's the kind of risk that needs to be managed, and so we wanted to roll out a new system.

Someone brought up the example of Phoenix. We know that system caused significant challenges for public servants, but most Canadians were probably not familiar with the public service pay system. If the system that delivers old age security benefits for seniors were to crash, it would create a crisis that would reverberate across Canada. We had to manage that risk, and that's why we went ahead. When we rolled out the new system, all the 7.4 million individuals that were getting benefits in March of the previous year received their payments between March and April.

I believe that shows that the system was rolled out properly.

Louis Villeneuve: Thank you.

The Chair: Thank you, Mr. Villeneuve.

I'd also like to thank the new members.

[*English*]

This concludes the first hour.

Thank you to the witnesses, Mr. Groen and Mr. Hickey.

We'll suspend to transition to the second hour.

• (0910) _____ (Pause) _____

• (0915)

The Chair: We're back.

Members, please take your seats. We will resume with the second panel.

I won't go over all the points again, but please ensure that you're on the proper channel for interpretation. It allows you to participate in this meeting in the official language of your choice. Witnesses who are appearing virtually have been sound-tested and approved. Please direct all questions through the chair and wait until I recognize you before proceeding.

We're going to move quickly to our second panel on housing starts in relation to federal programs.

We have three witnesses today.

From the Building Industry and Land Development Association, we have David Wilkes, president and chief executive officer. From the Canadian Alliance to End Homelessness, we have Tim Richter, president and chief executive officer, by video conference. We also have Raymond Sullivan, executive director of the Canadian Housing and Renewal Association.

You each have five minutes for opening statements.

We'll begin with you, Mr. Wilkes.

• (0920)

David Wilkes (President and Chief Executive Officer, Building Industry and Land Development Association): Good morning, Mr. Chair, and thank you for the invitation to appear today to share our organization's perspectives on how federal government policies affect housing starts.

As the chair noted, my name is Dave Wilkes. I am the president and CEO of the Building Industry and Land Development, BILD,

Association. It's a pleasure to be back in front of the committee today. I appreciate the opportunity as well to address you not only in the role that we have as BILD, but as the co-facilitator of the large urban centre alliance, a coalition of leading developers and builders from Canada's major metropolitan areas.

I provided the clerk with a more detailed copy of my remarks that includes recent sales data from across the country, which I shared and discussed in my appearance here last week.

Federal policies, institutions, regulatory requirements, programs and other factors that influence access to capital have a direct and significant impact on the types of housing that come to market.

As this committee looks forward and adjusts to shifts in the new home supply market and how the federal government influences that market, it is very important to do so in the context of a number of key federal programs that are reaching their maturity. These include the expiration of the foreign buyer prohibition and the end of the housing accelerator fund at the end of this year; the ending of the Ontario HST relief that was introduced in April for a period of one year; the ongoing need to look at greater flexibility for the stress test; and the need to update Canada's immigration policies, particularly in the context of the foreign buyers' ban.

Within this context we would encourage the committee to consider the following five points.

The first point is the need for improved national data on the new housing market. It's a common mistake to consider that Canada has a single monolithic housing market, and this tends to lead to the desire to focus on single national solutions rather than those tailored to market conditions and needs for specific geographies. CMHC does an admirable job on housing statistics, but we recognize it's the best we have rather than simply the best. We are pleased to see the commitment that the government has made within the spring economic statement to direct resources to address this issue.

The second point is a better understanding of the interplay of housing and immigration. This not only encourages ensuring the adequacy of housing supply to meet the immigration targets the government has set, the real timelines that are required to grow this housing supply, but also the impacts of immigration on the skilled labour force. I encourage the committee to take a look at models that are existing internationally such as in Australia, and how the balance between foreign buyers and domestic needs is met.

The third point is the need to support capital requirements to build necessary housing. Currently CMHC estimates that \$2 trillion in capital deployment over the next five years is required to meet Canada's housing objectives for both ownership and rental, while ensuring affordability and adequate supply. Enabling this requires a strategy to attract private capital along with a review of government financing and loan programs to ensure that they are well resourced and enable loans of significant size and stability to meet the required demands. We also were encouraged to see the commitment to review these funding mechanisms once again in the spring economic statement.

For the fourth point, I'll reference a long-held issue. In the GTA, it still requires 10 years to complete a low-rise project and 11 years to complete a high-rise one. A significant portion of that measured in years is the development approval process at the municipal level. Each month of delay adds thousands of dollars to the cost of the end product, as this committee recognizes. The federal government can play an enabling role by providing incentives through the provinces to work with municipalities to expedite approvals, but I would stress that those approvals must lead to the delivery of new homes.

Lastly, the time has come to be transparent with new homebuyers on the level of government fees, taxes and charges on new homes. Until recently, in the GTA, fees and taxes collected by all levels of government constituted 25 % to 30% of the cost of a new home. We believe that these costs should be declared and defined to the buyer when they're purchasing a new home and declared both at the time of purchase and upon closing.

Mr. Chair, thank you again for the opportunity to appear today. I always enjoy the discussion with this committee. The federal goal of doubling housing construction is an important one. Our recommendations build on those we saw in the Senate's "Out of Reach" report. We encourage this committee to consider these and those of other witnesses, as well as the compendium of information that is available as you develop your report.

I look forward to your questions.

● (0925)

The Chair: Thank you, Mr. Wilkes.

We're going to go to Mr. Richter.

Tim Richter (President and Chief Executive Officer, Canadian Alliance to End Homelessness): Good morning.

Thank you, Mr. Chair, for the opportunity to speak with you today.

I'm going to start by echoing Mike Moffat's testimony to you from the other day. He said:

a housing target is a means. It's not an end. It's not a goal. A young family in search of a home does not care how many housing starts there were last year. They care about finding a home that they can afford in their community and that meets their needs.

A fundamental flaw in the federal government's approach to housing policy is a lack of clarity on their priorities and the outcomes that they want to achieve. Most governments tend to view success in policy through the outputs of that policy, such as the

amount of money they spend and the number of units started, not whether or not affordability has improved for people.

Not to put too fine a point on it, but housing affordability in Canada has deteriorated for nearly every income quintile in the country over the course of the first national housing strategy. Something clearly isn't working.

In addition to leading the Canadian Alliance to End Homelessness, I also co-chair the National Housing Council. The council published a report proposing an outcomes framework for federal housing policy and also sent a letter to Minister Robertson framing an outcomes-focused approach for a new national housing strategy. I'm happy to send copies of these documents to the committee, if you wish.

In both of these documents, the council argues that housing policy focused on outcomes allows the government to target policy more precisely and have greater clarity on which options they have available to them. The kind of housing supply and policy needed to improve affordability for the young family in Mike's example will be different from the measures needed to deliver supportive and deeply affordable housing to people at risk of experiencing homelessness. In both cases, there can be both demand- and supply-side measures governments can take. Reducing core housing need, for example, could be accomplished with enhancements to the Canada housing benefit or new supply, or a combination of the two. Reducing homelessness will require deeply affordable and supportive housing, along with enhancements to the Canada housing benefit in alignment with the provinces.

Given many competing demands on the federal treasury, it's also critical for the federal government to have clear priorities. I'll remind the committee that the housing policy of Canada is laid out in the 2019 National Housing Strategy Act. That act says the "progressive realization of the right to...housing" is the housing policy of Canada. That commitment requires that the Government of Canada prioritize reducing homelessness and core housing need as outcomes of its policy.

In my view, this prioritization should not be read as the federal government focusing exclusively on deeply affordable and non-market housing. Housing is a system and what happens for the family in Mike's example will eventually impact what happens for a family in core housing need. Housing is a system and needs to be treated holistically.

In my view, getting precision on the desired outcomes and priorities for housing policy is the most important decision for government to make in housing policy. Speaking with federal officials, it's becoming clear their mandate and direction are to get money out the door. I fear the federal government is in danger of repeating the mistakes of the first national housing strategy in rushing to get money out the door without clarity on what the investment is supposed to achieve.

Success in housing policy is not going to be measured by how much money is spent or how many units are started. Success will be measured by the number of families finding housing that meets their needs, and that they can afford, in their communities. It will be measured by reduced homelessness and improved community safety. It will be measured by the number of families who aren't worried at the end of every month about whether or not they'll be able to pay their rent.

The expiry of the national housing strategy and the upcoming federal budget create an opportunity for the federal government to stop and take a beat to be clear about the outcomes they want to achieve, to set clear priorities and to design the new national housing strategy and related housing programs around the outcomes they want to achieve.

I'll close with a mantra I picked up in the army: Slow is smooth and smooth is fast. Rushing leads to mistakes that will slow you down. By moving more deliberately and focusing on precision, you'll ultimately move faster and more effectively. This advice is every bit as applicable to federal housing policy as it was to me as a young soldier.

Thank you all very much. I look forward to your questions.

• (0930)

The Chair: Thank you, Mr. Richter.

We'll now go to Mr. Sullivan for five minutes.

[*Translation*]

Raymond Sullivan (Executive Director, Canadian Housing and Renewal Association): Mr. Chair and members of the committee, thank you for the opportunity to be here this morning.

My name is Raymond Sullivan, and I'm the director of the Canadian Housing and Renewal Association, or CHRA.

[*English*]

CHRA, the Canadian Housing and Renewal Association, represents the non-market community housing sector.

Housing starts are not the right metric. We can have high housing starts and a worsening housing crisis at the same time, and we know this because, up until recently, that's exactly what was happening: record-breaking housing starts and, at the same time, rising homelessness and housing unaffordability. How is this? Higher rents and higher purchase prices fuelled more construction.

Two years ago we had a labour shortage. We couldn't find enough skilled tradespeople to work on construction sites. The cost of materials was rising for the same reason: We could not meet demand.

Where are we now? Well now, in a lot of markets, we actually have an oversupply of housing at the high end, yet still a desperate shortage at affordable rates. Housing starts are dropping precipitously in some parts of the country.

I want to note that housing starts are a lagging indicator. Projects that are starting right now were conceived of and initiated years ago. There are even fewer projects being initiated now. Why? It's because rents and purchase prices have levelled off, and that was the intended outcome of government interventions.

However, here is the unintended consequence: Construction of new supply dries up, industry can't make as much money so it slows down, and the market self-corrects. Eventually, the cycle will turn around and begin again, but housing needs are not cyclical; they're constant. Where does that leave us? Well, in the upswing, we saw rising homelessness as more people were completely priced out of the market, and that hasn't gone away. The social, economic and human cost of being unhoused is long-lasting.

We now see construction workers going through an employment roller coaster. Three years ago, it was hard to keep trades on sites because they kept getting better offers from other contractors, and now only the A-list is working because the B-list and the C-list got laid off.

Developers are losing money, sitting on unsold inventory and failed projects, and we still have high rates of homelessness and core housing need. Is that any way for an economy, for a society to manage a basic need and a human right like housing? No.

What is the solution? A big part of the solution is to stabilize the housing market, particularly for the 50% of Canadian households that are most vulnerable to these swings. Households earning median income and below need access to housing that operates outside of the speculative market, non-market housing.

In the 1980s and early 1990s, 15%, 16% or 17% of all housing starts were non-market community housing; today, it's about 3% or 4%. At our peak, non-market community housing represented over 5% of Canada's housing stock. In the mid-1990s the federal government withdrew from this priority, and the share of non-market housing has been slowly declining ever since.

Housing unaffordability has been rising. Rates of homelessness have also been rising. Currently, less than 4.5% of housing is non-market community housing, and it has actually been slipping and dropping, despite investments from the national housing strategy, because those investments were not targeted to housing need and affordability.

We aren't even keeping up with population growth. Non-market community housing is falling behind, at less than 4.5% of the housing stock, yet an additional 15% of households are in core housing need. Add those together, and you get the target we need to aim for: 20% of housing supply as non-market, mission-driven, affordable housing.

We can start by setting a goal to more than double the current share of community housing in the next decade, and to quadruple the stock of indigenous-led community housing. This will protect a significant number of households from the boom-and-bust cycle of the housing market.

Non-market housing does something the private market cannot reliably do: It delivers homes that remain affordable, regardless of interest rates or market cycles, and it is, in effect, the stabilizing backbone that our system currently lacks.

If you're just focusing on housing starts—the number of homes that get built—you're not asking the right questions: For whom do these homes get built? Who can afford to live in them? Whose housing needs are not being met? When government intervenes, is it to produce the right housing starts?

Thank you.

● (0935)

The Chair: Thank you, Mr. Sullivan.

We'll begin the first round of questioning with Mr. Aitchison for six minutes.

Scott Aitchison (Parry Sound—Muskoka, CPC): Thank you, Mr. Chair.

Thank you to the witnesses. It's good to see you all again.

I want to start with Mr. Sullivan because you were making an interesting point. You started off with a fairly bold statement, which was, "Housing starts are not the right metric." That's in part because, like you said, it's a lagging indicator and that, sometimes, how we're counting starts is actually not quite the most correct way to do it, either.

I think you all made a valid point: We need to make sure that we have the right type of housing as well.

I'd like to start with you, Mr. Sullivan. Build Canada Homes is a new agency that was created, and it's supposed to focus on non-market housing very specifically. It has no targets in its creation, and maybe that's because it doesn't know what the targets should be. If you were to give them targets, what would those targets be?

Raymond Sullivan: Build Canada Homes was designed to be nimble and responsive in ways that, perhaps, the CMHC couldn't be, but you can't be nimble and responsive unless you know where you're going. This is why setting targets is very important. Build

Canada Homes has set an affordability framework: median, moderate, low and very low incomes, as well as above-median incomes. They should be setting targets for how many homes they will support in each of those income bands.

Scott Aitchison: Thank you for that.

Mr. Wilkes, what remains the biggest barrier to starting to dig holes for homes? Let's use that as our definition of a "start". What's the biggest barrier, still, to this day?

David Wilkes: I think it's overall cost.

I will bring a perspective different from that of my fellow witness Mr. Sullivan here.

From an overall housing perspective, we need to adjust the costs that have led to some of the affordability challenges in our ability to bring starts online. In particular—as I indicated in my remarks and shared with the committee—there's the fact that sales have really reached historic lows across large urban centres.

I think that is all a combination of the cost to build. We are seeing the private sector adjust in those areas it controls, like land and materials. We are just on the cusp of seeing governments recognize that the 25% or 30% they add to the cost of a new home has to be reduced, whether that's through HST adjustments, development charge adjustments or expediting approvals. It's an overall bucket of looking at how much it costs to build and how long it takes, then addressing this in a fundamental way.

Scott Aitchison: Thank you for that. It's a perfect segue to Mr. Richter, who very eloquently described housing as an entire system, not just one piece of the puzzle. No one part or element of the continuum is necessarily more important than another. I agree with that.

Would you agree, Mr. Richter, that all housing needs to be more affordable?

Tim Richter: Yes.

If we look at housing as a system, we now see a lot of families stuck at the bottom end of that system, as Ray pointed out quite clearly. One thing we need to be mindful of is the transitioning people are able to make through that system. We need a healthy community housing system, but if the rental housing market isn't functioning, more people are going to rely on that community housing system. If the ownership market isn't functioning, more people are going to rely on the rental housing system. These, respectively, create a housing traffic jam in the middle of the housing system.

Yes, we have to think about supply and housing for whomever—I think Ray is exactly right—but we also have to be mindful of how people can or can't transition through that system.

• (0940)

Scott Aitchison: Thank you for that.

I want to continue with that train of thought for a bit longer.

If we were to make all housing more affordable...since 95% of housing in this country is, in fact, market housing. If 30% of the cost of market housing wasn't from government taxes, charges and fees, would that relieve some of the burden on—and need for more—social and supportive housing, rent geared to income and those kinds of things?

Tim Richter: It might, potentially.

However, I think those taxes, fees and costs from delays apply every bit as much to community, social and supportive housing as they do to anything else. In fact—Ray can correct me if I'm wrong—the time it takes to get things permitted has a dramatic impact on the cost of building new community and social housing.

I would say that taxes, fees, the time it takes to get things built and the cost of construction are factors across the housing system.

Scott Aitchison: Thank you for that.

I'll go back to Mr. Sullivan.

Some of your members are trying to build this non-market housing, whether it's social, supportive or whatever.

What do local government delays cost? What does it take?

Raymond Sullivan: Many of the drivers behind the cost of building housing are the same, whether you're building non-market housing or market housing. The cost of labour and supplies, the delays involved when getting projects approved and the land transfer taxes are all things the community housing sector is subject to as well. They affect the health of the system as a whole.

We need market-based housing to work well. We also need non-market housing to work well.

Scott Aitchison: I'm going to say this quickly because I'm out of time. Maybe one of the targets for Build Canada Homes should be about not just the number of units that get built but how quickly we speed the process up.

Raymond Sullivan: Yes.

The Chair: Thank you, Mr. Aitchison.

[*Translation*]

You have the floor for six minutes, Ms. Desrochers.

Caroline Desrochers (Trois-Rivières, Lib.): Thank you very much, Mr. Chair.

Thank you again to the witnesses for being here today and for their input on government strategies and programs over the past few years. It's very helpful.

You spoke about Canada's national housing strategy and programs that are about to expire. We're preparing the launch of consultations on renewing the national strategy and to that end, obviously, our conversation today will be very helpful.

You spoke about indicators at length. There is a bill under consideration to establish Build Canada Homes as a Crown corpora-

tion. When that is done, there will be plans with indicators and very clear objectives. However, we have clearly said that at a minimum, we want to double the non-market housing supply.

Mr. Sullivan, I think you spoke about a 20% target. We're looking closely at what is happening in Europe to see how we can achieve that target.

What is clear—you were all spot on—is that we need to increase the supply of all types of housing to deepen affordability and drive down the cost of renting and construction. We've heard that 25% to 30% of costs are connected to various levels of government, but that is for new homes. However, some homes were built many years ago and have been fully paid off.

According to the three of you, what else, aside from these costs, is driving today's high housing prices?

Mr. Wilkes, you can go first.

[*English*]

David Wilkes: I think there are several factors leading to challenges with housing affordability. Our industry association focuses on the new home side, so I'll restrict my commentary and observations to that.

I can't stress enough that the costs that are built in through government fees and taxes are some of the key drivers. We've seen some municipalities increase those costs over the last several years by 1,000%. That's well beyond what inflation factors would be. Also, there are delivery time frames, as all the witnesses before you today have indicated, and the costs to finance those. That's why we think some of the changes, both on the rental side and on the private equity side, to look at how government programs can finance that development are important.

Let me focus on some of the work that is currently being done on the costs around development charges, for example. The current agreement between the Government of Ontario and the federal government to lower those costs by 50% is a fundamental one. We think that's an opportunity to look at what goes into those development charges, like water and waste-water programs, the types of roads and infrastructure, and how land is calculated. That all will bring structural changes to lower those costs and address overall affordability.

• (0945)

[*Translation*]

Caroline Desrochers: Thank you.

Mr. Sullivan, do you have anything to add?

Raymond Sullivan: Yes. Thank you, Ms. Desrochers.

[English]

The cost of housing is not exclusively based on the cost of producing that housing. It's based on what the market will pay for that housing. When the market price drops too close to or below the cost of producing it, then we have a system failure.

However, the rent of a 20-year-old apartment building down the street from here is not based on the cost of housing, development charges or government taxes. The resale price of a condo three blocks from here is not based on development charges and government charges. It's based on broader market conditions. When those broader market conditions are in misalignment, as they have been increasingly over the decades, and particularly in the past six years, we see this kind of system failure. That's what we need to address.

[Translation]

Caroline Desrochers: Multiple partners are involved. We will not delude ourselves by thinking that the federal government will fix everything. We can't do it alone; it requires collective effort. You mentioned the role of municipalities.

Would you agree that Build Canada Homes will increase housing supply and accelerate construction?

Mr. Wilkes, earlier, you spoke about the various mechanisms that will be applied to seek funding from various sectors to build houses faster. Would you agree that increasing housing supply will somewhat change market conditions and that Build Canada Homes is an effective tool for that?

[English]

David Wilkes: Build Canada Homes can't be viewed as the single and only solution to the challenges we have in housing supply. It's an important component, and it's an important component within the mandate that it has. As I indicated, I believe we need to take a whole-of-market approach. We need to look at market housing. We need to look at non-market housing.

We also can't forget the economic impact that the sector has, and the provision of well-paying jobs, in GDP and taxes. I know that's not the focus of this committee, but it is an aspect that I would encourage the committee not to forget.

[Translation]

Caroline Desrochers: Thank you.

The Chair: Thank you, Ms. Desrochers.

Ms. Larouche, you have the floor for six minutes.

Andréanne Larouche: Thank you very much, Mr. Chair.

Thank you very much to the witnesses for being here today to speak to the critical importance of housing, which is a basic need for every human being and every household.

This week, I met with representatives of the Coopérative Hologic. They came to Parliament Hill, and I want to acknowledge that. This organization is from my riding, and it has a well-articulated vision for developing social and community housing. That's what we call this type of housing in Quebec, since we have some concerns about the infamous definition of affordable housing. What

does "affordable" mean? That may be open to various interpretations.

The co-op has several ongoing projects, but it's trying to see how to get these projects off the ground within the context of Build Canada Homes. Obviously, they know that they have to engage with the Société d'habitation du Québec, or the SHQ because Quebec concluded an agreement that said that it will have the final say on projects, but nevertheless, it's quite interesting. I want to point out that the co-op contributes to the provision of housing directly, and this has driven up vacancies, particularly in Granby. It had one of the lowest rates in Quebec, but now, projects like those of Hologic are making more social and community housing available for families in need.

Mr. Sullivan, what does that say about the potential impact of Build Canada Homes, for example, on the construction of social and community housing?

I'd also like you to tell me about homelessness, because you spoke about it. Lack of housing can push people into the streets.

● (0950)

Raymond Sullivan: Thank you for your question, Ms. Larouche.

Intergovernmental coordination is the key to our success when it comes to housing.

[English]

Intergovernmental coordination is absolutely key in this, as are predictability and stability. One of the important innovations in the national housing strategy was that it had a 10-year timeline. We're now reaching the end of that, and we don't have another 10-year timeline.

Build Canada Homes has been capitalized with initial capitalization for a five-year period. You've heard Mr. Wilkes talk about 10- and 11-year planning timelines for housing. We need the stability and the predictability to build the kinds of homes in Granby and everywhere else in the country that Madame Larouche is talking about.

[Translation]

Andréanne Larouche: In your opinion, what steps should the federal government take to prevent chronic homelessness? What type of housing should the government focus on to achieve this? What would that take?

[English]

Raymond Sullivan: We need specific targets around affordability, as you mentioned. Without a definition, the word "affordability" is meaningless. We need targets based on income. It is a system as a whole, and this is what we're seeing. People are being priced out of the market and rendered unhoused and homeless. We need a healthy system that serves people with low, very low and moderate income and targets to do so.

[Translation]

Andréanne Larouche: Mr. Richter, in your opinion, what type of housing should the government focus on to address this chronic homelessness crisis?

[English]

Tim Richter: I would agree with Mr. Sullivan that we need to focus on deeply affordable and supportive housing.

I want to build on that point and respond to an earlier one before I get to your question.

Madame Desrochers made a really important point in saying that the federal government can't do it alone. When Ray is talking about doubling the amount of social housing in Canada, that's somewhere in the neighbourhood of 650,000 units of housing, which is about \$325 billion in construction at about \$500,000 per unit.

The federal government very clearly can't do this alone. Build Canada Homes can't do it alone. I would argue that if we're serious about reducing and ending homelessness, first, we have to start with building a national housing accord and have some agreement between the federal government and provinces on how we're going to set goals as a country of reducing homelessness and core housing need and restoring affordability. Having those targets and deciding you're going to end or reduce chronic homelessness is very important.

Second, you have to coordinate with the provinces. To the questions earlier about costs and the need to reduce them, some of the barriers we're talking about are in provincial jurisdiction, such as development charges, provincial taxes, permitting time and zoning.

We've seen in the past the federal government remove the GST, for example, on rental housing. However, a city will then come in and take up that space and add it to a development charge in order to build water treatment plants, or something like that. Therefore, getting that coordination between the federal government and the province is essential.

The kind of housing you need to build is exactly what Ray says it is: deeply affordable housing. But there still needs to be a federal homelessness strategy. How exactly is the federal government going to end and prevent and reduce chronic homelessness?

[Translation]

Andréanne Larouche: I don't have a lot of time left.

Mr. Sullivan or Mr. Richter, can you tell me, in a few seconds, what the federal government can do to ensure homelessness does not continue to rise, bearing in mind that this area falls under Quebec's jurisdiction?

[English]

Raymond Sullivan: It should have specific targets for the homes that Build Canada Homes will support, especially focusing on homes for people with low and very low incomes.

[Translation]

The Chair: Thank you, Ms. Larouche.

[English]

Now we move to Mr. Reynolds for five minutes.

Colin Reynolds (Elmwood—Transcona, CPC): Thank you, Mr. Chair.

Thank you, witnesses, for coming here today. I really appreciate all of the perspectives you bring to this important discussion.

I worked for 20 years in the construction industry as a construction electrician. The construction industry is extremely competitive. Contractors, builders and developers are actively seeking projects to build. It is an integral part of the industry's business model.

When a project comes up, contractors will literally crawl all over and undercut each other to be awarded the job. Often they will work with the developer or the owner of the building—the client—to cut costs or find cost savings.

If there is such a high demand for these building projects—and obviously these contractors are going to be looking to build this housing—what's holding up the flow of projects? If builders aren't building, but they're trying to build, obviously we've got an issue there.

I want to ask that question of all three of you. Mr. Wilkes, I'll ask you first, and then Mr. Sullivan and Mr. Richter. You all have very different perspectives on this.

Mr. Wilkes please.

• (0955)

David Wilkes: I think you framed it incredibly well. The need to expedite approvals is almost immune from the competitive nature of the costs you described—the services and materials provided to develop housing from the private sector, the government fees and the taxes levied.

We need to bring that discipline or competitive nature into the discourse as we look at the other side of the costs that are added. I can't underestimate the impact of those costs and the fact they have not adjusted to the demands of the industry as others have, but just gone in that one direction I described earlier.

I think the role the federal government can play in providing incentives to municipalities, through the provinces—to reduce development charges, remove the HST and expedite approvals—is to focus on starts and outcomes, because you can't live in an approval. You have to live in a built house.

That must come with a recognition of the need to change those costs and correct their current upward spiral. My perspective is thus to focus on disciplining the impact of those government fees and taxes on new buildings.

Raymond Sullivan: When the non-market community housing sector develops housing, we use the same trades, contractors, builders and architects.

One of the big differences is that we're trying to bring the costs and rents below the market value. The cost of affordability competes directly with the cost of capital. We're somewhat reliant on low and below-market lending from CMHC, Build Canada Homes and grants from government. When those things are not available and not available in a predictable way over a long time period, it makes it difficult to develop the pipeline that we need to ensure that we can keep building for the next decade.

Tim Richter: I would quickly build on what Ray has just said.

I note that the physical construction of the unit isn't really the issue in terms of getting things built. Yes, you can do things a bit faster. There are some modern methods of construction the government is talking about, which I think are great.

We also need to look at the friction in the process Ray is talking about. For community housing providers and social housing providers, it's the time it takes to get things permitted and go through all the necessary hoops and over the necessary hurdles to apply for funding and get funding.

I heard—this may be out of date—about a year ago that less than 10% of the housing that was funded in the national housing strategy has been occupied. There have been a bunch of issues where there have been delays in getting the funding, or there have been delays somehow in the process. Because of those delays, the economics of the project have changed, which requires them to go back and make adjustments, which then creates more delays.

We have to be very careful in thinking about reducing the friction for those community housing providers. A big part of that is helping some of Ray's members put together the capital between the federal government, provinces and cities. Think about how we reduce the permitting time to get them there. Again, that's a conversation between the federal government and the provinces.

• (1000)

The Chair: Thank you.

[*Translation*]

Mr. Joseph, you have the floor for five minutes.

Natilien Joseph: Thank you, Mr. Chair.

Thank you to all the witnesses for coming here.

Mr. Richter, can you share your perspective on the importance of having a construction strategy for the housing continuum?

Ultimately, reversing the trend will mostly involve preventing homelessness through non-market housing and affordable homes. What do you think about that?

[*English*]

Tim Richter: First of all, I want to acknowledge and support the government's leadership on housing. The most important thing in the national housing strategy was highlighting and having the federal government take a leadership role, which I want to acknowledge and thank the government for.

When you look at the housing system, this is where having targets, priorities and outcomes is really important. Given the scale of the housing crisis, we're seeing a trillion dollars that we need across the housing system. You have to ask this question: What is the role of government?

I believe—Ray would probably agree as well—that the role of government is to intervene in particular where the market can't support people. The market is clearly not functioning well for those people living in deep poverty in Canada. They cannot access market rent. If I were to prioritize where the first, second and third dollars of federal investment go, I would prioritize deeply affordable, supportive and community housing.

[*Translation*]

Natilien Joseph: Thank you.

Mr. Chair, I forgot to let you know that I'll be sharing my time with my honourable colleague Ms. Tesser Derksen.

[*English*]

The Chair: Go ahead, Ms. Tesser Derksen.

Kristina Tesser Derksen: Thank you so much.

I wanted to note that, in the last round, one of our opposition colleagues was complaining quite a bit about the delays she had experienced at Service Canada locations. I think that's a great example of why we have to be careful about cutting funding to service delivery.

I was a municipal councillor in my riding of Milton East—Halton Hills South. Municipalities depend a great deal on development charges to fund their service delivery to their residents.

Mr. Wilkes, what's your understanding of how municipalities will be made whole through government support, given the reduction in development charges that they're going to be experiencing?

David Wilkes: Thank you very much for the question. I see that you're from the GTA, and I'm familiar with some of the challenges that were faced there.

The \$8.8 billion that has been made available is meant to do exactly that. It's meant to provide that funding over a three-year period, but as the program is developed and administered by the provincial government, we believe it needs to be a pathway to structural change.

If you look at the current responsibilities that are within the development charges—things like water, waste water, regional roads, bridges and the types of things that have a much greater benefit beyond what the actual development is—you see a disconnect on the payment of those charges or costs for the current new development versus what benefits the entire community and benefits the life expectancy of that asset. We believe the municipality will be made whole through the funding that is available, but it needs to be a pathway to structural change to do what Mr. Richter, Mr. Sullivan and I all consistently agree on.

We have a cost problem in this sector. Without looking at new ways to reduce those costs, we'll do what Einstein famously said: keep doing the same thing and expect different outcomes. It's not going to work.

That's why we're very excited about this program: It addresses the short-term needs but also addresses the long-term need to change the way the tax is applied to new homes through development charges.

Kristina Tesser Derksen: Are you confident that this benefit will actually trickle down to municipalities? There has been some criticism that builders and developers will simply adjust their pricing to fill in that gap.

David Wilkes: I'm incredibly confident about it. We've already seen that in the HST program, with the rebate being applied at the point of sale and at closing. We've seen incredible, increased activity within the Ontario market because of that, because it's addressing affordability.

The fundamental issue we have is that it costs too much to build to a price point that people can afford. Therefore, as your colleague indicated, with that competitive structure built back into those government fees, I am confident you will see adjustment on what people are paying for housing.

• (1005)

Kristina Tesser Derksen: Thank you.

[*Translation*]

The Chair: You have the floor for two and a half minutes, Ms. Larouche.

Andréanne Larouche: Once again, I'd like to thank the witnesses, Mr. Richter and Mr. Sullivan, for joining us today.

I'll turn to you, Mr. Wilkes, for my next round. You've appeared before this committee several times. The last time, we were talking about Build Canada Homes in particular. Do you really think it will help fix the issue of housing starts? This could create more red tape that could delay the construction of social and community housing, among others.

[*English*]

David Wilkes: You won't be surprised that the delivery of any program by any level of government needs to be done in a streamlined fashion. I'll give Build Canada Homes the benefit of the doubt that they will do so.

However, I also want to stress, as I did earlier, that Build Canada Homes can't be viewed by the government or this committee as the entire solution. It has a mandate to address certain types of housing.

It has a mandate to assist with the modernizing of housing construction and to provide a catalyst for that, which I also think is an important role government plays, but without addressing the 98% of the housing that's delivered in this country by the private sector, we'll never solve that problem.

[*Translation*]

Andréanne Larouche: Some community groups and some other individuals have a different view when it comes to housing. In fact, I recall that Mr. Jean François Arseneault came to Parliament Hill this week to speak about projects undertaken by Coopérative Holocie, which has a great housing initiative.

Yesterday, there was an event for Yänonhchia', an organization designed by indigenous communities to address their specific housing needs, but unfortunately I couldn't make it. The organization also addresses the need for decentralized services to get a better understanding of the needs in various parts of the territory.

In closing, Mr. Wilkes, since we're talking about better knowledge of the needs on the ground, can you tell me, in 30 seconds, whether Build Canada Homes will address the needs across the country, and not just in the large cities, bearing in mind that other parts of the country, including rural communities, also have needs?

[*English*]

David Wilkes: I will have to restrict my comments to what I know. We are focused within the GTA and, as I mentioned, other large urban centres. We believe any successful program.... I've referred to the need for a national data system. It has to reflect the geography and the reality of that area. I would defer to the limits of my knowledge as far as specific indigenous communities are concerned.

[*Translation*]

The Chair: Thank you, Ms. Larouche.

[*English*]

We have Mr. Reynolds for five minutes.

Colin Reynolds: Mr. Richter, you talked about the national housing strategy and housing in Canada as a system. You mentioned that our housing system has been deteriorating since the first national housing strategy. Now we're on our fourth housing strategy, I believe. Do you believe that Build Canada Homes is going to do anything differently that the previous three haven't done?

Tim Richter: Just to clarify, I'd say housing affordability has deteriorated across almost every income level in the country. Some of that is obviously outside government's control, but yes, that is certainly true.

I think Build Canada Homes can play a really important role if it's clear what it's designed to achieve. I think I would echo what others have said. The point here is that Build Canada Homes isn't a silver bullet, and it isn't going to solve the problems themselves.

One of the last conversations was about development charges and things like that. The federal government has a suite of measures that it can take to support communities in building more housing—some of that's infrastructure investment, some of that's tax.

If we look at what has really been successful over the last couple of years in rental housing in the country, we're seeing a rental housing construction boom. That is a direct result of federal government policy in the housing plan under former minister Sean Fraser. That used all the tools at the government's disposal. The housing accelerator used direct investment, GST cuts and things like that. That spurred this growth in rental housing.

I think Build Canada Homes plays an important role, but it's not a silver bullet by any stretch of the imagination.

• (1010)

Colin Reynolds: A very hot topic is the development charges and permitting time of various jurisdictions. There are some jurisdictions that are functioning much better than others.

Mr. Sullivan, you're pretty familiar with other jurisdictions across the country. What are the jurisdictions that are functioning the best and the worst? What are they doing differently from best to worst?

Raymond Sullivan: I think there are a number of jurisdictions.... In fact, the City of Toronto is one where they've really put measures in place to accelerate permitting and approvals.

Specifically, when looking at non-market community housing, one of the first I saw was in Calgary. I've also seen it now in Ottawa and Toronto, where they have a stake in that housing. They accelerate...and put those on the top of the pile for review.

Colin Reynolds: Mr. Wilkes, I'll ask you the same question.

David Wilkes: I think the conversation has started on how to expedite approvals. I agree, the City of Toronto has looked at something within the GTA. Another example is Burlington. Mississauga is another important example.

I'll give you one example where I think the federal government could play a role when they're tying their funding to change in behaviour. One thing that Mississauga has done, and we've now seen the provincial government do, is this: If an approval, a site plan, has three rounds of discussion within the municipality, that's it; you stop. You bring everybody from the various municipal representatives and the applicant together, you sit down and resolve it. You stop the merry-go-round.

That type of discipline, those types of initiatives that we've seen various municipalities introducing, we're now seeing the Ontario government support. It is a role that the federal government could play.

Don't just give a blank cheque; give a cheque that requires change in behaviour and focuses on outcomes like the one I just described as an example.

Colin Reynolds: Mr. Sullivan, what would you define as “affordable” housing? It's been very grey. It isn't actually defined in the new Build Canada Homes.... There's a lot of discussion on affordable housing.

I'm from Winnipeg, and I know that what we call affordable housing and what it is in Toronto is very different. How would you define “affordable” housing?

Raymond Sullivan: It's a disappointment that it's not reflected in the Build Canada Homes legislation. I hope it is reflected in the second version of the national housing strategy. There is no way to define affordability except by income. It's affordable to whom? Look at median and moderate incomes in Edmonton instead of affordability based on what that household can afford, locally adapted.

Colin Reynolds: Thank you.

The Chair: Thank you, Mr. Reynolds.

[*Translation*]

You have the floor for five minutes, Mr. Villeneuve.

Louis Villeneuve: Thank you, Mr. Chair.

Good morning, gentlemen.

As a former mayor of the city of Bromont in the Eastern Townships, Quebec and a resident of a rural area, I had first-hand experience of the shortage of housing and infrastructure issues. I have to say that back then, I'd have loved to see a program like Build Canada Homes. It would have helped us a lot.

Many organizations are now working to develop non-market housing. I meet their representatives on a regular basis and I've met with mayors, and I have to say that every stakeholder I've met is very pleased with Build Canada Homes.

Mr. Richter, some witnesses have told us that the current method for calculating housing starts doesn't always reflect the full and accurate picture of the market.

What changes would you recommend to improve the way these data are measured and presented?

[*English*]

Tim Richter: That is a bit out of my area of expertise. In terms of the stats on housing starts, I would say that we should be more interested in completion and occupation. We should be more focused on the impact on households and thinking about, as Ray said, affordability. I would be looking at breaking down, for example, the Canadian population by income quintiles and looking at measuring affordability for those different quintiles.

When you look at the kind of housing that someone in the lowest income quintile can afford, you're really led to that community housing that Ray has been talking about. If you're looking at the third income quintile, you're talking about people who are mostly living in market rental housing. How you want to calibrate your housing policy really depends on whose affordability you're trying to improve and what they need.

Housing starts are an output measure, and they're lagging. That tells you that you've done something, but it doesn't tell you whether or not that affordability has improved for the people you're trying to improve it for. Getting clarity on that is critical.

• (1015)

[*Translation*]

Louis Villeneuve: Thank you very much.

Would anyone else like to answer that question?

Mr. Wilkes, would you like to answer?

[*English*]

David Wilkes: Yes, I would. I have three points that I would make on this. I addressed in my opening remarks that we do need better data and a better understanding of the housing market across the country. It does need to reflect the individual housing markets within specific geographies. I would encourage the government, through the investment it's making and recommendations from this committee, to look at it holistically.

Define a start properly. Right now, in the case of high-rise construction, it's at above grade. I'm getting into the weeds here. It should be earlier in the system to reflect when the actual start is. You need to look at sales, in my opinion. That's the early indicator. That's when you're going to see the bright light on the dashboard. If sales are declining, as they currently have, you're going to have a problem in two to three years of starts, and you need to address that proactively.

I would also include looking at when inventories are increasing as well. I know that CMHC is doing some work in that area. If inventories are rising, it's telling you that you also have an affordability problem. It could be an opportunity to address and use those inventories differently but, as inventories increase, you have to have those absorbed in order to have starts down the road.

You need a much more holistic approach and a much more accurate approach defining what a start is. I'm pleased to see the government recognizing the need to do that.

[*Translation*]

Louis Villeneuve: I'll stop here since I have only one minute left.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Villeneuve.

[*English*]

That concludes this round of the committee's timeline on housing starts. Thanks to the witnesses for appearing this morning.

Thanks to the committee members, including the group of new ones.

We have one item before we adjourn. You have all received two draft news releases. I'll ask the analyst to speak to them.

Vanessa Preston (Analyst): The committee has received draft releases for the two studies—the one that's ongoing on housing starts, as well as the upcoming study on homelessness. I'm looking for the committee's approval to release those.

The Chair: You've had them for 48 hours, so I trust you've all read them in detail.

I see nobody is objecting, so they're approved. You can release them.

With that, the committee will meet again on Monday, May 25.

Is it the will of the committee to adjourn?

Some hon. members: Agreed.

The Chair: The meeting is adjourned.

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