

## **RESPONSE PACKAGE**

### **PSPC responses to Questions Taken on Notice Standing Committee on Government Operations and Estimates (OGGO) Appearance by TBS regarding COVID Expenditures April 12, 2021**

#### **Question 1 - Regarding the incidence of fraud in procurement contracts.**

##### **Response:**

As of May 28, 2021, PSPC has not detected any fraud in its contracts in support to the COVID-19 pandemic. The Government of Canada is committed to taking action against improper, unethical and illegal business practices and holding companies accountable for such misconduct.

The Government of Canada also expects that suppliers meet their contractual obligations. PSPC terminated the 3 KN95 respirator contracts with one company on May 3, 2021. It is Canada's position that the products received do not meet the terms and conditions of the contracts, and constitute a breach of contract terms with the company. The government is thus proceeding to seek to recover advance payments made to the company as well as damages for other costs incurred resulting from the alleged contractual breach.

#### **Question 2 - Regarding rent relief for NCC tenants.**

##### **Response:**

The National Capital Act grants the NCC the authority to lease its properties, through which the corporation receives commercial rent. Since March 2020, many NCC tenants have experienced significant losses in revenue, as a result of COVID-19 restrictions and market uncertainty, thereby impacting their ability to pay rent.

When the federal government introduced the Canada's Emergency Commercial Rent Assistance (CECRA) program to assist struggling Canadian businesses, it was targeted at the private sector, leaving NCC tenants without rent relief. However, following direction from the Minister of Public Services and Procurement, and in the spirit of being a good landlord, the NCC implemented a program to provide rent relief to its tenants in a manner that aligned with the CECRA program from April to September 2020.

As with the CECRA program, the NCC's program reduced rent payments by 75 percent for eligible small businesses experiencing financial hardship due to COVID 19. The implementation of this program, coupled with ongoing rent deferrals, resulted in a shortage of funds that were previously generated by the corporation's

commercial leasing portfolio, and significantly impacted the NCC's operating budget.

Rental revenues have become an increasingly important source of funding, accounting for approximately \$24 million per year, or 25 percent of the corporation's annual operating budget. An analysis completed in September 2020 showed that the anticipated impact of the COVID-19 pandemic on the NCC's revenues is \$4.91 million for the 2020–2021 fiscal year, and an additional \$1.36 million for the 2021–2022 fiscal year.

As this represents a 20 percent reduction in the NCC's total rental revenue, the corporation worked with PSPC and other government stakeholders for additional funding to offset losses in net revenues from commercial leasing and to close the gap in the NCC's operating budget.

The corporation will continue to support its tenants during the challenging months ahead by working closely with those who require federal support measures to ensure a robust and resilient recovery.