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• (1405)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Thank you for appearing, folks, in this complicated set-up with people by phone all across the country.

With that, I'll officially call the meeting to order.

For the formalities, welcome to meeting number 16 of the House of Commons Standing Committee on Finance. We are operating under the order of reference of Tuesday, March 24 for the committee to meet to discuss the government's response to the COVID-19 pandemic.

Before we start, I want to inform all members again that pursuant to this order of reference, the committee is meeting for two reasons: one, to receive evidence concerning matters related to the government's response to the COVID-19 pandemic; and two, to consider a bi-weekly report to be provided by the Minister of Finance or his delegate on all actions undertaken pursuant to parts 3, 8 and 18 of the COVID-19 Emergency Response Act.

Today's meeting is taking place exclusively by teleconference, and the audio feed of all our proceedings is made available by the House of Commons website.

I'll just go over the rules a little bit again. Before speaking, un-mute your phone, state your name so we know who is speaking and please identify the witness to whom you are addressing the question. If there are any problems along the way, or if you need to interrupt, just un-mute your phone—and I think I know most people's voices by now—and I will recognize you.

With that we will start.

Mr. Mintz, you're an experienced hand at these kinds of meetings. We'll start with you. If you would open up with your remarks in the range of five minutes, that would be great. The floor is yours.

Dr. Jack Mintz (President's Fellow, School of Public Policy, University of Calgary, As an Individual): Thank you very much, Mr. Chairman.

I am actually going to be very brief. I did not prepare a discussion. I decided that I just want to make two or three points, but I would rather leave it to the question period for people to ask me any questions at all.

I also want to be up front. As some of you know, I'm chairing the Alberta premier's Economic Recovery Council, but I want to make

very clear that any opinions I give here are strictly my own and do not represent the views of the council.

I first want to say that I support the wage package that came out, certainly in principle and a significant part of its design. There are some issues that I'd be happy to explore further if you wish, about whether there are ways and some alternatives that could be looked at to try to make sure payments are made more speedily.

Also, I think there are some issues to be dealt with vis-à-vis the 30% rule in terms of the reduction in revenues. I think it's appropriate to have something like that, but unfortunately, based on past experience, I would say that these things are always complicated and can lead to some unfairness because income doesn't flow in the same amounts. There can be peaks and troughs and all that sort of thing, but there may be some ways to try to ameliorate that.

Then finally I think some careful thought has to be given to how to deal with charities and non-profits.

There are other things that are part of the package, and one can go into various details. We're all in a rush. We're all dealing with a huge problem on our hands in this country with, as I have called it, "a medically induced economic coma" as well as a health crisis. There are very difficult trade-offs to be made, and the government is responding as fast as it can, but when you're doing things fast, obviously nothing is ever perfect. Later on there will probably be some lessons learned about how not to do things, and one can always assess that.

Then there is going to be what is probably the more important issue, which is when we can start getting back to work and what is going to be required for that. I think there are going to be a number of issues to be dealt with.

Anyway, I'll stop there and turn it back to you, Mr. Chair.

• (1410)

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

We will turn, then, to the Caledon Institute of Social Policy, with Ms. Torjman.

Ms. Sherri Torjman (Former Vice-President, Caledon Institute of Social Policy): Thank you, Mr. Chair.

First, I'd like to thank the committee for the invitation to participate in this discussion. I want to thank all the members of Parliament for their incredibly hard work and leadership during this crisis. I'd like to thank the public servants, who are working so tirelessly to put in place these emergency measures: a complex and monumental task in these unprecedented times.

I want to make a few remarks, and then of course welcome questions. My remarks are made within the context of some guiding principles. First is immediacy of response; remediation of administrative errors can come later. Second are straightforward and simplified eligibility criteria and reduction or removal, where possible, of administrative requirements. I can provide some details on that. Finally, just a note I want to put in here, provinces and territories, in the spirit of Team Canada, should not offset any new federal payments by reducing income-related benefits, such as housing subsidies or child care subsidies. Unfortunately, this has happened in the past, and we hope that it won't happen under these circumstances.

I want to make just a few comments about the various components of the emergency measures, and again, I would welcome questions about the details.

In terms of the first benefit announced, the CERB, its scope and eligibility criteria to some extent remain unclear. I know it's extraordinarily difficult to put in place such a complex program so quickly, but even the general description of the CERB on the website—the first two sentences that describe it—is very confusing. For example, the second sentence says, “If you are looking for a job but haven't stopped working because of COVID-19, you are not eligible”. Many self-employed people are looking at this, and we are receiving phone calls regularly from people. Just the other day, there was an email saying, “I wonder if this is me.” It's not very clear, because most people are in theory in the labour market. They want to be in the labour market, but there are no jobs to be had.

There are also questions with respect to certain aspects of the eligibility criteria that pertain to groups of people. For example, I've had questions from families with children with special needs. They are taking care of children with severe disabilities, for example, or young adults with severe disabilities. Would they qualify for this assistance? They're really struggling right now as programs close and all their sources of support dry up. Would they be eligible? For example, would someone holding a Canadian work visa who just recently came to the country and hasn't accumulated the necessary \$5,000 be eligible for this? Would workers over 65 who have modest contractual income be eligible? There is an eligibility floor but not a ceiling, and perhaps that was intended.

My proposal in this regard is to perhaps dedicate a call line on CRA, if possible, or a call centre, to be able to answer some of these specific questions, or even a component on the CRA website where people can write in their questions. A briefing would be really helpful. Just like we're having regular health briefings, a “financial assistance health briefing” on our regular news broadcast would be really helpful. I'm chairing a committee reporting to the Minister of National Revenue, and because of the complexity of a particular tax measure we've recommended a dedicated call line around the disability tax credit. It certainly would be helpful for Canadians around the CERB.

I was pleased to see that the Prime Minister announced today that payments would be advanced on the Canada child benefit and the GST credit. That's really very crucial. We need to make sure that we keep these programs in mind if there is any overload of the system on April 6. I dearly hope there won't be, but in the event there is, these programs can reach the majority of Canadians and

we can get to them very quickly. I wanted to point that out as a plan B that we can put in place.

There are some interface problems between the first program and the new emergency assistance announced for businesses. Some of them are just eligibility criteria and how we move from layoff back to rehiring, but there is a real problem I'd like to point out to you. After the initial CERB was announced, there were interviews with many different employment lawyers who warned employers that they could be subject to lawsuits for layoffs that they're making under the program because it's technically not permitted. I just want to point it out to you as a red flag. Perhaps there should be a period during which there would be protection of employers too, for example if a layoff occurred within two weeks following the CERB announcement.

• (1415)

We absolutely need to respect and protect workers' rights—there's no question about that—but in this case I think we've left small business employers open to a new vulnerability that was totally unintended.

I have just one or two more comments. I think the wage subsidy package is excellent. One of the problems, though, in comparing March to March is that many businesses were open for part of March, some of them up to the third week in March, and they may not have experienced the 30% reduction that's required. Nonetheless, they will still now have to lay off their employees while still wanting to retain their relationship with them. How do we deal with those kinds of circumstances? If businesses may have to lay off some people and not others, how do they deal with the on and off?

I have just one or two comments on the business loans, which were, I think, very important. Of course, businesses would prefer not to take on any more debt. That's just a caveat. Many would prefer deferrals on rent, utilities and insurance payments.

One question people have had is whether small businesses that are not incorporated are eligible for the \$40,000 loan to be provided by the banks. It appears when people are talking that this is the case, but I've seen some fine print from some organizations saying that they are not, so some clarification would be very helpful.

On the role of the BDC, that's excellent. However, I've seen in very, very recent correspondence that the BDC has been asking for extensive reporting and questions to be answered, even by people who already have an established relationship with that organization. I would hope that under these circumstances we can minimize those administrative and eligibility requirements.

I can speak to charities. I won't do that now, but I can if there are any questions on that aspect.

My final point is this: Now is too soon to say what we could have done in retrospect. I recognize that; we have to get through the crisis. However, what I worry about is that when we come out, I hope sooner than later, at the other end and say we are going to rebuild everything that was in place, in many circumstances—for example, nursing homes for seniors and benefits for Canadians who are really missed in the current income security system—we don't necessarily want to go back to where we were.

What I'm recommending is that there be some kind of reconstruction advisory group, a group that can come together and make some proposals about where we could be going in the future so that we can avoid some of the problems that we have faced and that we're trying to address right now.

Thank you very much for your time and your attention.

The Chair: Thank you very much, Sherri.

We will turn now to the musicians' guild of Quebec and Mr. Fortin, chief executive officer.

• (1420)

[*Translation*]

Mr. Luc Fortin (Chief Executive Officer, Guilde des musiciens et musiciennes du Québec): Good afternoon, Mr. Chair.

My name is Luc Fortin. I am the president and CEO of the Guilde des musiciens et musiciennes, the Quebec Musicians' Guild, Local 406 of the Canadian Federation of Musicians. The Canadian Federation of Musicians represents 14,000 professional musicians. The Guilde des musiciens et musiciennes has 3,300 members in Quebec.

I'm very grateful to you for inviting me to appear before the Standing Committee on Finance.

I would like to begin by acknowledging the remarkable work of the Canadian government and Parliament in these very difficult times in response to COVID-19. This crisis has caused millions of Canadians to suddenly lose their livelihoods. You have shown creativity and compassion in developing, in a very short period of time, a series of exceptional measures that will enable Canadian businesses and all Canadians to get through this extraordinary crisis. You have had to work under very short deadlines and under pressure. It is therefore normal to have to make adjustments when you become aware of certain situations whose magnitude you had not previously suspected.

One of the issues involves the Canada emergency response benefit, the temporary help that self-employed people are entitled to receive, which provides \$2,000 a month for four months.

Since mid-March, our members—musicians and freelancers—have suddenly lost all their music contracts as a result of the closure of concert venues and the ban on gatherings. They thought they were entitled to the Canada emergency response benefit. However, there is a problem: under the current eligibility rules, only those who expect to have no employment or self-employment income for at least 14 consecutive days during the initial four-week period are eligible; for the next three four-week periods, they must not expect to have employment income.

Music is usually a precarious profession. Contracts are not regular and revenues fluctuate. Like many other artists, our members often rely on other sources of income to stabilize their situation. Even after losing all of their primary income, if they are unfortunate enough to continue to receive small earnings from secondary or other employment, they will not be eligible for the Canada emergency response benefit. The rules are too strict; no income, however small, is possible. Why should they not also be entitled to emergency assistance during the crisis when they find themselves destitute?

We have received hundreds of emails, Facebook messages and calls from our members who will no longer have enough income for their basic needs. They feel abandoned. I'll give you some of the many, many examples from our members.

A member informed us that, following the closure of her school due to the pandemic, the school board has decided to honour its private lesson contracts and pay teachers every two weeks until June. Our member has asked not to be paid for fear of not being eligible for the Canada emergency response benefit, but the school board says there is nothing it can do. What should she do? She will receive \$53 every two weeks. She cannot live on that and she will not get the \$2,000. That's unbelievable.

Another member told us that he was not eligible for federal assistance because of a two-hour weekly teaching assignment for which he will continue to be paid during the containment measures. Yet he has lost all of his main income from freelancing, which was about \$23,000 a year, which meant a minimum of \$3,500 from March to May. The best solution he has found is to sublet his apartment. He will live with friends and family for about a year.

Finally, according to another musician, some symphony orchestras have offered to compensate musicians for concerts cancelled due to the crisis and give them from 25% to 50% of lost income to help them subsist. These small amounts will be deposited during the months of April and May. According to what he understands, even if he has not been working since March 13, he will not be eligible for benefits because he will receive this small compensation for cancelled concerts.

I'm sure you understand that this situation is counterproductive. I am counting on your creativity and compassion to find solutions so that all those Canadian workers who really need the Canada emergency response benefit can use it to get through the crisis.

Thank you for listening to me.

[*English*]

The Chair: Thank you very much, Luc, and thank you for those quotes of some of our membership. They're valid points.

Now we go to Nora Spinks, president and CEO of the Vanier Institute. Please go ahead, Nora.

• (1425)

Ms. Nora Spinks (President and Chief Executive Officer, Vanier Institute of the Family): Good afternoon. Hello, everyone. It's good to be back with you. It seems like just a few days since we last met in Ottawa, and it seems like a lifetime ago. Here we are in this new normal, or new interim normal anyway, and although I'd prefer to be there with you in person, it's great that we have this technology to be able to connect by phone.

I'd like to share remarks of gratitude and appreciation for all the hard work and the long hours that all of you are putting in to make sure Canadians are safe. I hope you and your loved ones are managing well under these challenging circumstances.

Since we last met, the institute has continued to work on the family well-being index and adding in figures and bringing in data related to the pandemic and how families are managing and coping, or not. We've continued to build on the policy monitor to have it expanded to include a special section on what governments are doing related to the pandemic. Our research consortium now has over 165 active participants who are working with us to pull together new data that will allow us to monitor how individuals and families are doing as we go through this next phase of pandemic planning and preparation.

For those of you who don't know me, I'm the CEO of the Vanier Institute, which is a research and education organization that was founded by Georges Vanier back in 1965. We are a national resource, so we are here for you to be able to make informed decisions and to apply evidence to the decision-making that you're a part of on a day-to-day basis. Our primary role is to expedite research to practice, so what we've been doing in recent weeks is working with our primary partners at Statistics Canada, the Association for Canadian Studies and Leger polling, and conducting weekly research on how families are managing, what's happening with their family life, their family experiences, and their expectations and aspirations. We've been asking them how they feel about the government measures and the kinds of things they're finding particularly useful and I thought I would just take a couple of minutes to share with you some of the highlights from the last couple of weeks.

Each week we go to the field and we collect some of the same data week over week and then we add one or two questions that are variable that allow us to dig a bit deeper. We are accumulating this data so that we'll be able to look at things over time. The questions we're asking today are also linking back to some of the existing data from the general social survey on families and the general social survey on caregiving and time use, to be able to look at pre-pandemic, early COVID, mid-COVID, late COVID and then ultimately post-pandemic, so that we'll be able to learn from these experiences, and each of the other witnesses has talked about how important that's going to be as a group.

We have more data than we have expertise, time and resources to manage, so we would welcome any additional assistance that is available to be able to drill down a bit deeper. There's a hunger for this information. Just this morning I was doing 30 separate interviews from coast to coast to coast, sharing just one data point on

how couples were managing living in close quarters. I want to share with you several things.

One is based on what we've done in previous years, looking at how families manage disruptions and crises. Whether it's fires in Fort Mac, tornadoes in Dunrobin or ice storms and snowstorms, etc., we know that for all systems, when under stress and strain, all strengths and weaknesses are magnified, amplified and intensified. What we want to do is to learn how the magnification, amplification and intensification of strengths can be harnessed, leveraged and built on and how the weaknesses can be managed.

I'll give just a couple of quick highlights. The good news is that most couples are doing quite well, most families are faring quite well, despite the uncertainty and lack of predictability and precariousness around finances. Eight in 10 couples said they were feeling well-supported by their partners.

• (1430)

We know that of those who are feeling supported, those who do not have children living at home are at a slightly higher number, but not much, and those who do have children at home are indicating that they are engaging in more meaningful conversations with their partners and that they feel their relationships are actually strengthening as a result.

That's true for men and women, but men more so, and men with children even more.

The relationships are highest and people feel closest in British Columbia, at 44%, and in Quebec it's 40%. What we're interested in finding out is whether over time—because B.C. and Quebec have had more intensity in a shorter period of time—the rest of Canada follow suit, or whether it is just a cultural issue. We'll be able to report on that in another week or two.

The good news is that only 16% are arguing more during the pandemic, although we are seeing and expecting a further uptick in family violence. If we look at some of the international experiences, we see that places like Italy are finding a 30% increase in domestic violence. We will be tracking and tracing that as well over time.

I want to share with you a couple of highlights from some of the microstudies that we've been doing, particularly on individuals new to Canada. We've divided them up between those who have been here for more than five years and those who have been here for five years or less.

The fears associated with contracting COVID are much greater for those who have been here for less than five years, but both categories of immigrants—those who have been here at least five years and those who've been here less than five years—are significantly higher in their fear factor than non-immigrants.

Fear about financial obligations among those with less than five years' residence is almost double what it is for non-immigrants. Among those who are saying they're not managing well, people are managing less well the shorter the period of time they've been in the country.

A big one that I think is important is looking at how people feel in terms of their circle of support around them. Across Canada, 90% of non-immigrants in Canada say that they have somebody they can depend on in case of emergency. That drops dramatically down to less than 76% for those who have been here less than five years.

Part of that is related to information. We know that they're not getting information, supports and resources in the same way, in part because of language barriers, so we are asking where people are getting their information in order to be able to recommend how best to target communication and how best to communicate the resources and supports that are available to them.

That's just a snapshot. We will be collecting this data week over week, as I mentioned. We do have it drilled down to provincial levels and across genders and socio-economic status and a number of other indicators. The dilemma that we're faced with is that we have more data than we have analysts, so although we're using human resources from universities and Statistics Canada, we don't have enough resources to carry on this work in a deep and meaningful way. I'm just planting that idea. If there are resources available and you're interested in getting more of this information at a more granular level, we'd be happy to provide it for you with additional resources.

Thank you so much for your time.

The Chair: Thank you very much, Nora.

We will now turn to a six-minute round of questions. We'll start with Mr. Poilievre and then go to Mr. Sorbara.

Go ahead, Pierre.

Hon. Pierre Poilievre (Carleton, CPC): Nora, I'm sorry, but I didn't catch your last name. I wonder if you can email to the chair the links to all that valuable data you shared so he can could distribute those, and thank you for your testimony.

• (1435)

Ms. Nora Spinks: I'd be most happy to.

Hon. Pierre Poilievre: My question is for Dr. Mintz.

Dr. Mintz, you have probably more experience in Finance Canada and in economics than almost anyone in the country. The biggest gap I see right now in all of the stabilization programs is small business. Small businesses have very thin margins and limited cash reserves. Their revenues have dropped, in most cases, by 100%. Data is now coming out of small business organizations suggesting that something like a third of these businesses will never open again. If we don't get cash into their hands immediately, we are going to have an enormous segment of our economy literally erased, and a huge part of our GDP will vanish with it.

What is the single fastest way to get cash back into their coffers?

The Chair: Go ahead, Jack.

Dr. Jack Mintz: Thank you.

This is a comment particularly at the federal level, but also for a number of the provinces, in fact, maybe most of them. I think there needs to be a lot more use of faster means of trying to get money into the hands of businesses, and to some extent, individuals. Some

of it is okay, but let me give the wage subsidy program as an example, which I think can be very important for small businesses, although there are some other issues that are important that I'll talk about in a moment.

The wage subsidy program is relying on a distribution by the federal government's setting up a portal, which will take six weeks to do and who knows how long after that for money to actually get paid out. I hate to say it, but I've had bad experience in governments with portal creations. Sometimes they can be much more problematic than one thinks.

It does make me wonder, especially when it comes to the business side, why we don't use the banking system, which has a tremendous network that can reach all businesses, as a way of trying to get applications done through the banks and getting that information into governments. As well, as the banks already know the firms and what kind of situation they're in, they're able to get the data very quickly to them and the money would be provided very quickly through the banking system out to small businesses. I'm not a complete expert on how to do that exactly in the sense of all the details that would be involved, but I really do think we need to use some mechanisms that go faster than simply things being set up in that way.

I also think at the federal level there's too much reliance on BDC and EDC for distribution of funds. That is not to say they aren't fine organizations—it's not a criticism of them—but potentially they could get overwhelmed. Again, the banks themselves all have relationships with businesses already that need the funding, and I think various types of distributions should be done through them.

Finally, on the wage subsidy, there are some particular issues that I think are critical for many businesses right now, especially at the small end. The first is that with the wage subsidy program itself, based on a 30% loss in revenues, I think it's appropriate that you want to have something in place. Some businesses are going to do fine and are doing fine. These include, for example, grocers. It includes those in delivery. Some of the restaurants are doing okay because they have a very good take-out and delivery system, etc. I think some of them have not had collapsing revenues or not nearly as bad, and so I think it's appropriate to have some measure of that.

We have to remember that there are firms that have very small margins. I wouldn't say very small—they make money—but their margins may be 10% or 15%, and so a 30% decline in revenue can actually put a business in jeopardy. While the information given on how people are coping with the pandemic right now is positive, and it's nice to hear that, as we go further along and as we potentially go into June before people can start getting back to work, there are going to be more people in jeopardy, including small businesses, as well as many individuals, and it's going to get harder and harder for them to meet their bills.

That's why I think it's really important to get the funding out soon.

• (1440)

Hon. Pierre Poilievre: Dr. Mintz, I have a follow-up question.

One of the things that I believe CRA could execute on a dime is to return the GST that small businesses with, say, more than five employees have collected over the last six months to a year. If you're a business with half a million dollars in gross revenue, that would mean, after credits, probably about 20 grand in your coffers. That's money that you could use to pay your emergency rent, your utilities and other immediate costs. You could also front-end the wages you're going to use to eventually claim the wage subsidy.

What do you think about refunding, say, six months to a year of GST to small businesses?

Dr. Jack Mintz: Well, I think that's an interesting proposal. In fact, you can attach it to some of the other programs as a way of getting a very quick down payment and then clawing back some of the other programs that are being made available. This way you're not building up on—

Hon. Pierre Poilievre: The reason we proposed it—

Dr. Jack Mintz: Just on the GST, though, we have to remember that some businesses are exporters and don't charge a lot of GST, or they might be an exempt business, so they don't actually collect much GST.

I think that if you want a kind of general approach so that everybody gets support, mechanisms that allow for a quick refund are good ways of trying to get money into the hands of businesses right away. That's why I was suggesting the banking system as well, because it's another alternative—

The Chair: Okay. We're slightly over in that realm, but that's not a problem. I think we have lots of time in our two hours.

Mr. Sorbara, you're up next.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair.

Good afternoon, everybody. Please, everyone stay safe. Let's all get through this in due time.

I want to thank all four presenters for their feedback. We had the Caledon Institute's description of the immediacy of response, simplified administrative activity and eligibility, and the Vanier Institute's as well, and to Mr. Mintz, with whom I've chatted before, thank you for all the work you're doing in Alberta and advocating for small businesses across the country.

I want to make a couple of quick points before I ask a question.

First of all, I have to say thank you to the 7,000 CRA employees who have volunteered to help deliver services to Canadians in the coming days via the Canada emergency response benefit, and then in delivering the Canada emergency wage subsidy.

For everybody on the line, we have a direct deposit route, so if you have a My Account or My Business Account with CRA, once you put your application in, you'll receive your funds directly from CRA within three days. The waiting time is very short.

In fact, as they are coming, I'd like to point out that the GST top-up, which was scheduled for May, is coming next week, so \$5.5 bil-

lion will be delivered to Canadians from coast to coast to coast. I think that over 15 million Canadians called, or 11 or 12 million families. We can get the exact number, but it's around that. Resources are being delivered, and for families afterward we'll get the Canada child benefit out as well. A lot of good things are happening.

Mr. Mintz, as you well know, the number that was put out by Finance within the last 36 hours is \$570 billion in both direct and indirect support to the economy. I think one thing we have done really well on the wage subsidy is to have no cap on it. There is no limit on the subsidy amount for an eligible claim. If you are a manufacturing company with two or three hundred employees and business is down, you're going to be able to apply.

Look at the CERB versus what they've done in the United States or other jurisdictions. It is \$2,000 a month in your pocket within three days if you have direct deposit. That is there to help Canadians.

Now I'd like to ask a question of the Caledon Institute. With these measures that have been taken, what else do you think we need to do? This is a discussion we're having from coast to coast to coast. We're all working together—the provinces, regions, municipalities and the federal government. What else would you like to see? I think we're doing quite a bit.

• (1445)

The Chair: Go ahead, Ms. Torjman.

Ms. Sherri Torjman: Thank you for your comments, Mr. Sorbara, and for your question.

I agree with you entirely. I think that these initiatives have been excellent and I think that they will provide some tremendous help to Canadians.

I think what we're trying to point out is that there are some questions around the eligibility criteria, and if the government can do anything to help clarify those processes and procedures, it would be extremely helpful.

When Luc Fortin was making his presentation earlier, he was pointing out the problems that self-employed musicians are experiencing with the eligibility criteria for the CERB. If there were some way to field questions from Canadians online or through a direct line and to figure out some of the challenges they are facing in accessing these funds, that would be fantastic, because the measures are in place.

I think there may be some problems that people experience inadvertently. It wasn't the intention to leave them out. It was either the way in which this is being—

Mr. Francesco Sorbara: Yes, but if I could jump in, the intention from the beginning—and we're in a very extraordinary time in modern history—was to help as many Canadians, be they self-employed.... We know that over five million Canadians are not eligible—

Ms. Sherri Torjman: Exactly, yes.

Mr. Francesco Sorbara: —for EI, so we've created the CERB to help the self-employed, to help those people who, unfortunately, have been directly impacted by COVID-19. I'd like to use the approach that we are throwing a lot of balls and we want them all to land. Instead of just landing one in the hoop, we have a lot of hoops to hit and we have to get them all in. Just as on the GST, where we've done that perfectly, we're going to do that on the CCB, and so forth on the other programs we put in place.

Ms. Sherri Torjman: Yes, and I think there just needs to be some way of enabling Canadians to ask questions and to help people figure out—a navigator, actually, to help Canadians navigate the system because it's happening so fast and changes are being made, obviously necessarily. There is some excellent assistance being put in place, but there needs to be something just to help navigate the confusion. I think that would be very helpful.

To follow up on Mr. Poilievre's question about helping small business, I mention those people who run small businesses but they are not incorporated. There is a large number of small businesses that are not incorporated. My understanding is that they will not be eligible for the \$40,000 loans provided through banks. That needs some clarification and if that could be lifted in any way, that would be one way. I know some people don't want to pile on debt, and that is a problem of course, but those funds would be helpful to many people to ride through the immediate crisis. Again, if the eligibility criteria leaves them out, that would be something to look at, as it would really help.

Mr. Francesco Sorbara: Thank you for that.

The Chair: Francesco, a quick question.

Mr. Francesco Sorbara: I do wish to go to Dr. Mintz.

I, again, thank you for your feedback.

Do you have any comments on the Canada emergency business account? The banks have that up on their websites and small businesses can submit for a 25% forgivable loan, interest-free for over two years. I think that's the mechanism that's been put in place.

Do you have any comments with regard to that, Jack?

Ms. Sherri Torjman: Mr. Sorbara, are they eligible? Would a small business that has hired a number of people and is not incorporated be eligible? I'm not sure.

• (1450)

Mr. Francesco Sorbara: I think they should be incorporated either at the provincial level or the federal level.

Ms. Sherri Torjman: Yes, a lot of small business employers are not.

Mr. Francesco Sorbara: If Dr. Mintz could get in there for a second, that would be great.

The Chair: We'll make note of that, Sherri.

Ms. Sherri Torjman: Thank you.

The Chair: Jack, do you want in?

Dr. Jack Mintz: I am going to check. I think unincorporated businesses potentially could be included because they would have a business number, typically, for GST purposes—

Ms. Sherri Torjman: Right. I think if you read the fine print in some of the material that has come....

Sorry, the fine print of some of the materials that have come out have excluded them.

The Chair: Go ahead, Mr. Mintz.

Dr. Jack Mintz: The one concern, though, is that—and one would like to hear from Finance about why they were excluded—in unincorporated businesses, there are a lot of people who also have other sources of income, so it becomes another support program for a particular individual who might be getting other support through mechanisms that are providing them money, the CERB—so those things. Maybe that's part of trying to get this all out at one time; maybe there are some things they wanted to avoid there.

In principle, I can see the point of including the unincorporated businesses, but one of the things is the impact on some of the other support measures.

The Chair: Okay.

Thank you, all.

I can't see the four witnesses as I usually can, but if you do want to step in and you have an answer or you want to add to a point, you will have to interrupt and we'll try to get you in.

I will turn to Mr. Ste-Marie and then Mr. Julian.

Mr. Ste-Marie.

[*Translation*]

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

I'd like to begin by greeting all of you and thanking the witnesses for being here.

My questions will be addressed to Mr. Fortin, from the *Guilde des musiciens et musiciennes du Québec*, but I'll make a brief comment first.

I welcome the creation of the Canada emergency response benefit. It is a very important initiative, and it changes things, except that Mr. Fortin's testimony speaks for itself: the criteria currently in place exclude many people, including many self-employed workers. Yesterday, we talked about volunteer firefighters. I applaud the fact that the government said it would take care of them. Let us hope that this is the case for all the people who find themselves in an unfortunate situation.

I'm thinking, for example, of the plumber who goes out of business but has to respond to an emergency. I am thinking of health care professionals who have closed their offices, but the code of ethics also forces them to accept emergencies. I think of someone I know who does translation and who doesn't dare say no to his main employer, even if it's a small contract, when most of his income is no longer there.

Mr. Fortin, your testimony shows that the musicians fall through the cracks. I think that the government should really not let such situations happen. You said that a person was receiving \$53 every two weeks because the school continued to pay them, but that they had no other income. You talked about another person who was forced to sublet his apartment to meet his basic needs. That's really terrible.

Do you have numbers? Are you able to tell us how much money musicians are currently losing? What are the estimates?

Mr. Luc Fortin: Thank you for your question.

In an internal survey, we asked our members to send us all information about lost contracts. Of course, this is not an exhaustive survey in which all our members would have participated, but the numbers are still very impressive. We're looking at close to \$1.5 million in lost contracts. That's hundreds of commitments for hundreds of musicians. The losses run from mid-March to the end of June in terms of cancellations. That is still a lot of money. It is money that would have been declared for tax purposes and would have allowed these people to make a living, to pay their rent and so on.

It's a situation many artists find themselves in. It's not just musicians. Many of them have continued to earn small incomes, especially in teaching. Sometimes it's compensation for lost contracts. They are now experiencing great anxiety because they will not be able to receive the \$2,000. They will have to live on very small incomes. It is a disaster. I think that the Canada emergency response benefit is excellent, but for someone who earns very little, at least there should be compensation for the shortfall. We would need that.

• (1455)

Mr. Gabriel Ste-Marie: Thank you.

Mr. Fortin, if musicians no longer have contracts, it is not because they have difficulty playing their instrument well and suddenly become less talented. Rather, it is because of a major health crisis that shows are cancelled and public gatherings are banned. Musicians are victims of this situation. Their low incomes deprive them of the \$2,000 Canada emergency response benefit. We hope that this will change.

I'll take an extreme case, since you were talking about artists. An artist who receives royalties for his or her songs and receives \$2,000 or \$3,000 payments from Spotify or others would not qualify for the \$2,000 benefit. I sincerely hope that will change.

In closing, Mr. Fortin, can you give us other examples of what your members are going through, to give us an idea of the magnitude of the crisis?

Mr. Luc Fortin: I've given you three fairly typical examples. The situation is widespread. It's always the same thing. We're inun-

dated with e-mails about it. It's always the same problem: people have earned a small income working in a convenience store or a pharmacy, for example, and they would have to stop working to get the \$2,000. That is not productive. People should be able to continue to work and earn a small income and still qualify.

How can we fix the problem? Surely the Department of Finance has some solutions. You could solve it through the next tax return. You could provide the difference between \$2,000 and the income earned. You could also establish a maximum amount that people are entitled to earn without being deprived of this assistance.

There are a number of solutions, and we can't let these people fall between two stools and be left with absolutely nothing, when they are entitled to this assistance just like every other Canadian who is in the same situation.

Mr. Gabriel Ste-Marie: Yes, indeed. Thank you very much for your testimony.

There are several solutions. This morning, I was talking about them with my colleague, the member for Lac-Saint-Jean. Why should the criteria not be the same as those for employment insurance? The benefit would be reduced based on earned income. That would solve everything.

[English]

The Chair: You're over your time, Gabriel.

Mr. Julian, the floor is yours. Then after that we will come to Mr. Cumming.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thank you very much, Mr. Chair.

Thank you to our witnesses. I hope that you and your families are safe and healthy, as we wish for all Canadians.

We are working together at the finance committee, like all parliamentarians are working together generally. To the credit of the government, it has adopted many of the proposals from Jagmeet Singh in the NDP, for example the wage subsidy of 75% and the suspension of student loans.

There are many things that I think we would all agree we still have to do. Particularly concerning is the Canadian Centre for Policy Alternatives' report that came out late yesterday, which indicates that with the emergency benefits, over 860,000 unemployed workers, about one-third of the unemployed, will not have access to the response benefit. This is a matter of real concern.

Ms. Torjman, in your excellent testimony you indicated how confusing it was and that it wasn't very clear who is eligible and who is not. Currently we're putting together a contingent of public servants who will have to, as their role, reject people from the emergency benefit. You also indicated a plan B, and that we needed to look to immediate payment if plan A, the emergency benefit, didn't work.

Would it not be simpler and much more effective if we just made the benefit universal, sent it out across the country and taxed it back for those Canadians who don't need that benefit?

• (1500)

Ms. Sherri Torjman: Thank you for your question, Mr. Julian.

I have been doing a lot of thinking about that. What should we have done? What could we have done better? Would there have been a different approach?

I do understand the approach, in that it was set up to match the employment insurance system. These benefits are intended for workers. We do have a huge piece, as I said to you, missing in the middle of our income security system right now. We've dealt with the needs of families with children. We have a relatively good pension system in place. We've always identified this piece in the middle as problematic, and now we're trying to put in place an emergency benefit that is trying to address some of these gaps we've faced for a long time.

My sense is that we should continue at the moment with the plan that is under way and try to work out some of the problems that are coming to our attention. I just mentioned the other programs as plan B, so that we know we have them in place. If necessary—ideally we won't have to use them right away—we can ramp them up. Through both benefits—the child benefit for families with children and the GST credit for all Canadians—we have an apparatus in place to address those needs.

My sense is to go with what we—

Mr. Peter Julian: I'm sorry. I have another question and I only have six minutes. Thank you for that.

Obviously for the people who we're hearing from in my constituency and others across the country, they see themselves as being excluded from the emergency benefit, which is why I asked the question.

You also raised the issue of reconstruction and this is fundamental. We have a society coming into the crisis where half of Canadian families were \$200 away from insolvency on any given month. In the same way that after the Second World War we built a network of social programs, a social safety net, do you not think that reconstruction needs to be a new economy that's based on fairness?

Right now we're asking the lowest-income Canadians to take the risk. They're the cleaners. They're the front-line workers. They're being asked to pull us through this crisis, and that's the principle behind the courage bonus. Don't we need, coming out of this crisis, to build on reconstruction and, as you mentioned, really build an economy based on fairness for all Canadians?

Ms. Sherri Torjman: I would agree with that. In fact I used that word “reconstruction” deliberately because it was a Second World War post-war use of that word. During that time, it was referred to as “reconstruction”.

With respect to the first aspect of your question, if you read the eligibility criteria for the CERB, it says that the benefit is available for individuals who stopped work as a result of reasons related to COVID-19. To me that would be almost 100% of the population. I think we should allow people to apply, provide the benefits that

they need so they can pay their rent and feed their families, and then maybe after the fact do some reconciliation through the income tax system, or whatever mechanism it might take, but not to worry about quibbling over eligibility criteria right now.

• (1505)

Mr. Peter Julian: Thank you very much for that. I think we're in agreement then around the universal benefit. That is something that I think a lot of people are calling for across the country. I'm glad we're on the same wavelength. Hopefully the government will take notice and, when Parliament reconvenes, will make those tweaks.

Thank you, Mr. Chair.

Ms. Sherri Torjman: It effectively could become that.

Just one thing, are we including people over age 65? That's not clear to me because there's no age ceiling. I don't want to exclude anybody, and there are certainly a lot of people in precarious positions. That was one question that has been posed to me: We have old age security, GIS and a combination of CPP, so are we eligible because we're caring for a vulnerable child or an adult parent? That's not clear at the current time.

The Chair: My understanding of that, and Sean Fraser can maybe fill us in a little later, is that OAS and the Canada pension plan are not considered earned income under the program. It wouldn't count against your earnings, but you would have had to earn \$5,000 over the last year beyond what is in your pensions, etc.

We'll turn to the second round and we'll start with Mr. Cumming, Ms. Koutrakis, Mr. Cooper and then Ms. Dzerowicz.

You have a five-minute round, Mr. Cumming.

Mr. James Cumming (Edmonton Centre, CPC): Thank you, Mr. Chair.

Thank you to all of the witnesses for appearing today as we try to figure our way through this very difficult time for Canadians.

I want to start with Dr. Mintz. As you know it's a double whammy in Alberta and Saskatchewan. Not only do we have the crisis of COVID, but we also have the significant crisis of low oil prices and the resource sector being on its heels. The struggle is even greater in those two provinces.

Do you have any thoughts on what good public policy would be able to help those industries, in addition to the current programs that we're seeing with the wage subsidy programs, the loan programs, the BDC programs?

Could you give us any insights that you might have of something that might be able to help those provinces?

Dr. Jack Mintz: First of all, there are a couple of areas that I think one should pay some attention to. One is with respect to the sectors themselves. It's particularly important on the energy side, but I don't want to get into the view of picking one industry over another. You have to remember that some of the other commodity price-sensitive industries, such as mining and forestry, are also taking a significant hit right now.

On the other hand, agriculture is actually holding up quite well with good pricing, so they're not facing the same kinds of issues, although there are some other issues that have to be dealt with in respect to supporting agricultural food production, which is so critical to fill up all those shelves. We have to remember that there's a whole supply chain involved here, including the truckers and many other people who are involved.

As a result, there are two major strains that are involved—energy, of course, being the worse one with the major reduction in prices, which is going to take more than the COVID response. I think the government is going to have to be sensitive to the fact that there are going to be some industries that are going to take longer to come out of this. Energy will be one of them, and there may be some other ones too. Therefore, they are going to need to think of a package that's not going to be one size fits all sectors, but that may have to take into account the fact that some sectors may have a longer period, especially if they're sensitive to pricing that's impacted by inventory accumulation that will go along for a while.

The other issue, of course, on the energy side particularly, but also some others that one could talk about is that not all of the farms, for example, going into this crisis were in good shape. Some were fine. In principle, support for farms has to be provided in such a way that those farms that have good strength will be able to continue, but not in such a way as to try to keep bad farms operating.

That doesn't apply only to the energy sector. That could apply to others, including aerospace and others that may have been challenged at a point before even coming into this problem.

The other issue, I think, that needs to be dealt with is provincial government support for some of the provinces where there's been a huge drop in the revenues. I think the federal government should move very quickly on fixing the stabilization program, which has a cap of \$200 per taxpayer and excludes royalties and has a number of other aspects to it. This would have been particularly important for Newfoundland, but also for some of the other commodity-based provinces that are getting very strongly hit in terms of their revenues right now, and yet, we have a program that is really not at all very sensitive, I think, to some of these changes.

It is particularly important for those commodity-based provinces that do not receive any equalization payments. Newfoundland is a good example.

• (1510)

The Chair: Go ahead, James.

Mr. James Cumming: I want to pick up on another comment, Dr. Mintz. You talked about the wage subsidy program and the portal and methodology of delivery.

What I'm hearing about from most small and medium-sized businesses is the speed to capital. They are very, very concerned about the length of time between getting this portal set up and the application process and all the things that would happen around that. Do you think there's an opportunity here to use a program more along the lines of what we've seen in the U.S.? They use the banks and offer it as an interim debt, and the wage subsidy could roll back to the banks. So, really, you can fund a payroll fairly quickly—almost immediately—and then deal with the wage subsidy as a receivable to the bank, or to pay back the bank, or use some methodology to try to speed up this process.

Do you have any thoughts on that?

Dr. Jack Mintz: That's exactly the idea I had in mind—using the banking system more. That could actually provide much more immediate relief. I think this idea that we're going to hold that money for six weeks is not the best, just because we need to create a portal that.... Who knows how fast things will be done? I assume they'll get done in six weeks.

I think there are many small businesses, particularly, that are running out of room. We have to remember that wage subsidy does handle wages but that's not the only cost to small businesses. They have either rental or other payments that they have to make for their property. They have utility bills, property taxes and a whole bunch of things. A number of the provinces are trying to respond on some of those things, but that's one of the reasons why holding up the money is still problematic.

On top of it, they have to put up 25% of the cost of the wages unless they get some sort of a vague.... It's not very clear about how they get forgiveness on that. A lot of them may not be able to wait six weeks for a portal to be created. I think it's an immediate requirement or, I would say, an immediate move should be made to try to get a faster way of getting money to small businesses rather than waiting for a portal to be created in another six weeks.

The Chair: Okay. Thank you both.

We'll go to Ms. Koutrakis and then Mr. Cooper. I think I put Mr. Cumming and Mr. Cooper out of order. Mr. Cooper, you're next after Ms. Koutrakis.

Go ahead, Annie.

• (1515)

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

I would like to start by saying thank you to all the witnesses for having taken the time to participate and present on today's finance committee meeting and I hope that everyone is staying healthy and safe during this extremely challenging and unprecedented period.

I believe that we can all agree that the government is putting programs in place that would typically take up to a year or more to roll out and we're doing it in weeks. Of course, nothing will be perfect, but if I may paraphrase, perfection is the enemy of the very good.

I'd like to ask several questions, but I will begin by asking two. One will be addressed to Ms. Torjman and a second will be addressed to Ms. Spinks.

Ms. Torjman, you have quite a bit of experience working with different levels of government, and your field of expertise straddles both federal and provincial jurisdictions, as well as matters devoted to territories and municipalities. We are in a crisis situation and we need coordination and co-operation between the different levels of government, which we've seen so far.

In your opinion, how can the federal government continue to support provincial, territorial and local efforts with the views that we all have the same objective, which is making sure that Canadians are safe, healthy and economically secure?

My second question is for Ms. Spinks. Another item I want to touch upon is the charitable sector that, in addition to government, serves vulnerable families. In my home province of Quebec, for example, the provincial government has organized a common volunteer registry to assist charitable organizations, notably food banks. Our Prime Minister made a huge announcement today to help the food banks—to the tune of \$100 million—cope with a surge in demand.

Is there anything, in your view, that the federal government can do with such organizations while still promoting strict adherence to public health guidelines?

The Chair: We'll start with Ms. Torjman and then go to Ms. Spinks.

Ms. Torjman.

Ms. Sherri Torjman: Thank you very much, Ms. Koutrakis, for your excellent questions.

With respect to how governments can work together, this may touch on your second question to some extent too. There are many groups of people who are particularly vulnerable during COVID-19. I'm thinking about people with disabilities, families living with children with autism, for example, and people struggling with mental health issues. This is one area around which we can really have a terrific federal, provincial, territorial and local response if we work together around helping some of the particularly vulnerable populations.

For example, as we were saying, the charitable sector is struggling a lot. The announcements today were fantastic, and it would be nice to be able to build on those announcements for the charitable sector and to extend them.

Here are some examples of what could be done for vulnerable families. It would be very helpful if the governments could work

together to provide some guidelines for safe volunteering and safe assistance to vulnerable people, because governments at provincial levels, and federally as well, are now calling for volunteers. That's essential right now, because the donations to voluntary organizations are dropping, but people are worried about doing that. How can we help vulnerable families and vulnerable individuals through safe volunteering? So there's a health aspect. In terms of what the federal government might do, the CERB could be extended to people caring for individuals with severe disabilities. That would take the pressure off a lot of the respite services that are struggling right now. Those are a few.

We haven't talked about the private sector role at all in this. It would be really nice for all governments to engage actively with the private sector, as they've done on the health side, in trying to get some private corporations to pair with charitable organizations and the charitable sector, to work together as a real "team Canada", where you might have a pairing of a charitable organization with the private sector, or even to match the donations of Canadians. We might want to give some special tax credits to Canadians.

Those are some areas around which we can really model some excellent federal, provincial, territorial and local co-operation.

The Chair: Can we turn to Ms. Spinks? You'll wrap up this round, Ms. Spinks.

• (1520)

Ms. Nora Spinks: Yes, thank you for your questions, Ms. Koutrakis. I agree with Sherri about looking at ways in which we can incentivize people to make donations, to continue to participate in supporting the charitable sector. As I mentioned in my opening remarks, the weaknesses of every system are magnified and amplified when there's a crisis, and I think one of the weaknesses in the charitable sector that we've seen is the inability of charitable organizations to maintain services in this kind of crisis. That leads us to the reinvention of the sector post-pandemic, and looking at ways in which we can restructure the charitable sector.

My organization is a charitable non-profit organization, and we happen to have been set up with an endowment fund with vision and wisdom years ago, so we can continue to do our work. We don't have to worry about our lights going off or having to lay off our staff. We're one of the lucky few in the sector who are able to do that, but it's because we have the infrastructure to do so. I think communicating these leading practices that create stability and security in the system will allow us to learn from the weaknesses that have been magnified in this particular situation. I do think there are ways—

The Chair: Thank you. We're substantially over time on that question. We'll go back to Mr. Cooper, and then Ms. Dzerowicz.

Michael.

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Thank you, Mr. Chair. I'll direct my questions to Dr. Mintz.

Dr. Mintz, I just want to flesh out a little more on the wage subsidy, and in particular the criterion of a 30% drop in gross revenue. You noted correctly that it creates some unfairness. You cited businesses with small profit margins. Of course there have been start-ups, seasonal businesses, businesses that have significant fluctuations in revenue, and then just the practical reality that a number of small businesses don't readily keep track of monthly revenues.

While you stated that you understand the rationale underlying the 30% criterion, it seems that you would agree that it's not necessarily the best metric. In that regard, I'd be curious to know what you think would be a better metric.

Dr. Jack Mintz: I think there would have to be some rough justice no matter what you do. We have data on the typical margins in the retail sector, for example, versus manufacturing, etc. What could have been done perhaps is to have some differential rules around that. For example, you might say 10% on the retail side, 15% or whatever. I'm not quite sure of the number; I haven't tried to do these kinds of calculations. It may be that some sectors tend to have much lower margins; they have a lot of fixed costs that are not subject to the wage subsidy. You may want to have some differentiation with respect to that.

The other approach is to take a more expansive view. Instead of just subsidizing wages, subsidize some of the other fixed costs. The intent of the wage subsidy program, and why I like it, is it keeps individuals attached to their companies and may actually keep them working. In fact, I'm on the board of a charitable organization. We were talking about this earlier on. Their people are still working, but they're getting [*Technical difficulty—Editor*] revenues, as you could kind of expect—not yet, by the way—but they do have some other expenses they have to cover and things like that. In some ways, if I look back at it, probably I would have tried to take a more general approach on costs rather than simply looking at wages, which is why the idea of the GST refund is not a bad idea, because it's very general. It goes to the whole [*Technical difficulty—Editor*] regardless of the type of cost structure of the firm. The problem with it is that not all firms have to pay GST, or pay much less compared to others, so I think we may need to look at that very carefully.

Also, we may need to do much more averaging over a six-month period or give a choice between, let's say, March, but maybe use more of an averaging, because I think there's going to be some unfairness. There may be, for example, firms that don't collect that much money in March and April, but then have a lot coming in June. In the charitable sector, they tend to get a lot of donations before Christmas, so they may not actually have that much of a reduction in revenue if you use that as [*Technical difficulty—Editor*].

Those are a couple of ideas anyway.

• (1525)

Mr. Michael Cooper: Thank you. That's quite helpful.

Moving on, in your opening remarks you touched on a few points. One of them, the last point, was the work that's required to get the economy going again and the issues arising when we get

back to work, so I'll allow you to use this time to elaborate on this point.

Also, as you answer that, as we look ahead, once we get through this crisis, this public health crisis, would you see a benefit to a capital gains exemption for taxes for a certain period to encourage investment and entrepreneurship?

Dr. Jack Mintz: I do think that coming out of this pandemic, and the longer it is and if there is a resurgence next fall, there's going to be a huge amount of damage to the economy. We're going to have to start thinking about what, in public policies, we could do that would be growth-oriented. We need to be very careful about how we develop our policies.

One thing is that we should not be trying to just pump up consumption. That is not the way to grow the economy. What we're going to have to do is to start building up investments.

I'm not a fan of capital gains exemptions. I'm not going to be going that route myself. I think that certainly, major tax reform, which I think can help for investment and be focused on growth in a very, very diversified way so we're not picking winners and losers amongst industries, can be one type of issue. Regulations are another.

As we knew going into this, we had transportation lock-ups in January and February. We had very poor growth in January. It came out, but nobody really noticed it this week. We need to start thinking more about growth opportunities. Frankly, if we don't get the growth coming back—and I don't think we will, because even coming out of this particular issue, this pandemic, it's going to take some time to relax rules. We're probably going to end up investing more in health capacity, which I think is important. We're already talking about potentially making sure certain essential supplies are available in the country, although you can also do that through something called inventory accumulation. We've spent a lot of money on defence in case of a war against other people, but we can also think about having supplies available for any type of pandemic or epidemic that might hit.

That also costs money. That's going to be a very significant expense for government. Then on top of it, we will have now all of a sudden accumulated a huge amount of gross debt. It has already, at the federal, provincial and municipal levels, reached close to 100%. After this whole situation, if we're running federal and provincial deficits that are in the order of, let's say, 15% to 20% of the economy—I'm not sure if they're going to be that high—we will be pushing our gross debt as a share of GDP up to levels that we haven't seen for over two decades. I think we're going to need to do a lot of repair work, but a lot of it could be addressed through growth, which I think is going to be a major focus for public policy at that time, as will security. That will be another one.

• (1530)

The Chair: Okay. We'll have to end this one around here.

Ms. Dzerowicz and then Mr. Ste-Marie.

Ms. Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much. I want to thank everyone not only for their excellent presentations but for this really, really excellent conversation.

I'm just going to start off with a comment to Mr. Fortin.

Mr. Fortin, I'm very blessed in my riding of Davenport to have a lot of artists, creators, and those working in the cultural industries. Much of what you mentioned in your presentation is very much something I've been hearing loud and clear from artists in my area.

You mentioned that many artists feel abandoned. I and many of my colleagues have been articulating that this is an area and a gap that has been identified that we have to address. I want to let you know that it is something that is heard loud and clear by our Finance officials, by our federal government. I know they are trying to work on some solutions.

Thank you for your presentation. It's very important.

Ms. Spinks, 43% of people in my riding of Davenport were actually born in another country and their first language actually isn't English or French. Your comment around language barriers and about many people feeling unsettled, particularly those whose first language isn't English or French, has really piqued my curiosity.

Something that I know the federal government has done is to put in a \$30-million advertising campaign. I know it's in multiple languages. It's meant to go into ethnic media. I wonder if you might have any other ideas for us in terms of how we can better communicate to some of our communities whose first language isn't French or English.

The Chair: Okay, go ahead.

Ms. Nora Spinks: It's a great question, and it's one of the things we're looking at. In the research we're asking people where they get their information from. Is it better to have it on paper, to get it digitally, or to get it from a friend or a trusted adviser?

What we're finding so far across all demographics is that if the information comes from a friend, a relative, a trusted source, people are not only more likely to receive it, but they also understand it, because if they have questions, they're able to ask those questions immediately. It's not just a matter of buying ads; it's a matter of

making sure that people get the information in a timely manner and receive it from people they trust, whether through their faith communities, their extended family, their settlement services or their immigrant services or their lawyers—from multiple sources.

If we're able to do that, then I think we'll start to see not only their receipt of the information go up, but also their anxiety levels go down.

Ms. Julie Dzerowicz: I appreciate that and I think that's information I'll definitely be passing along.

Any information you have around needing us to do some additional work around those who have language barriers, if you could pass it along to us in terms of the data that Mr. Poilievre had mentioned at the beginning, I'd be very grateful.

I have one last question for Ms. Torjman.

Ms. Torjman, you said something that I have been a little worried about. You said that between the interface of our introduction of the first tranche of programs for small businesses and our second tranche for small businesses, I think there were a number of small businesses or businesses that laid off people very quickly and technically, I think they didn't quite follow the rules. I think it's left many owners of small businesses a bit vulnerable.

I wonder if you might talk for maybe 30 seconds on that. Maybe you have a solution for us or something we should be looking at or thinking about right now so we can move forward and help them address this.

Ms. Sherri Torjman: Thank you, Ms. Dzerowicz, for the question.

I absolutely agree. In fact, I made reference to it in my comments that this is a real concern. It was inadvertent. People, I think, were acting very quickly and wanted to act in the best interests of their employees and thought that this would be helpful. Now many of them are telling me that they're very worried about facing potential lawsuits. Technically, they probably are legally liable.

If there is anything we could do to say that over this period of time, if you did this quickly, there may be some protections or something in place to avoid this particular problem because it is really stressful and it's stressing out a lot of people and unnecessarily so. They were acting in good faith. We really need to do something to protect these people against these kinds of unfair lawsuits that could potentially come their way.

• (1535)

Ms. Julie Dzerowicz: I know that my time is limited.

I just wanted to be clear that it seems that it's because they laid off people very quickly, without proper notice. I think that's what you're referring to.

Ms. Sherri Torjman: That's exactly right, yes.

They just thought that's what they had to do. According to the information they had available at the time, many thought that simply was the procedure so that people could get money very quickly, not recognizing that there were other procedures that had to be followed. If there is any way of looking into that, that would be very helpful.

Ms. Julie Dzerowicz: Thank you so much.

The Chair: I'm sure the analysts have made note of that point.

Ms. Sherri Torjman: Thank you, Mr. Easter.

The Chair: The way we'll try to finish up here, we'll go with Mr. Ste-Marie and Mr. Julian for two and a half minutes apiece, and then we will go to Mr. Morantz and Mr. Fragiskatos for five minutes each. If there is still time, I will give the witnesses the opportunity for a couple of minutes to close, if they have any important additional points they want to make.

Mr. Ste-Marie, you're up.

[Translation]

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

My questions are for Ms. Torjman and Mr. Mintz, and they relate to startups in the technology sector. In the Greater Montreal area, there are no less than 5,000 of them, and many of them contact us to tell us about their difficulties.

I have two questions for you about them. Very often, they had concluded a first sales contract. However, because of the COVID-19 crisis, these contracts were cancelled or postponed, to a relatively distant future.

The business model for startups involves a lot of expense in the beginning, until the first contract comes along. Now that first contract is postponed. Therefore, these businesses are not eligible for the 75% wage subsidy.

First of all, do you think these companies should be included in the subsidy program?

Second, in many cases, these startups are unable to borrow funds, and they rely on venture capital funds. These funds are now pulling out because they themselves are short of cash. Do you think the government should take over where the venture capital funds left off by offering something other than the \$40,000 loan?

[English]

The Chair: Go ahead, Jack.

Dr. Jack Mintz: Okay. Those are not easy questions.

On the start-ups and the wage program, the 30% rule is a problem, because obviously there are companies that haven't yet generated revenues but have made major expenditures. They expected contracts to come in, and in fact some of those contract revenues might be arriving soon, but they're not sufficient to deal with the expenditures they're facing.

I think the government needs to look at that. I don't have any brilliant ideas on how to address it, but one of the ways might be through the liquidity facilities given for investment. It could be way of trying to handle that in a different way from the wage program. I think it could be done through a small business lending facility that might assist.

With regard to venture capital, it's basically a very similar issue with regard to the money that's available. I think the liquidity measures that are being adopted by the government are the best thing that could be done now. There is some sort of additional assistance to be given to businesses that are facing major cash flow problems right now. In the case of venture capital, I don't think at this point... Their most important thing is their ability to borrow, which I think will be part of the liquidity issues. I don't know enough about the various ones that have been put in place, but venture capital could be included.

• (1540)

The Chair: Before I move to Mr. Julian, I have a question, Dr. Mintz, on Gabriel's first point and the need for a small business lending facility. From your experience, could regional development agencies fill that role?

Dr. Jack Mintz: Again, this goes back to my comment that I really think you need to use the banking system, because banks have the reach, and programs could be put into place much faster. There may be a role for regional development programs in assisting with things as they move along, but I'm not sure they have that ability to assist.

The Chair: Okay.

Mr. Julian, you have two and a half or three minutes.

[Translation]

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

My first question is for Mr. Fortin and my second question is for Mr. Fortin and Ms. Spinks.

Mr. Fortin, given all the problems with the system that has been put in place and their impact on the cultural industries, do you think it would be easier for artists in Quebec and elsewhere if there were a universal benefit? That would avoid all the problems you just mentioned.

Second, regarding the banking system, credit card companies and banks are setting extraordinarily high interest rates, even though the Bank of Canada has lowered its key interest rate. So there are people who are paying 20% or 25% interest on their debts. Is that a problem for people in the cultural industry, such as musicians?

Should the government take steps to force credit card companies and banks to lower interest rates and allow people to defer mortgage payments?

Next, Ms. Spinks, could you tell us about the impact of financial stress on people's lives?

I'd like Mr. Fortin to answer first.

[English]

The Chair: Could you be fairly quick in your answers? Peter took all of his time on the question. Go ahead.

[Translation]

Mr. Luc Fortin: You talked about the guaranteed minimum income. That would certainly be the simplest solution. Anyone receiving this minimum income without really being entitled to it, because their income is too high, would have to pay it back on their next income tax return. This is one of the solutions that I think is interesting.

[English]

The Chair: Okay. Is there anyone else?

[Translation]

Mr. Luc Fortin: You also talked about credit card interest rates. This is indeed a problem for artists and musicians, since people who have difficulty making ends meet will fill up their credit cards, which have very high interest rates, about 20%. This will only make their situation worse, and it will be even more difficult for them to get through the crisis.

Banks have already agreed, in several cases, to suspend mortgage payments for their customers for six months.

[English]

The Chair: Okay. We'll have to leave that round there—

[Translation]

Mr. Luc Fortin: Credit card companies should make a big effort in this regard.

[English]

The Chair: I'm hearing somebody. Mr. Morantz is next.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Dr. Mintz, I want to change our focus for a second to some of the broader economic implications of the drastic measures we are currently taking.

I was looking back at some of the history of countries that have experienced inflation and hyperinflation. If you go back to after World War I, the Weimar Republic suffered a hyperinflation rate of 3.25 times 10⁶ per cent per month. In other words, after the stimulus spending that went on after World War I, prices doubled every two days. It's a famous incident in history of hyperinflation.

Given the fact that the world is now, in an unprecedented way, throwing trillions of dollars of new spending at this through debt and monetary easing and by increasing the money supply, I am curious to know your economic opinion on where we will be when it comes to not only inflation but the utilization of interest rates to quell that inflation after we come out of all this.

• (1545)

Dr. Jack Mintz: Well, there are three potential responses when you have a huge increase in the debt-to-GDP ratio. At that point you have to be careful because you want to make sure you sell your bonds. The first way of trying to address that, as in different periods such as after world wars or similar major things, is to use repressed inflation, which is to try to grow the economy with a purposely low interest rate. That could lead to inflationary pickup, which would lead to higher GDP growth, with the debt problem basically eroded away by inflation, but inflation itself having some really negative impacts as a result.

Another approach is to try to undertake policies that will potentially grow the GDP much faster, and therefore over time the GDP ratio is going to be dealt with.

A third approach, of course, is what the IMF would call a fiscal consolidation approach, or austerity, which would mean having a tighter, stricter budget to move that to a balanced budget. That is what happened after the financial crisis of 2008. There was a very significant increase in the debt-to-GDP ratio after that because of the amount of debt that was taken on, but then it was brought down over time.

I think one has to look at what the various provisions are. One of the things I'm very concerned about is the fact that a lot of the deferrals that are being put into the system now for mortgage payments, rents and other things will need to be paid back when people are going to be facing two payments at one time. Governments may end up having to deal with that.

Also, unlike some [*Technical difficulty—Editor*], I felt that the GST increase and the child benefit increase were actually the wrong policy this time around. The reason is that the qualification in the income testing is based on past income taxes, for 2018 or 2019. A lot of people who significantly lost revenue and are now facing their income coming down actually won't get the GST or the child benefit increase. It was really the wrong policy, because a lot of the people who were in it were already living on government transfers and are now facing a loss of income. Those kinds of things we have to be very careful of as we come out of this, to try to make sure we handle our finances, including debt.

Mr. Marty Morantz: On the issue of inflation, just to continue on for a second.... You just touched on them, but of the options you suggested, what do you think we could be doing now? What would be the best policies from a Canadian perspective to guard against inflation—I'm not saying any inflation, but a high rate of inflation—given the quantitative easing that's going to be happening not only in Canada but around the world?

Dr. Jack Mintz: I think that when we come out of this, we will have destroyed some of.... This is a huge supply shock on the economy. We're also dealing with a reduced amount of supply and the misallocation of resources, to the extent that there are bankruptcies, firms going out of business, etc. That's going to require policies that allow for growth, and that goes back to looking at tax regulatory reforms and things like that. To the extent that it can help build up our GDP growth, then it's going to be more looking at tax revenue coming back.

At the same time, governments are going to have to watch their spending in the future and not build in major expenditures that will impact the economy. There will be a tendency for governments to spend more money as a way of building up consumption, but that's exactly the wrong kind of policy as we come out of that, because this was a supply shock and we have to deal with the supply problems that are going to be evolving over time.

• (1550)

The Chair: Thank you, both.

We'll turn to the last questioner to wrap up the questions.

Mr. Fragiskatos.

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

Thank you to the witnesses. My question is for Mr. Mintz.

Professor, I read your recent op-ed in the Financial Post, in which you said, "Future stimulus should focus on smarter government—both better infrastructure and improved education and health-care capacities."

Obviously, we have immediate concerns, and I think that the wage subsidy program we've introduced, the emergency response benefit that we've introduced and other measures speak to the immediacy of a policy response. Naturally, we are going to have to think about the recovery ahead. However, I want to ask you what exactly you mean when you say that we need to focus on smarter government in terms of better infrastructure, improved education and health care capacity. Can you expand on that?

Dr. Jack Mintz: When we get out of this—right now everything is about liquidity and I hope we can turn the tide. The more I hear people saying that it is going to be a whole year, I am extremely worried about the effect it's going to have on the world economy if we shut down the economy for a very long period. Assuming that we can get out of this after the spring and start coming back, which I don't think will be fast but there will be a pickup, in the summer, that's the time when we have to start putting in place some policies. The most immediate one, in my view, is health capacity.

If we want to avoid resurgence of the pandemic next year, we need to do several things. We need to make sure we have enough protective gear and equipment. We need to have enough beds available, makeshift hospitals, etc., for any increase in illness. Hopefully, we might have a therapeutic drug. In fact, there's some discussion that there is one, but we should be investing along with other countries in trying to find that. If there is a drug found, we should make sure it's available here in Canada. We also need to do much more testing than we're doing. There are laboratory tests in Ger-

many that are very successful. There's a big concern about making sure we don't have incorrect negatives and things like that. We do need to make sure we have broad testing.

Hopefully, the response in the fall can be not shutting down the economy but dealing with those people who get sick right away and being able to quarantine them, and because we're testing, we can make sure that the spread is limited without having to shut down the economy. I think that should be the goal of governments in the fall, to do everything we can to make that possible.

After that point, we should really ask ourselves if how we've run our health system was basically the cause of disabilities that led to this problem. That's what I mean by investing in health capacity. We need to look at our health system very carefully because, frankly, we're not the only country but we were not prepared for this kind of problem and from now on we should know what to do. Even though we had experience with SARS and H1N1 and things like that, we hadn't undertaken activities or decisions to make sure that we have that capacity.

With regard to education infrastructure, those are things that help with growth in the economy. Those are things I was mentioning in terms of a smarter government. We have to be very careful not to undertake wasteful programs, business subsidies, and end up keeping low-productivity firms around. There's a whole bunch of things that we need to look at because, frankly, the substance is going to change. Also, we're going to be going through a major technological change with artificial intelligence and various other things that we want to be part of. Those are things that we need to create great opportunities for Canadians to build on and grow. In fact, frankly, it's the private sector that's going to drive this economy.

• (1555)

The Chair: A quick question, Peter, and then we'll have to wrap it up.

Mr. Peter Fragiskatos: Thanks, Mr. Chair.

Professor, in the same op-ed, you talked about the U.S. and China. To what extent will our economic recovery be impacted by how the economic recoveries in each of those countries evolve?

Dr. Jack Mintz: I'm thinking specifically about China. Its bounceback is not as quick as people think. One of the things holding it back is [*Inaudible—Editor*]. If we come out sooner in terms of when people can get back to work, one of the things we may have to do is continue travel bans with affected areas, because we want to make sure that we reduce the spread of the virus.

I also think we must learn how to do a much better job at the airports when people arrive. It was terrible. I found out, for example, that in Edmonton, 800 people were crammed into a space, all touching the same screen that was not being cleaned. This is an example of how we were totally unprepared for handling this, and we must do better next time for this sort of thing. If it comes up, we must have the procedures in place to minimize any possible spread.

If the United States takes longer to get out of this, or Europe, which I think is possible, we may not see growth for export markets come back as quickly, and at the same time China is also [*Inaudible—Editor*] coming back as much. Again, I think there are going to be some security issues that we're going to have to worry about in terms of our trade and supplies that are going to affect the way we're going to look at trade in the future as well.

The Chair: We will have to end it there. We have run out of time, so I won't be able to give everyone a few minutes to wrap up.

I thank each of you, all of the witnesses, for appearing today. It was a bit difficult with the phone system, but I think it went very well. Thank you for your presentations, your constructive criticism and your advice. We appreciate that as we move forward.

We'll end the first panel.

I understand the witnesses for the next panel are on the line. In order to help the interpreters, who are also on the line, I will introduce each of you. You could maybe say hi and where you're from so they can hear your voice and make the connection in the interpretation booths.

I'll start with the Association Hôtellerie Québec and Dany Thibault, the chair of the board of directors.

Do you want to introduce yourself, Dany?

[*Translation*]

Mr. Dany Thibault (Chairman of the Board of Directors, Association Hôtellerie Québec): Good morning, Mr. Chairman. Thank you for having us here.

[*English*]

The Chair: Where are you from?

[*Translation*]

Mr. Dany Thibault: I'm from the Association Hôtellerie Québec.

[*English*]

The Chair: Thank you.

Jocelyn Bamford from the Coalition of Concerned Manufacturers and Businesses, would you go ahead and introduce yourself.

Ms. Jocelyn Bamford (President and Founder, Coalition of Concerned Manufacturers and Businesses of Canada): Hi. I'm Jocelyn Bamford. I'm the founder and the president of the Coalition of Concerned Manufacturers and Businesses of Canada from Scarborough, Ontario.

The Chair: Thank you very much.

Next is Ivana Saula, from the International Association of Machinists and Aerospace Workers in Canada. Please go ahead and introduce yourself and tell us where you're from.

Do we have you, Ms. Saula?

David, you'll have to see if we can catch up with Ivana.

Would Philip Cross from the Macdonald-Laurier Institute please go ahead.

Mr. Philip Cross (Senior Fellow, Macdonald-Laurier Institute): Hello. I'm Philip Cross, senior fellow at the MLI. I'm calling from here in Ottawa.

• (1600)

The Chair: Thank you.

Do we have Ms. Saula yet? Okay. We'll have somebody clear up that technology glitch.

We'll have all witnesses make their presentations and then we'll go to the round of questions.

We'll start with you, Mr. Thibault. Please try to keep your remarks relatively close to five minutes.

[*Translation*]

Mr. Dany Thibault: Perfect, thank you very much.

Good afternoon.

We are privileged and pleased to be able to introduce ourselves to you today.

The hotel industry in Quebec is quite unique. It is made up of 85% small and medium-sized businesses, 75% of which are owned by independent entrepreneurs who are not tied to large corporations.

The last few days and weeks have been catastrophic. Between March 10 and 23, nearly 85% of our sales were down. March sales, which are made in two stages, were down by almost 65% compared to last year. A 90% decrease in sales is expected in April and May.

This decrease is mainly related to events and conventions, which are the first big chunk. We are in a period of major events and conventions. We understand the reasons for that, but the majority of the cancellations are for events and conventions, which are basically our bread and butter during the winter.

Currently, 40% of operators in Quebec have suspended operations until further notice. Needless to say, this will create a significant liquidity problem for our companies.

We welcome the fact that the Government of Canada is providing levers and is putting in place standards and aid programs to support our businesses on a temporary basis. The challenge and the fear we have at the moment, beyond the fact that the books are already almost non-existent, is the duration of the measures, because the measures announced will come to an end.

Let's take the example of the 75% wage subsidy for firms whose business has declined by 30%. We expect these needs to continue over time. As long as the tourism machine—business tourism and individual tourism—has not returned to normal, we should continue to support our businesses in terms of cash flow. The end point is difficult to predict, so we have to keep the whole program somewhat open-ended. We have to take that into account, for example by phasing it out gradually.

Many of our businesses are seasonal. Therefore, they were not operating, but they were preparing for the next season with advance bookings for the summer. These bookings are now non-existent, and will probably remain non-existent in the short term.

The 30% loss of revenue in our industry is reflected not only in the losses we have just suffered and which I have told you about, but also in the losses to come, that is to say the bookings planned for the summer. These companies won't be able to operate next summer because they won't have customers.

For us, it is a concern and a fear shared by our members. They are very worried about what will happen next, especially during the high tourist season in July, August and September. We all understand that there will be no tourists. Our livelihood depends on a lot of foreign tourists from Asia. At the moment, all reservations for the fall are cancelled, and cruises are suspended. There is a lot of fear in this regard.

Program eligibility criteria are often difficult to figure out. Some of the measures in place will require further clarification. We are very pleased with these measures, but they need to be clarified.

When the time comes for recovery, we suggest you offer an incentive for companies to hold business meetings. We must not be counterproductive and amplify the health crisis, but once there is some security and it is possible to revive the economy and meetings, there must be a fund available. This could take the form of tax credits for companies to hold events and meetings.

• (1605)

The same is true for Canadians who want to travel in Quebec or Canada. Will it be possible to introduce some form of travel rebate or tax credit that would allow people to spend money at home, whether in their province of residence or elsewhere in Canada? These are the kinds of measures our members are hoping to see in order to make the recovery more dynamic.

Our industry is at a standstill until the health crisis is over. As there is no set date, we have to hold out until the borders reopen. We may have to allow people from the United States and neighbouring countries, as well as Canadians, to travel in our hotels and eat in our restaurants. In the restaurant business it is estimated that one in three restaurants will not be able to reopen. This could also be the case for some small entrepreneurs in Quebec.

It is also important to remember the budget for tourism in Canada. Tourism will need more money in order to properly position Canada's brand. We know that some destinations, such as Las Vegas and Paris, have larger budgets than Canada to promote their destination. As a country, I think we need to reinvest massively in

our brand in order to position ourselves at the forefront of the world's top destinations when the health crisis is over.

My last point was raised by the Hotel Association of Canada. The support for small and medium-sized businesses is currently a good program, but it may need to be improved. It is an existing government program. It will have to be redesigned for individual hotels rather than for large companies. Currently, an individual hotel that is part of a large group cannot benefit from the program on its own since it is allocated to the group. Mechanisms may need to be rethought to facilitate entry.

After all, our industry has been badly shaken. We will have a long, painful and difficult way out of the crisis. While we applaud the federal government's very proactive initiatives, I think we need to get closer to the people on the ground to determine how our investors and operators will recover from this unprecedented crisis.

[English]

The Chair: Thank you very much.

I believe—

[Translation]

Mr. Dany Thibault: Did I use up my five minutes?

[English]

The Chair: Yes, you had five minutes.

Ms. Bamford, just before I go to you, I'll call on Ms. Saula later.

We'll start with you, Ms. Bamford. You have five or six minutes. We're pretty good for time.

Ms. Jocelyn Bamford: My name is Jocelyn Bamford. I'm the president and founder of the Coalition of Concerned Manufacturers and Businesses of Canada.

For the past three years, since our inception, the coalition has been warning all levels of government that there would be catastrophic effects from policies that had the effect of driving both the manufacturing and the natural resource sectors out of this country. The green energy policy in Ontario has made the price of electricity four times the average in North America. Unaffordable electricity, coupled with even more burdensome carbon taxes, has driven manufacturers out of Canada and into the open arms of other countries that see the importance of affordable energy to attract businesses.

One can't help but ask the question: If Canada had policies that attracted and maintained a robust manufacturing sector, would we be in the same situation with the complete lack of personal protective equipment and medical supplies for our front-line medical workers and our patients during this COVID-19 pandemic?

What has Canada done? It seems that the federal government's policies are designed to push manufacturing out, stifle our resource sector and kill the same plastics industry that is so essential to keeping our front-line medical staff, patients and citizens safe. As the federal government chases its obsession with the new green economy—a strange obsession, given our country's small contribution to global greenhouse gases—it has been blinded to the very real threats to our country; threats that have become very real with COVID-19.

The federal government's push to stifle the resource sector with bills like Bill C-48 and Bill C-69 and the clean fuel standard has served to undermine our resource sector. At a time when we're incurring huge deficits, Canada does not have the income from the resource sector that we could have had if major projects had not been delayed or cancelled. The raising of the carbon tax when many businesses are on the precipice of collapse and the extra cost to transport food and medical supplies to our country seems outright irresponsible.

After the pandemic has passed, we recommend the following to help get Canada on track.

One, we recommend the immediate end of all carbon taxes.

Two, we recommend the end of taxing of passive investments, which many companies use to save in order to upgrade their plants. These are very expensive capital-intensive endeavours.

Three, we recommend a mandate to bring manufacturing back to Canada through competitive offerings and favourable tax programs.

Four, we recommend a recognition of the interconnection between the resource sector and the manufacturing sector. Many in manufacturing supply parts and pieces to the resource sector, and we also rely on affordable energy so that we can compete globally.

Five, we recommend the approval of pipelines so that we can get our resources to market and bring valuable tax revenue back to Canada.

We look forward to working with the government, because we have many ideas on how to get this country back on track and fix the situation.

I'm now going to pass it to my colleague, Veso Sobot, for his remarks.

• (1610)

The Chair: Mr. Sobot, go ahead.

Mr. Veso Sobot (Director, Coalition of Concerned Manufacturers and Businesses of Canada): Mr. Chair, thank you very much.

To add to those five recommendations, we have another five.

Recommendation number six is to introduce a big infrastructure program aimed at improving Canada's infrastructure so that it's world class. Mr. Chair, you'll remember that former prime minister Martin once said that the most ethical government spending is on long-life assets such as roads, bridges, water mains, sewers, the things that are needed for a modern economy to compete. Investing in projects that are 50 to 100 years in lifespan at this low interest

rate means future generations will at least receive some benefit, making it the best return on investment of all the stimulative spending options that the government has.

Recommendation number seven is to declare a capital gains holiday for the next 24 months. The economy has sustained an unprecedented blow. Granting a 24-month capital gains exemption will encourage people to invest and turn over otherwise locked-in gains, giving needed resuscitation to the real estate market and the financial sectors.

Recommendation number eight is to allow 100% writeoffs for businesses in the year they make investments for capital equipment. Additionally, allow a 100% writeoff for restaurant dining for business purposes. This will have an immediate beneficial impact on sectors that have been very hurt.

Recommendation number nine is to work to secure a Canadian exemption from the buy American policy and the Buy American Act. This crisis has clearly shown that the dependency on China is dangerous. We must forge closer ties with America and work as a trading bloc in order to be more self-sustaining vis-à-vis the rest of the world. The government has done a good job with USMCA in that it has been signed and passed—

The Chair: Mr. Sobot, could I get you to slow down a bit? I just got a note here from the interpreters saying that you're going a little too fast.

We'll find the time. You can take your time.

• (1615)

Mr. Veso Sobot: Absolutely. My apologies.

The Chair: No problem.

Mr. Veso Sobot: I was saying that the USMCA deal, which has just been passed, is a very good first step, but we must be reminded that Canada does not have an exemption to the buy America or Buy American policies within the USMCA, so anything we can do to secure that special Canadian exemption as soon as is practical is a recommendation as well.

The last point is that the federal government currently has an initiative to label plastics as toxic. At a time when the government is appealing to the manufacturers to retool and produce needed plastic products for the health care sector, such as masks, ventilators, hoses, IV bags, PPEs and those sorts of things, labelling plastics as toxic is counterproductive. It disparages and demonizes an otherwise very strong and healthy Canadian plastics industry that is working hard to help alleviate the effects of the COVID virus.

I'd like to end with the notion that plastic are not toxic; rather, they are the product of choice in many very critical applications, so if the government could look at ending that initiative and being much more focused on what it wants to do in terms of environment and litter, that would be very helpful.

Thank you so much for your time. We look forward to taking any questions at the end.

The Chair: Thank you very much, both of you.

I believe we have Derek Ferguson with the International Association of Machinists and Aerospace Workers. Derek, are you there now? If you are, un-mute your mike, introduce yourself and tell us where you're from so the interpreters can get a feel for how your voice works.

Mr. Gord Falconer (Chief of Staff, International Association of Machinists and Aerospace Workers in Canada): My name is actually Gord Falconer. It's not Derek Ferguson.

The Chair: Okay, Gord. I've been getting all kinds of names over the line. Go ahead.

Mr. Gord Falconer: My name is Gordon Falconer. I'm the chief of staff for the International Association of Machinists and Aerospace Workers, representing workers across the country.

I want to start by saying thank you for inviting the International Association of Machinists to participate. The IAM is an international union with more than 650,000 members throughout North America. They're divided into 1,143 local lodges, including 65 of those in Canada, holding more than 5,000 collective agreements with more than 200 companies in the United States, Canada, Guam and Puerto Rico.

We're the largest union in Canada representing air transportation and airport workers across the country, with members at Air Canada, Air Transat, British Airways, GardaWorld, Menzies, AAS, Sky Café and others. We represent workers in a broad range of workplaces from aircraft parts manufacturing to aircraft overhaul and repair, automotive parts manufacturing, the hospitality sector, custom paint additives, industrial pump manufacturing and the public sector. We are also quickly growing and becoming faster growing in health care and hospitality.

In a quickly changing environment that is unpredictable, we acknowledge that the development of policies and guidelines is challenging and taxing on existing resources. We welcome the government's actions to address mass unemployment as a result of COVID-19, such as new benefits and financial assistance to businesses. Many of our members will benefit directly from the measures that have been undertaken, and we have worked hard to raise awareness of the new programs that have been put in place.

We would like to take this opportunity to address health and safety in the workplace and the Canadian emergency response benefit, as well as the Canadian emergency wage subsidy program.

Under health and safety, both federal and provincial legislation, employers have an obligation to ensure workers are working in safe environments, where the risks are managed and hazards are minimized. This pandemic has certainly redefined the notion of front-

line workers, and many employers have found themselves inadequately prepared for the pandemic.

For our members in the air transportation industry, lack of preparedness is evident and some of our members have contracted COVID-19 while at work. The IAM members who work as screening officers at airports across Canada are certainly on the front lines. Their workplaces were and continue to be an epicentre of the transmission, and airports are high-risk areas. The nature of their work makes it difficult to practise social distancing, and the nature of their employers' relationship to the airport authorities and the Canadian Air Transport Security Authority, also known as CATSA, makes it difficult to determine who ultimately bears responsibility for workers' health and safety protection.

CATSA is a regulating and certifying body for screening officers. The certified screening officers' employers are obligated to follow directives issued by CATSA on a number of issues, some of which infringe on collective bargaining matters. CATSA does not have a direct relationship with the employer, nor the union. Oftentimes, in trying to deal with the employer, the union is referred to CATSA, an agency that it does not have a direct relationship with, and we have the employer who is in large part under the direction and guidance of CATSA. This has made it extremely challenging to address health and safety issues for our membership.

CATSA has directed the employer to follow public health guidelines, and the employer was firm in the position and was not supplying adequate personal protection equipment. At one point, even hand sanitizing stations had been removed. The union then initiated a risk assessment, and during this process a security screening officer contracted the virus, endangering themselves, other co-workers, the public and their community.

● (1620)

Employer policies have a large role to play in curbing transmission. When they take the position that unless public health guidelines require the wearing of a mask, there will be no action on providing protection.

In quickly changing and unknown circumstances, we expect the guidelines would follow the precautionary principle to protect workers and the travelling public. Just yesterday new research revealed that COVID-19 is, in fact, airborne, and that taking a precautionary measure would have curbed exposure earlier on. The same situation has occurred for members who work in health care settings, particularly for those who do not work in hospitals. Our members who work in retirement homes and long-term care. Lack of action and protection has resulted in numerous deaths in long-term care homes.

Unfortunately, now there is a situation where the protective equipment is sorely lacking. Many workers do not have access to the equipment that keeps them safe at work. While governments ask people to be responsible and adhere to rigorous measurements to curb transmission, it is incumbent on employers to do the same, especially in cases where their employees are on the front line. General guidelines are not enough to protect front-line workers. Employers should be held to a higher standard.

On the area of Canadian emergency wage subsidy, any attempt to keep people employed is welcome and appreciated. In workplaces we represent we have begun discussions to let employers know about the program and consider applying. As details have yet to be communicated, we are asking government to consider the following, as we think it's a prudent way of deploying public money at a time when the resources are under pressure.

Subsidies that are paid out should not be used to reward executives and shareholders and should be prohibited for stock buybacks, executive bonuses, golden parachutes and shareholder dividend payouts. All applications, details and amounts of funding provided to the employers should be published and publicly available as soon as possible. Employers should, at least, be required to demonstrate that revenue declined in relation to COVID-19 and not in relation to other factors. Employers should be required to demonstrate that without the subsidy they are unable to pay normal wages. Companies that are unable to rehire workers should be allowed to put employees back on the payroll and use the subsidy to pay for those wages.

We also have heard some concerns from some of our members that the impact of the employer participating in this program could adversely impact their earnings, reducing their income to levels below what they'd receive on EI benefits. Similarly, employees of companies that partake in this program would not be able to apply for the new CERB. We are sure this wasn't the intent of the program in its inception, but there is a real possibility that its application could impact some of our members negatively.

Under the Canadian emergency response benefit, as of April 6, all claims of EI regular sickness benefits as a result of COVID-19 will be transferred to the new CERB program. Individuals already receiving benefit from EI regular benefits who receive more than \$500 a week will see the benefit adjusted to lower than \$500 a week. In essence, the CERB is designed to pay a flat amount to all applicants, irrespective of their earnings, insurable hours or the region in which they live.

With equalized payments for all applicants, disservice is done to those who were entitled to more, but more importantly, to those

who live in northern areas where the costs of living are high: \$2,000 is very little in some parts of Canada, and some Canadians will have a very difficult time keeping their households operational. Additional work is difficult to obtain and most companies are not hiring, so supplementary income is not an option.

We do applaud the government for the swift action in this uncertainty. However, we are also asking that additional supports be provided for individuals who are not able to sustain themselves and their families on this benefit. To date, there have been 500,000 mortgage deferrals, and fewer landlords are giving tenants a grace period.

• (1625)

Even with supports, some Canadians will not be able to meet their financial obligations, so targeted solutions are required. In addition, we also have people—

The Chair: Gordon, I don't want to interrupt, but if you could wrap it up fairly quickly....

Mr. Gord Falconer: I'm just going to wrap it up right now.

The Chair: Thank you.

Mr. Gord Falconer: The other part that needs to be addressed is people who are in work that is part-time and multi-employer, with no benefits. We need to be able to address that as a government.

Thank you very much, and thanks for the time.

The Chair: Thank you, Gordon.

Especially on the sick benefits, if anybody on the government side can clarify that point when we get into discussions, that would be helpful.

Turning then to the Macdonald-Laurier Institute, Mr. Cross the floor is yours.

Mr. Philip Cross: Thank you. It's always a pleasure to speak in front of this committee.

We are living through the fastest-moving crisis of our time, surpassing previous shocks such as the 1998 ice storm, the 9/11 terrorist attacks and the great financial crisis of 2008. It is worth recalling that these shocks were unprecedented, yet we found the resources, wisdom and strength to overcome each of them.

The federal government is increasing spending at the fastest rate in its history. This is arguably an appropriate and largely unavoidable response to the massive disruption of our economy. Canadian households and businesses need quick access to funds if they are going to survive financially until the suspension of normal economic activity ends, yet the imperative of dealing with the current crisis cannot blind us to their long-term effects. It is not widely appreciated that macroeconomic policies to buttress demand in the short run are harmful to potential growth in the long run. We can see this already playing out in the response to the current crisis.

Canada entered this crisis already in a vulnerable state because of its excessive accumulation of debt over the past decade by all sectors of the economy. Our highly cyclical economy and past experience with unexpected shocks should have bred a more cautious approach to savings and borrowings. Already, federal government debt is exploding. The Parliamentary Budget Officer, last week, projected the deficit would surpass \$100 billion, even before the wage subsidy of at least \$70 billion and bailouts of hard-hit industries.

These projections are not likely to prove to be very accurate. Economic forecasts are made using abstract models that do not incorporate knowledge of local conditions, and they routinely underestimate the impact of events such as the 2008 financial crisis or the coronavirus today. This fallibility is seen in the unemployment insurance claims in the U.S. Economists forecast an increase from 3.3 million last week to 5 million this week, but claims actually soared to 6.6 million. Worse, economists expected U.S. payrolls in March to fall by about 100,000 when they actually plunged by 701,000. The failure of economists to understand how quickly and severely the economy is contracting implies government spending will increase much more than anticipated, while the loss of revenue is being underestimated.

Moreover, there will be other demands on the federal government. Low interest rates are making pension plans for employees increasingly problematic in the public sector. Remember, as recently as last December the federal government raised its estimates of the federal debt substantially because it finally began to acknowledge that low rates of return on pension assets would force the government to subsidize federal pensions. The full amount of this subsidy has still to be publicly acknowledged and is rising as bond yields further decline.

Provincial government revenue losses are likely to be especially severe. They rely more on sales taxes, which are suffering from unexpectedly sharp declines in the usually stable services sector, even as the provinces bear the brunt of soaring health care costs. Undoubtedly, this will lead to even more demands on the federal government.

Soaring government debt adds to the massive bill we are passing to future generations, when we know that government debt was already poised for steep increases as our aging population puts in-

creasing demands on our pension and health care systems. Generational conflict was already being fuelled by the policy of low interest rates, which are now approaching their zero lower bound. Low interest rates already have helped price housing out of the reach of many adults in Toronto and Vancouver.

There are other impacts on younger people from actions taken to combat the virus. Suspending classes, likely for the rest of this school year and possibly beyond, will harm learning because home instruction is unlikely to be as good. Meanwhile, about 250,000 university students are about to graduate and enter a labour market that has dried up overnight. There is substantial research that cohorts who enter the labour market during recessions suffer a life-long loss of earnings that is never fully recouped.

Hopefully, we will not often hear the slogan, "Never let a crisis go to waste". History is littered with examples of rash decisions made during a crisis that aggravated the problem in the long term. The Iraq war following the 9/11 attacks comes to mind. In Canada, invoking the War Measures Act in response to an imagined FLQ insurrection was a blatant mistake.

The same is true of economic crises. The federal government used the stagflation of the 1970s to intervene in the economy on a vast scale, culminating in wage and price controls and the national energy program, both of which are now completely discredited. More recently, the Ontario government adopted the Green Energy Act in response to the great recession, a misguided foray into industrial policy that resulted in a doubling of electricity rates, ballooning government deficits and chronically slow growth. It is worrisome that some of the architects of that policy are today advising the federal government.

● (1630)

Parliament should be wary of schemes hatched by the civil service to permanently expand government program spending during a crisis. One study of social policy concluded that the rapid expansion of the welfare state in the 1950s was not a response to public demand but played on widespread fears of a return to depression after World War II ended. Their "genesis, formulation, justification, and, of course, implementation all occurred within the state and as a result were the handiwork of key policy actors."

The frenzy of a crisis atmosphere makes it seem worth taking risks with both state power and public money, although once a government program begins it is hard to end. One example of how permanent a temporary government program can be is the U.S. Congress raising pensions in 1958 for civil war widows, nearly 100 years after the war ended.

Canadians want a return to their normal lives as quickly as possible, not a permanent expansion of government spending programs. Already it may be hard to roll back higher tax credits for low incomes, while the drums are beating in some quarters to convert the \$2,000 CERB grant into a permanent guaranteed annual income for all. As soon as possible, we want to restore the efficient allocation of credit to the—

• (1635)

The Chair: Am I the only one who lost Philip?

An hon. member: I lost him too.

Hon. Pierre Poilievre: It is too bad. He was on a roll.

Wayne, can we ask him to start again from the beginning?

Some hon. members: Oh, oh!

The Chair: No, but he did have some really good points there at the beginning. I liked the first paragraph.

I would expect that the operator is trying to reconnect with him. I'll just go through the list that we have while we are waiting for him to come back. The first questioner will be Mr. Morantz, then Mr. Fragiskatos, Mr. Ste-Marie, Mr. Julian and Mr. Cumming.

Mr. Marty Morantz: Our problem, Mr. Chair, is that my questions were for Mr. Cross.

The Chair: Then we'll just move on to whoever wants to start.

Mr. Cumming or Mr. Cooper...?

Mr. Michael Cooper: My questions are also for Mr. Cross. If need be, I can proceed, but if someone else on the Conservative side has some questions for someone else then perhaps they—

The Chair: Mr. Cumming, are you on there?

Mr. James Cumming: Sure, I can help out.

The Chair: Okay. We'll let you go to questions and then if Philip comes back on, we'll let him finish.

I think he was—

Mr. Philip Cross: I can hear you. I don't know if you can hear me.

The Chair: We have you now. Please finish up, Philip.

Mr. Philip Cross: Okay. I was just at the last paragraph anyway.

So far we are not repeating one lingering problem from the 2008-09 crisis, where rescue packages for banks and quantitative easing favoured the wealthy and helped to widen income inequality, especially in the U.S. and Europe. The policies currently adopted in response to the pandemic have been targeted more at those parts of the working class and small businesses bearing the brunt of the downturn. Hopefully this will help avert the worst of the last decade's divisive and futile debate over distributional issues.

Thank you.

The Chair: Thank you, Mr. Cross.

We'll come back then and start with Mr. Morantz's first question. We'll go to six-minute rounds on the first block.

Mr. Morantz.

Mr. Marty Morantz: Thank you, Mr. Chair.

Mr. Cross, in your opening comments you talked about long-term ramifications, which is really what I wanted to ask you about from an economic perspective. I touched on this in one of our earlier rounds, but after World War I there was massive spending, funded through debt and increases in the money supply. The Weimar Republic in Germany suffered one of the most acute episodes of hyperinflation in history. In 1923, the inflation rate was 3.25 times 10^6 per cent per month. In other words, prices doubled every two days.

Today, we and the rest of the world are in a similar situation. We are funding our own war in the same manner through trillions of new spending, either through borrowing or increasing the money supply.

I am just wondering if you could give us your professional perspective on what this might mean in terms of inflation, the potential for high inflation or hyperinflation, and also the effect that it might have on interest rates going forward, after we come out of this.

Mr. Philip Cross: Sure, that's a question that's been asked a lot over the last decade. We saw in the 2008-09 crisis, for example, that there were large increases in debt but not necessarily in the money supply. The two can be separate things. The danger is that if the credit markets are unwilling to fund federal debt then the central bank may have to buy that debt and start to monetize it and print money to buy it. That's the risk that I think you're worried about. I don't think we're at that situation yet.

Clearly, in fact, federal government interest rates remain quite low because of the trillions of dollars that have been flowing out of stock markets, commodity markets and even private sector debt markets around the world. All that money is going to one place. People want to buy government debt, even at the ridiculously low interest rates being offered.

In the short term, there doesn't seem to be any need for monetizing debt. I think a bigger problem would not be monetizing debt, but as I mentioned in my opening remarks, we don't want credit markets that are only willing to finance federal government debt endlessly. At some point, we have to go back to funding private sector activity. It's worth noting that there's a lot of talk about how interest rates are low these days, but actually they've been rising for the private sector because people perceive that the risk in the private sector is increasing. We want to normalize that as quickly as possible.

• (1640)

Mr. Marty Morantz: Okay. Thank you for that.

Given the limited time, let me just go to my next question. It's on the carbon tax.

I know you've written extensively about the pitfalls of the carbon tax, particularly given how it's currently structured. Given the current economic crisis, do you find it curious that the federal government, given all the other changes they're making—tax changes, all the programming that's coming out, the CERB, the business programming—would still elect to go ahead with the increase in the carbon tax on April 1? In addition, what damage do you think this will cause and what industries do you think will be most adversely affected?

Mr. Philip Cross: I think it is curious. I think the number one problem of the business sector these days is conserving enough cash so that they can survive until we traverse this unusual disruption. I don't think it's just the carbon tax. I don't know why we would be collecting the GST. We're dividing a lot of schemes in which we get money from the federal government to businesses so they can stay afloat. Probably the easiest way to do that would be to stop collecting money from the private sector and transferring it to the government. That would be the quickest way of getting money and keeping money in the hands of the private sector so it could survive. I think there was an opportunity missed there. For the carbon sector, the industrial impact is, of course, going to be felt most severely in the oil and gas sector, which is dealing with two crises simultaneously: one, record low price, and the other, the general disruption of economic activity. It is that sector in particular that is amongst the most vulnerable.

But there are also a lot of service industries whose business operations are being completely disrupted. Hotels and restaurants are not being affected by this tax but they are also being severely affected. As I mentioned, when you start to think of the line that's going to be forming for help from the federal government, the demands on the federal government in the next few months are going to be simply gargantuan. I don't know how they're going to sort all of this out.

The Chair: You have just enough time for a very quick snapper there if you could, Marty.

Mr. Marty Morantz: Okay, I'll be very quick.

I just want you to touch on the article you recently wrote, in which you were contrasting U.S. and Canadian policy regarding partnering with the private sector. You said, "the contrast between the business community's 'can do' optimism and the public sector's overall moroseness is striking." Could you just comment on what

you're getting at there in terms of what we could learn from how the U.S. is approaching the crisis in that aspect?

Mr. Philip Cross: One thing that was striking in the response of the federal government to this crisis was how initially all of the focus was on workers. Of course, workers are important, but what almost seemed to be forgotten initially and was then just an afterthought was that we have to make sure that businesses survive. Yes, we have to get help to workers, but we need to ensure that when this crisis ends, those workers have a job to go back to in the business sector. I think more thought needs to be put into how we can, as I mentioned, keep more funds in the private sector so that it can survive and be a good employer when normal business resumes.

• (1645)

The Chair: Thank you very much to you both.

Mr. Fragiskatos, you have six minutes, and then we'll go to Mr. Ste-Marie.

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

[*Translation*]

Mr. Thibault, bear with me, but I am going to ask my question in English.

[*English*]

Sir, I'm wondering if you could tell me your association's thoughts on the federal and provincial governments potentially providing support for hotels if these would be used as temporary hospitals for non-COVID-19-related cases.

In addition, do you have any thoughts on the federal government potentially working with provincial governments to help fund housing at hotels for homeless individuals, to ensure physical distancing during this time? I've seen in recent days steps towards that happening, hotels being very open to that happening, I should say. If governments were to encourage that by supporting it further, what would you think about that?

[*Translation*]

Mr. Dany Thibault: Thank you for your question. It's very relevant.

Again today, there have been many exchanges on this subject with the Government of Quebec and the Department of Health. Indeed, this is an opportunity to contribute to the effort to resolve the pandemic and support the health care system. Since we are not health specialists, the difficulty we are facing is related to the support we must give our staff to protect them. As the aerospace industry representative said, we do not have the equipment and the knowledge to properly protect our employees. That is the fear of many operators. In our case, in terms of support, we are there, but it is absolutely critical that we provide the training and the equipment to protect our people. For us, that support is a way to reduce our losses in the short term and at the same time be part of the effort to solve the problem.

[*English*]

Mr. Peter Fragiskatos: Thank you very much.

Now it's Peter here.

Would you have data on how many members of your association own their building versus rent their building?

[Translation]

Mr. Dany Thibault: In Quebec, the majority of operators, or 85% of the industry, also own one or a few hotel buildings. For us, the special fund is extremely important, because the hotel operator is often the owner, especially in the small hotel industry.

Of course, large hotel companies own or manage hotels on behalf of some investment funds. They are mostly found in large cities, such as Montreal and Toronto, but in outlying areas or smaller markets, the majority of operators also own.

[English]

Mr. Peter Fragiskatos: Thank you very much.

I asked the question simply because—and perhaps it's obvious—I'm trying to understand the implications of COVID-19's economic impact on renters and entrepreneurs who own their buildings and how that might unfold in the coming weeks and months.

Through your network of contacts, sir, would you say that it's the same sort of picture in Canada? I'm sure we'll hear from other hotel operators in the coming weeks here as we do these meetings. Do you have any ideas on that picture you've just drawn for us?

[Translation]

Mr. Dany Thibault: I don't have precise data, but the Quebec data are certainly a little different. In Quebec, investors and independent owners occupy a larger share of the hotel pool than in the rest of Canada. I cannot give you specific percentages, but that model is not very popular in the hotel industry because of the distribution of risk. It's often an owner who puts the management of a hotel in the hands of a hotel manager. Renting space to put a hotel in is not a model that is very popular around the world because of the investment required.

● (1650)

[English]

The Chair: You have a couple of minutes left, Peter.

Mr. Peter Fragiskatos: Mr. Falconer, does your association represent workers in the defence sector?

Mr. Gord Falconer: Yes, we do.

Mr. Peter Fragiskatos: The U.S. has set aside \$17 billion in federal loans for businesses that it deems critical to the maintenance of national security. That's straight from the policy that was recently enacted.

As you well know, Canada has a very large defence sector. Should Canada aim to do something similar in your view, or at least in the association's view?

Mr. Gord Falconer: In our view, we represent members who do repair and overhaul in the defence sector. We also represent the shipbuilding industry. One of the things that we need to do is to ensure that those are protected and, yes, there should be something that's put into play for that.

Mr. Peter Fragiskatos: I'll just emphasize that it is loans that have been allocated by Washington, but I think it's something that is worth discussing.

Mr. Gord Falconer: Washington has a lot larger issue with the defence side than we do. I just want to emphasize that we do a lot of work for the Americans, which is obviously now in jeopardy because of the borders being closed.

The other thing that you have to keep in mind is that we have our differences between essential services between different provinces. Some of that work had actually been let go because of the provincial jurisdiction on essential versus non-essential. I just want to emphasize that as well.

The Chair: That's a good point for us to know. Thank you very much.

Mr. Peter Fragiskatos: Thank you very much.

The Chair: We'll turn to Mr. Ste-Marie, followed by Mr. Julian.

Go ahead, Mr. Ste-Marie.

[Translation]

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

My questions will be addressed first to Mr. Thibault.

Mr. Thibault, the picture you presented of the situation in your industry is alarming. You talked about the drop in sales between March 10 and 23 and the projections of less than 90% of what was expected in April. The industry has completely collapsed because of the crisis. You also said that 40% of the operators had suspended operations.

You expressed concern about the duration of the measures. Of course, we would like the government to extend them if necessary.

Do you think the duration of these measures should be adapted according to the sectors?

Even if the situation were to improve over the summer, your industry will not get back on its feet immediately. An extension of the measures could allow small regional hotel operators to get help during the summer and allow seasonal workers who depend on them to work the hours necessary to qualify for employment insurance.

What do you think?

Mr. Dany Thibault: It will indeed be necessary to paint a portrait of the different sectors. Ours will be among the slowest to recover, as will air traffic, which will take longer to recover. We will live in step with people's sense of security. We will have to wait for people to go into hotels and hold meetings. We also have to consider that people will have less money to spend.

Our industry will experience a longer exit from the crisis, even though our sector was among those most rapidly affected. We came to a very abrupt stop. Our industry has shut down operations dramatically. It will take time before people regain the confidence to travel, have the financial capacity to do so, and before companies resume their business meetings. Indeed, the complete shutdown of these meetings has destroyed us.

A sectoral approach will certainly be necessary since not all industries will recover in the same way and at the same speed.

• (1655)

Mr. Gabriel Ste-Marie: Thank you.

My colleague Mr. Fragiskatos has opened the door to the idea of using your residences as hospitals.

My colleague Andréanne Larouche, the Bloc Québécois critic for the status of women, has taken similar steps. We know that the number of cases of spousal violence is increasing, particularly because people are confined and in distress. My colleague has taken steps to ensure that the rooms currently available in hotels serve as shelters for women and families who are victims of violence. Because of health measures, residences for abused women are currently taking in fewer women. My colleague mentioned this option.

What do you think of this?

Mr. Dany Thibault: In terms of the safety of our employees, taking in people in need, such as women who are experiencing violence or who need to protect themselves, is certainly less risky than taking in someone with COVID-19. So it is a possibility. In our case, regardless of where the clientele comes from, if we can find a way to contribute, I don't see a problem with that.

However, aside from offering that, we must be able to provide support. In Montreal, there was talk about housing some of the homeless in hotels. We're not always against this idea, but we have to be able to support these people. Each clientele has its own needs.

We are hospitality specialists, meaning that we make people happy and keep them safe, but at the same time we know nothing, we hear nothing, we recognize no one and we have never seen anyone. Discretion is also part of our job. For us, it would be a good thing, but, again, we need guidance to meet the specific needs of these people.

Mr. Gabriel Ste-Marie: Thank you.

A few weeks ago, hotel owners said they were having trouble getting credit. In particular, some said they were being turned down for the Business Development Bank of Canada's first-ever loan program.

Has the situation changed? Do your members currently have access to government loan guarantee programs?

Mr. Dany Thibault: In terms of the small business loan program, yes, at the beginning everybody was caught off guard and reacted very strongly. Again today the Hotel Association of Canada has asked that we approach members of Parliament to find a way to facilitate access to the program, particularly with regard to the criteria.

The problem is, everything takes time because everyone's knocking on the door. Even today, a lot of people still need cash. Our industry entered a crisis at the end of the off-season, when liquidity ratios are lowest for the majority of operators. So this crisis could not have hit us at a worse time. We didn't choose it, and there's no telling when it's going to end. Even though criteria have been established, the lack of program speed and flexibility is making life a little difficult for us. It's not about accessibility, but about flexibility.

We can't set the standards today like we did yesterday. I think that's where there's work to be done.

Mr. Gabriel Ste-Marie: Thank you.

[English]

The Chair: Thank you both.

I'm turning to Mr. Julian, who will be followed by Mr. Cumming.

Peter.

Mr. Peter Julian: Thanks, Mr. Chair.

Thanks, to all the witnesses. We certainly hope that you and your families are safe and healthy.

My first questions are for Mr. Falconer.

Thank you so much for being on the line with us. We salute machinists across the country, your members. I am very sorry to hear that you have front-line members who are now impacted by the virus, who caught the virus in their workplace. We certainly hope that they get better soon. Please pass on what I know would be unanimous support from the committee that we are thinking of them.

I am shocked, Mr. Falconer, about your comment that there are employers not supplying protective equipment. You were referencing, I believe, the airline industry. My concern is whether there are measures and protocols for social distancing. Is there access to personal protective equipment? What measures need to be taken to protect your members? What do you need from the federal government?

You also flagged in your important testimony that you have members who will be unemployed but cannot access the emergency benefit. We've heard from other witnesses already today that there are many people who are excluded from this benefit. Would it not be more effective, as others have said, to provide a universal benefit, tax it back for those who don't need it, and speed up the benefits going to Canadians?

Those are my questions, to start.

A voice: It's less than what they would get on EI.

• (1700)

Mr. Gord Falconer: I will answer the first part.

I just want to emphasize that we have sat down with multiple employers to ask them to come up with a protocol for the front-line people. In some cases, for example for the screeners under CATSA, the employers are using what they call Health Canada's guideline. The problem is that Health Canada's guideline says that they do not need the specific masks, so the employer says, "Well, okay, we don't need to supply those masks", which becomes a problem because there is conflicting information as to whether the person is at the front line or not.

The second piece, obviously, is that getting access to that equipment is also a major concern. The protocol we have put out for workers who are at the front line, if you think about someone in the screening.... Everybody in the room at some point or another has gone through the airport. When do you reach the screeners? They're the first person you'll run into when you're doing that. They do the pat-down. They do the screening component. Then you go to the gate.

The transportation minister said that the airlines are going to be responsible for doing that check. In fact, the screening officers are the first line before someone even gets to the gate, and they are the ones who do not have protective equipment. Protocol is obviously a concern for multiple levels.

On the issue of the benefits, I'll let Ivana—sorry?

Mr. Peter Julian: No, go ahead.

The Chair: Go ahead.

Ms. Ivana Saula (Research Director for Canada, International Association of Machinists and Aerospace Workers in Canada): The issue with the CERB.... I do understand that there are some workers out there who might not qualify for it, but the issue that we are raising and that we are hearing about from our members across Canada is that once they switch over to the CERB as of April 6, the benefit they will receive under CERB is less than what they would have been entitled to under EI regular benefits.

Mr. Peter Julian: My next two questions are for the machinists. There is what many people are calling the “courage bonus” for front-line workers, the bonuses that the federal government would endeavour to give to those workers who are on the front lines.

The other issue is the wage subsidy. What are other countries doing on the wage subsidy, in order to put in place what you specified public money should be used for, which means public money going to the workers, not for executive bonuses, dividend payments, share buy-backs and the like? What are other countries doing?

• (1705)

Mr. Gord Falconer: As I say, we are an international union. I got an email today indicating that defence companies are giving front-line people a \$200 bonus each week because their jobs are essential services.

We have others in health care who are being compensated with a wage subsidy since, because they are at the front lines, they are actually having more expenses. Some of those individuals have to get hotel rooms because they cannot go home to their loved ones.

Some of what we are calling bonuses are needed for people who actually have more expenses. As Ivana indicated earlier, we do have a problem with some of the locations, in terms of a flat fee for people living in rural versus urban areas. People cannot afford to live in some of these areas. Some of our workers at the airports, who are making minimum wage, are still essential. In that context, we do talk about that.

On the wage subsidy issue, I will let Ivana speak.

The Chair: Okay, Ivana, go ahead, fairly quickly.

Ms. Ivana Saula: Yes, sure. As Gord already mentioned, in terms of the wage subsidy we are very clear. The guidance we've

given is clear, but it's not too restrictive in terms of giving room to the federal government to define what is beneficial for businesses as well.

For us it's very important that the subsidies that are paid out are really used to subsidize the wages of workers, but also that they allow employers who are not able to rehire their staff to put them back on the payroll, even if they are not back at work, working.

The tightening of the emergency wage subsidy could alleviate a lot of the pressure that is on the EI system now, both through regular benefits and through the CERB. Because the resources are finite, targeting help through the wage subsidy could help us spend our resources wisely at a time when they're significantly constrained.

Other than that, I think it's important to have fairly detailed reporting requirements for employers so that the money is used in the way it's intended. Far too often we have seen subsidies given to employers and being misused, and they hardly benefit communities.

We can perhaps target it for the aerospace industry, the shipbuilding industry, and air transportation as well—industries that we are now realizing are at the heart of the economy—and provide some flexibility, as Gord mentioned, for workers as well, and for employers to give the opportunity for workers to stay closer to the workplace so they are not going back home and possibly transmitting the virus.

Also, there's giving hazard pay to the front-line workers. That definition has been broadened during this pandemic. Our concept of what it means to be at the front line is significantly different. We do need to develop better protections, through wage subsidies as well, for workers.

I just want to add that, on the issue of PPE, because the definition of front-line workers has changed, it is incredibly important that for employers.... We refer to screening officers, because I think that's where we've seen possibly the worst abuses of health and safety legislation, and it is incredibly important for those people to be considered front-line, and for both employers and public health officials to understand that general health guidelines don't work in specific cases —

The Chair: We're going to have to end it there, Ivana. We are way, way over time.

We'll start the second round with Mr. Cumming, and then over to Ms. Koutrakis.

James.

Mr. James Cumming: Thank you to all our witnesses.

I'll start my first line of questioning with Ms. Bamford.

I was very interested in your testimony as it relates to the policy initiatives. I think you characterized them as an attack on the resource industry and the competitiveness of manufacturing by driving up electricity costs and making those industries less competitive. It strikes me that one thing this country is blessed with is a lot of natural resources, and particularly now an abundance of energy resources at a low price. Would not now be the time, particularly when we get through this, to encourage investment in those sectors? I believe Canada should be able to have a strategic advantage.

• (1710)

Ms. Jocelyn Bamford: Absolutely. I'll just share with you that my November hydro bill was \$55,000, and \$35,500 of that was global adjustment. As you will recall, the global adjustment is what was paid to subsidize inefficient wind and solar. Some \$10,000 was for delivery, and only \$2,000 was the actual electricity cost.

I started to look around in North America and compare what my inputs would be if I moved my business to the United States. We do military parts, so they are always encouraging us to move down to the States. I am paying 28.2¢ a kilowatt hour all in. I would be paying between a low end of four cents and a high end of seven cents a kilowatt hour.

In addition, many, many manufacturers in Ontario produce parts and pieces for the resource sector. The manufacturing sector and the resource sector are so interconnected. We need competitive energy to be able to compete and run our plants efficiently. We are also a supplier to the resource industry. If you go down my street, Nugget Avenue in Scarborough, there are four of us that do parts and pieces for the resource sector. When you take out the resource sector, you also take out manufacturing.

We are so blessed in this country to have innovation and technology to make our resource sector, through innovation, the cleanest in the world. We could also export the resources, such as our liquefied natural gas, and help countries like China come off coal and thus reduce emissions and have a cleaner world. Why are we not exploring those opportunities?

There are many, many companies that have innovative technology that allows the resource sector to work cleaner. Our company is one of those companies. Why are we not celebrating that and having that be the way to get through this terrible crisis? We need more tax dollars. We need more companies working, and we need more employees working. The way to do that is to tap into the resource sector projects that we have, or that we could have if we weren't tied up and prevented from doing so.

Mr. James Cumming: Thank you so much for that. I couldn't agree more.

Mr. Cross, I'm thinking more of when we come out the other side of this. I know you're a big proponent of a private sector-driven economy and private sector investment. It strikes me that we have quite a list of projects that are sitting in regulatory approval. Would it not make sense to try to advance those projects and that private sector investment so that we can get the economy going after we get through this crisis?

Mr. Philip Cross: I think that, after this crisis ends, we should be using every and any tool we can to get economic growth going.

I'm quite concerned, as the representative from the hotel industry said, that some sectors are going to recover very slowly. This has obviously been a big hit to the energy sector, to the restaurant industry, to hotels. It's going to take a long time to restore confidence. I would expect this is going to dampen growth for quite some time. We should be doing everything possible to encourage investment and growth wherever we can.

We don't have the luxury of picking and choosing if this sector is politically correct and that one isn't. In the short term, we've solved the problem of greenhouse gas emissions. Air travel and oil and gas production in this country are going to decline and are not going to recover for quite some time. We should stop worrying about that and start worrying about growth in whatever industries we can get to grow, because there's going to be an awful lot of income loss and debt dislocation to deal with, coming out of this crisis.

• (1715)

The Chair: Thank you, all, on that round.

We'll go to Ms. Koutrakis, and then way out to you, Mr. Cooper, following Annie.

Go ahead, Annie.

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

I have a question for Mr. Thibault, and then if I have enough time, one for Mr. Falconer.

[*Translation*]

Mr. Thibault, thank you very much for your contribution and your comments today.

In my riding there's a small hotel with 130 rooms that has already agreed to convert into a small hospital. I am very proud of that. I am also pleased that Mr. Legault, from the Quebec government, is still looking for another 3,000 to 4,000 rooms. I think this is a good opportunity to help COVID-19 patients, but also the other patients who are currently in the hospital.

I understand the importance of the hotel and tourism industry to my riding and to the rest of Canada and Quebec as a whole. I also recognize that this industry is one of the sectors most affected by COVID-19. Over the past few days, the federal government has announced a number of measures, including loans, wage subsidies and tax deferrals to help struggling businesses stay afloat during this crisis.

Can you tell us how your members have been able or plan to benefit from these measures to maintain their activities and their staff? Is there any way the government could provide more support to the hospitality and tourism sector?

Mr. Dany Thibault: Thank you for your question. Indeed, we too must make our contribution as hotel operators. I congratulate the hotelier in your riding for doing that generously by offering his premises so people can be cared for.

To answer your question, the eligibility requirements and the program are still a bit hard to understand. In our industry, we've had to send a lot of people home and tell them we don't need them anymore because we don't have any customers.

According to the program, more than 90% of our people would be eligible, particularly with respect to the percentage of salary funding with a 30% loss of business income. Does that mean that I have to get all these people back to work, when I have nothing to give them because I don't have a client?

The flaw in the program is that I couldn't bring in the employees even if I wanted to. First of all, it will cost the government more money to fund employees for whom we do not have work. I need three, four or five employees at most to keep a big hotel open, because I have two, three, four or five guests a night. The problem with the program is, first, that it is hard to understand. Second, it cannot be applied across the board. I think it will have to take a different form for each industry. I understand that we cannot have a program that suits everyone, nor is it easy to have a program for each industry. We cannot choose as we please.

Indeed, the difficulty with the programs that have been put forward is often the interpretation of certain rules that could easily exclude someone for a technical reason. This is somewhat in the same vein as hoteliers who, as I said at the outset, are going to have booking cancellations when they are not operating because it is the off-season. In July, they will not have any reservations because no one is making reservations right now. Therefore, they will lose their reservations and income. This is where these programs, although proactive, need refinement and data that are easy to interpret and allow us to qualify easily without necessarily overtaxing the system while waiting for the recovery. That's why we're advocating an extension of the program, because when customers come back, we won't have immediate cash flow. We need to be able to take advantage of that kind of subsidy as we call back employees, not pay employees to do nothing, because right now we don't have a customer.

• (1720)

Ms. Annie Koutrakis: I understand. Thank you for your comments.

[English]

Mr. Falconer, in addition to—

The Chair: Go ahead, Annie, but be fairly quick.

Ms. Annie Koutrakis: Okay. In addition to a number of measures supporting businesses of all sizes, such as loans, wage subsidies and tax deferrals, the federal government has taken steps to support the air transport industry specifically.

Can you comment on how the airline industry and its employees have benefited from the supports put in place by the federal response to COVID-19, and what more you think we can do to help support the air transport industry?

Mr. Gord Falconer: I can only say that we haven't seen the benefits yet in the airline industry. We haven't even seen the finished results of the layoffs yet because, and I say this in complete agreement with most people in the airline industry, it's a day-to-day issue. We are seeing things changing, hourly in some cases, in what happens.

What benefits are we seeing? We are seeing a lot of people getting let go. I can tell you that half of our membership has been let go at the airports, and we're trying to hold the pieces together. One of the things we talked about was the wage subsidy issue. It would be bringing people back to work, because the EI system can't handle it. I honestly believe that it cannot handle the numbers that are coming at us hourly, never mind daily.

The Chair: We'll have to leave it there, folks, and turn to Mr. Cooper and then Ms. Dzerowicz.

Mr. Michael Cooper: Thank you, Mr. Chair. I'll direct my questions to Mr. Cross.

Mr. Cross, in your March 24 column in the Financial Post, you noted the importance of offering direct aid to small businesses. The government has announced a 75% wage subsidy, but a subsidy for which the portal may not be set up for six weeks, meaning it could be almost two months before businesses see one cent of the wage subsidy. It would certainly seem to me that a business that can get by over the next two months isn't necessarily a business that is in desperate need of a wage subsidy, like so many business owners who are literally making the decision right now of whether to retain employees or lay them off—not in two months but today.

In that regard, do you have any comments on the wage subsidy program? Do you think it's the way to go? If so, is there a better way to get the dollars out? Dr. Mintz suggested perhaps going through the banks, or is it better to expand something like the business credit availability program or perhaps some other mechanism to get the dollars out to small businesses that desperately need those supports?

Mr. Philip Cross: As a general rule, using existing mechanisms always beats setting up a new program. For the six-week rollout for CERB, based on recent experience with the federal government, including the way it has failed to pay its own employees, it would be optimistic to say that it would be up and operational. Remember, too, that the federal government is largely operating from home now or remotely. It's going to be very difficult to set up a new program.

Using existing programs, or using existing channels such as banks, would prove to be a better way of getting much-needed help to businesses as fast as possible—and I'd underline "fast". A lot of these small firms simply don't have the wherewithal to survive, sometimes not even a month.

• (1725)

Mr. Michael Cooper: Thank you for that.

In the same article, you made reference to the United Kingdom. Are there any lessons that you see that we could learn from measures that have been taken by the Johnson government?

Mr. Philip Cross: No, I'm not going to extend my analysis to countries that I don't fully understand.

Mr. Michael Cooper: Okay.

I will now turn my questioning to Mr. Sobot or Ms. Bamford.

We've certainly seen businesses that are shutting down. We're also seeing another part of this downturn that will be less visible, namely the tens of thousands of businesses that won't be starting up in the coming months. Many entrepreneurs are obviously shelving start-up projects.

One of your recommendations was to provide for a 24-month capital gains exemption. Would you be able to elaborate on that in terms of encouraging investment and also to help see revival of the economy once we get through this very difficult period? How might that be beneficial?

Mr. Veso Sobot: Thank you so much for the question.

Essentially, there are a lot of assets that have been locked away in capital. The owners do not want to sell because of the capital gains hit they would take by selling it. Hence, the only time valuable assets that can contribute to the economy are sold is when the owner passes away. How much better it would be to provide an incentive for that churn of assets so that those apartment buildings that have been owned by the same man or woman for 50 years could be sold while the owner is still alive. That money then would churn the economy in a very big way. It would provide way more resources for the multiplier effect to help us get out of this crisis.

Back in the 1980s, if you recall, both the American and Canadian governments did this for a very short period of time. They provided a significant capital gains holiday, and our economies, in conjunction, had 5% GDP growth. It was astronomical.

It would only be a temporary measure, something for a short period of time in order to spur growth, spur activity, spur assets moving. I think it would be probably the best economic stimulus we could possibly do in a short order of time.

Mr. Philip Cross: This is Philip Cross.

Could I ask the chair's indulgence to make one last point?

The Chair: Go ahead, Philip.

Mr. Philip Cross: Thank you.

In reply to Mr. Cooper's question about Britain, I must say I misunderstood it. I interpreted it as a follow-up to the nuts and bolts of getting money out, and I don't have any understanding of that in Britain.

I understand now that what he was referring to was how Boris Johnson, very much like the Trump administration and the Ford administration here in Ontario, was very proactive in going to business and not just asking, "What do you need?" It was, "How can you help? We in government are the ones that are having a lot of

trouble delivering a good health care result to people. What can you do to help us?" I think that attitude especially is something that would be quite useful.

Mr. Michael Cooper: Thank you.

The Chair: Thank you.

Ms. Dzerowicz, you have five minutes. Then it will be Mr. Ste-Marie.

Ms. Jocelyn Bamford: It's Jocelyn Bamford. Can I just comment to build on what Mr. Cross said?

We had 3,000 initially, now 8,000, businesses put up their hands to say that they would assist with the COVID-19 response. We've only seen four or five POs. I have had, in our coalition, people who have said, yes, they'll make masks and they'll make gowns. As we are churning in the sink, what's happened is that the parts that supply that, the material, are being eaten up by other countries, because they are moving with alacrity and we are slowly moving forward to secure this stuff. It's not, "Can you make a respirator in three months?" It's, "Can you make a respirator in two weeks? Can you make a gown in two weeks?"

We are moving at the speed of government, but we need to be moving at the speed of business of the military, because when they do decide to give those contracts out to people, there are going to be no supplies to fill those contracts, and people are going to perish because of it. We need to move faster on this response with business and get people going, or our front-line workers are going to be in real trouble.

• (1730)

The Chair: That wasn't Julie, was it? No?

Ms. Jocelyn Bamford: No, it's Jocelyn.

The Chair: Okay, Julie, you're up.

Ms. Julie Dzerowicz: Thanks so much, Mr. Chair. No, that indeed was not me.

I just want to start off by saying thanks to all the presenters, everyone who has come today. I'm listening to not only the initial presentations but also the conversations. They've made me, even more than ever, appreciate the leadership of our federal government and what it has had to do over the last three weeks. It's been extraordinary. It's also made me appreciate even more fully the job we have ahead of us.

I will just recap what we've done over the last two and a half to three weeks. We've introduced the Canada emergency response benefit, which is going to be up and running and taking full applications beginning April 6, this upcoming Monday. We've introduced the largest, historically speaking, support program for Canadians ever, the Canada emergency wage subsidy, which our Minister of Finance has let us know he is hoping will be up and running in three weeks. I know that six weeks has been thrown around, but I know that our civil service is working 24-7 to try to get that up and running sooner. We've also introduced the Canada emergency business account, through which our small-businesses will be able to access \$40,000 in interest-free loans.

I don't want to throw out an amount just in case I have forgotten the exact amount, but we've put money into our economy, into our banking sector, to ensure that we have stability in our economy and banking sector. Today we announced \$100 million in initiatives for our shelters and for food security. We are providing support for our seniors through the United Way, making sure that Meals on Wheels continues, and providing additional support for those seniors in isolation; and we are providing additional dollars for Kids Help Phone.

It's quite extraordinary what we've been able to do, and yet I know that we have to do so much more and that it will take our very best ideas to craft a path moving forward. It's going to take all of us to ensure that we come out in a way that is going to make us stronger at the end.

So my question is a general one. Mr. Cooper started asking this, and I want to continue. Our Prime Minister is constantly saying that he is absolutely always in touch with G7 leaders. He also talks about being in touch with the G20 leaders. Of course he had a telephone meeting with all the premiers and territorial leaders last night. I think we're always looking for the best ideas.

Countries around the world are grappling with finding the best ways to provide additional supports. Is there any idea that the U.K., Singapore, South Korea, Taiwan or any other country in the world right now is adopting that you think maybe we should be looking at but haven't looked at?

I'll start with Mr. Thibault of the Association Hôtellerie Québec and then go through the other presenters. Has there been any idea introduced out there that we haven't thought of but that you think we should be adopting?

• (1735)

[Translation]

Mr. Dany Thibault: Everyone is looking for ideas. What has been proposed for us is twofold.

First of all, it's about finding ways to support companies so that they can start holding meetings again for clients on business trips. This could be done through an investment fund or something else, to create a bit of movement in business tourism.

In Quebec, for example, eyeglasses are reimbursed up to a maximum of \$250. This is done in Quebec, but elsewhere as well. A similar measure could be considered, and this has been raised within our association. It would provide a reimbursement for citizens

who take a leisure trip in Canada over the next 12 months, up to a given amount. That would stimulate demand and create jobs. It would be easily refundable through taxes and would have a direct impact in terms of stimulating the economy and creating jobs.

[English]

The Chair: Julie, you can have one quick question.

Ms. Julie Dzerowicz: I would maybe just ask if there's anyone else who wants to respond, because I thought that was very helpful. Is there anyone else who wants to put forward a particular idea that's being acted on elsewhere that we should be looking at here in Canada?

Ms. Jocelyn Bamford: There are many ideas that you can benchmark. A lot of our members from the Coalition of Concerned Manufacturers have gone to the States and relocated their businesses because of the incredible incentives there. You just need to do a quick SWOT analysis. In fact, our company had Queen's University do a study and a SWOT analysis, which I provided a couple of years ago, and the incentives are only better. I would be happy to share that SWOT analysis with any government body that would be interested.

We are not competitive here, and we need to be competitive.

The Chair: Go ahead, Gord.

Mr. Gord Falconer: I'll just wrap it up by saying that because we're in an international market and with the free trade agreements, we should be looking at different forms of how we're going to do this. I can tell you from the transportation sector that it will take 18 months, minimum, to actually get the confidence back for people to travel. This is not going to be a quick fix.

If anything, it showed us that the services that we have are under capacity and everything we're doing is to try to catch up. I honestly believe that this is showing us where all of the work is being transferred through free trade agreements, and it's indicating that we need to bring back work to Canada in some form.

I don't want to dwell on it, but I want to just say that it's obvious we have major issues that are going to be impacting this country for at least the next year.

The Chair: We'll have to leave that round at that.

We'll go to Mr. Ste-Marie for one question and Mr. Julian for one question, so that we can get the last two in.

Mr. Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie: My question is for Mr. Falconer, who represents the machinists.

You mentioned the near shutdown of the aviation industry. Obviously, this has a significant effect on the aerospace industry. There are a lot of jobs related to the aerospace industry, particularly in the Greater Montreal area. As far as supply chains are concerned, there are delays and restrictions. All contracts are put on hold and there are travel restrictions for deliveries.

When compared to Europe and the United States, our aerospace industry enjoys better recognition.

Do you believe that the aerospace industry should be recognized as a strategic industry?

• (1740)

[*English*]

Mr. Gord Falconer: We represent a lot of workers in the U.S., and the issue for defence is high on the demand. I can honestly say that in Canada we have to actually spend some.... We should have resources put together so that we have our own sector in Canada, instead of depending on other countries for our aerospace sector.

Airbus came to Canada and we're looking at supplying the kind of work that's here.

The quick answer would be yes.

The Chair: Mr. Julian.

[*Translation*]

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

I have a question for Mr. Thibault.

What you said about the catastrophic effects on hotels in Quebec and across Canada was very eloquent.

Mr. Gord Johns, our small business critic, and I wrote to the minister today to tell him that small businesses should receive the wage subsidies as soon as possible. We also asked him to remove the 30% decline in revenue requirement for employers with 50 employees or less.

Can these measures help you?

You also talked about investing in tourism in Canada and helping associations prepare conventions and meetings. Are there other measures needed to help the hotel sector recover?

Mr. Dany Thibault: As I explained earlier, one thing is certain: the difficulties with the wage subsidy are its comprehensibility and its application in the short and long term. The day this subsidy ends, there will be a problem, because our cash flow needs will still exist. So we have to get this subsidy well regulated and standardized so that we can support the industry for longer.

Measures to facilitate liquidity management were well received. There is no doubt that all levels of government have responded, whether it be regarding municipal taxes, the GST or the QST, in Quebec. These measures must be maintained and their sustainability must be ensured.

Today, we are no longer talking about 30% losses; we have reached losses of 90%. It is therefore obvious that these measures will have to be maintained for the tourism and hotel industry. We'll need some kind of special emergency fund when the industry comes back to life and the economy starts to recover. It is going to take a dedicated fund to help the tourism industry to maintain its businesses, especially small businesses.

We often think of the Royal York in Toronto or the Queen Elizabeth in Montreal, and these large hotels are important, but the overall picture of the hotel industry is a mix of small operators. They

are there every day to serve their guests, to promote, to clean rooms and to serve meals. These people will need some kind of fund to help them get back on their feet. Otherwise, they will not be there in three, four, five or six months.

[*English*]

The Chair: We'll have to end it there.

I can assure you, Mr. Thibault, that we have the same kind of hotel structure here in P.E.I., with many small operators. That's good information you've provided.

We'll turn to Mr. Poilievre for five, then we'll wrap up with Mr. Fraser for five.

Pierre.

Hon. Pierre Poilievre: Thank you very much.

My question is for Mr. Cross. Mr. Cross, as we come out of this, I think the finance committee has to be thinking deeply about the economic recovery, the very painful, long economic recovery that will follow this massive supply shock. Yet with the ongoing conversation about stimulus, many believe and are arguing that we can just continue to permanently spend, borrow dollars to eventually stimulate the economy back to life.

There seems to be confusion between producing wealth and consuming wealth. It's true that when governments spend money, for example, propping up a failing business, there is economic activity; it's a consumption of wealth. When a profitable, self-sustaining business generates activity by selling products and services to people who want them, it produces wealth. The example that you and, I think, the concerned manufacturers gave was the massive subsidies for windmills and solar panels in Ontario, \$30 billion or \$40 billion. They did create economic activity in the sense of consuming those tens of billions of dollars. Then the businesses that had to pay the price had to lay off workers and shut down operations or move out of the country.

If a solar panel company got \$100 in revenue, \$90 of it was in subsidies and \$10 was actually the value generated. If we run an economy that way, we're just going to bankrupt ourselves by consuming what we don't produce.

Can you help explain the difference between the production of wealth and the consumption of wealth?

• (1745)

Mr. Philip Cross: In five minutes? Okay, that's a challenge.

The Chair: No, it's two and a half, Philip.

Mr. Philip Cross: One example I would bring out that should make people hesitate before advancing too far down the road of endless stimulus is to recall what happened to the economy in the 1970s. We suffered a major shock from the OPEC oil price increase. Even as the supply side was being dampened, we tried to stimulate demand. What we ended up with was the worst of both worlds, what's called stagflation, with both high rates of inflation and unemployment.

The current situation seems to have some analogies to that. Clearly, the supply side of the economy is taking a hit. We want to minimize the loss of productive capacity, but clearly, some firms are not going to make it through this. Productivity rates are going to be dampened. There's going to be a shock to the supply side. The risk is that if we overstimulate demand, we're going to be putting more demands on the economy than it's going to be able to produce and the end result is going to be inflation.

I've already seen examples of that in my local supermarket. I was quite surprised this week: they're rationing us to one bag of potatoes and the price of meat has doubled since last week because they can't get workers in the meat plant. We're not running out of cows and pigs, but we're running out of production capacity.

Those are some of the examples I would point to as to how, particularly when you're going through a period where you're destroying production capacity, that can have particularly nasty effects on the economy.

Hon. Pierre Poilievre: To build your example out, Mr. Chair, if I may—

The Chair: Just very quickly.

Hon. Pierre Poilievre: I will make it quick.

If the government came out with a program to stimulate meat consumption today, then yes, people would sprint out and buy more steaks but there wouldn't be any more on the shelf and the result would be that prices would go up. Likewise, if after the lockdown ends, the government tries to spend more and more borrowed dollars stimulating artificial demand for products and services that no longer are produced, prices will do exactly as they did at your grocery store. They will go up, because you can't consume what you don't produce.

Would you agree with that?

Mr. Philip Cross: Very much so. That's why I think it's very important coming out of this that we focus not on short-term stimulus to demand, but on increasing the production capacity of our economy in the long run. For example, there should be less regulation, less restrictions in interprovincial trade, more encouragement to business investment, including the energy sector.

Yes, I think we really are going to have to focus on the production capacity side of the economy and not just the demand side.

• (1750)

The Chair: I would point out that part of the reason for the shortage of capacity, at least in the pork industry, is a plant shutdown because of problems with COVID-19 among staff. That adds to the problems we have as a result of COVID-19 for sure.

I'll turn to Mr. Fraser to wrap it up.

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

I'll start off with a question that I'll put to our guests from the hotel association and the ones representing the machinists and the aerospace industry.

I thank you for your comments about some of the benefits of the programs we've rolled out to date, particularly the fairly quick ac-

tion and the importance of the wage subsidy to help maintain a relationship between employers and employees. As well, there are the measures that we've put in place to increase the flow of capital that will help with cash flow over the coming weeks and months.

One of the concerns that I see, and each of you have flagged this, is that there is a longer-term problem, particularly for our guests from the machinists and the aerospace sector, given the potential longer-term impacts on air travel. The hotel association mentioned on a couple of occasions there would be challenges when it comes to long-term stays because of, realistically, a serious systemic hit to the tourism sector.

We'll start with the hotel association. What are the solutions that will help bring that traffic back? I know you mentioned a potential incentive for having business meetings recommence, but are there other suggestions that would help restore the volume that would bring your business back to an even keel? I have the same question for the aerospace sector. What measures can we be implementing in the short term that will help you with the long-term recovery, so that temporary programs like the wage subsidy may not be needed in the longer term?

We'll start with the hotel association and pivot to those representing the aerospace sector.

[*Translation*]

Mr. Dany Thibault: Thank you for your question.

Demand being what it is, no matter how much promotion we do, what will make a difference is the money people will receive to take concrete action for the economy.

Mechanisms must be put in place to stimulate tourism demand, whether for business or individual tourism. Travellers could receive compensation or credits. Businesses must be stimulated to hold events or travel to hotels and convention centres within Canada and the provinces concerned. If money is put back into customers' pockets in some way, they will be more inclined to spend. This is the first step.

Secondly, we must position ourselves as the destination of choice. We saw this after the attacks of 2001. Canada, including Quebec and Ontario, became a safe zone for Americans on the east coast of the United States, just as western Canada became a safe zone for people in Washington State.

Once the pandemic is over, can Canada once again become that safe zone where people can thrive safely, both in terms of health and crime? The answer is certainly yes. In order to do so, Destination Canada and the tourism ministries in each province need to promote Canada aggressively and in a well-organized manner in our nearby border markets.

If we can orchestrate this by giving money to our members, our citizens and our businesses to spend on business and leisure tourism, they will take planes to get to our hotels and restaurants. This will also stimulate business for taxis and all those who are tied to our industry.

In addition, Destination Canada will work to bring people in neighbouring areas to our destination, including through substantial and much larger budgets than in the past. We're doing poorly when it comes to the money we spend promoting Canada.

• (1755)

[*English*]

Mr. Sean Fraser: My final question is for our guest from the Macdonald-Laurier Institute.

You flagged the risk of overstimulation leading to endless inflation. I take it then it would be important to signal that we will be returning to a more normal environment in the short term and to signal how we're going to do that. Do you have advice for the government, which we could provide, that would demonstrate how it could signal to lenders, for example, in the long term that we will be returning to a more normal spending environment?

Mr. Gord Falconer: Can I just say something from the machinists' side, from the IAM?

One of the things that we're looking at is that we have to have consumer confidence. One of the things that is taking a while for people to understand is that the air transportation industry asks people to have confidence in what they are actually taking. They need to have confidence in the cleaning of the aircraft, that they have a safe environment to go from post to post.

International travel is going to be based on people's confidence to go to different locations. For people to come to Canada, they need to have confidence that they are coming to a safe environment.

The stimulus package we are talking about is not only for workers to have jobs, but we also have to protect the industry. The industry needs to have a stimulus package to maintain it so that we are not getting eaten up by the big multinational corporations and the small places can still survive. There needs to be stimulus from the government to make sure that people have confidence in the economy in order to move from place to place.

From an airline component, people need to know that they are going onto an aircraft that safe. They need to know that when they

go to the airport they are protected from any pandemic. I think that in the short term it is about putting programs together so that people will feel safe, but in the long term, what we need to do is to build consumer confidence that they can come and be safe when they are travelling to different destinations. I think that's the easiest way to put it.

The Chair: We are going to have to close it there before the line shuts down on us.

I do want to thank all of the witnesses for their presentations, for responding to our questions, and for the advice they have given us.

Committee members, we had some suggestions for themes for the meetings next week. What I would propose—and email me if these do not suit you—is that for the first panel on Wednesday we would look at indigenous issues as a result of COVID-19, and for the second panel in the second two-hour period, we would look at the tourism and hospitality sector. On Thursday, it would be small and medium-sized businesses for the first panel, and for the second panel it would be the financial and banking sector and what they are and are not doing.

Are people okay with that as the proposals for next week? I would ask members if they could to get their witness lists to the clerk by six o'clock on Sunday evening so that folks can start to get the invitations out early on Monday morning, especially for that Wednesday meeting.

One other thing, in case people are listening, that came up earlier is that the fastest way to get the money out to people is for them to register now with the CRA My Account and the CRA My Business Account. That will be the fastest way, when the program kicks in, to get the money out through the system directly to bank accounts.

With that, we are at 6:59. The system will likely close down. I want to thank the witnesses again and thank all the committee members for their endurance, their questions, and their thoughtful discussion.

With that, we'll adjourn the meeting.

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