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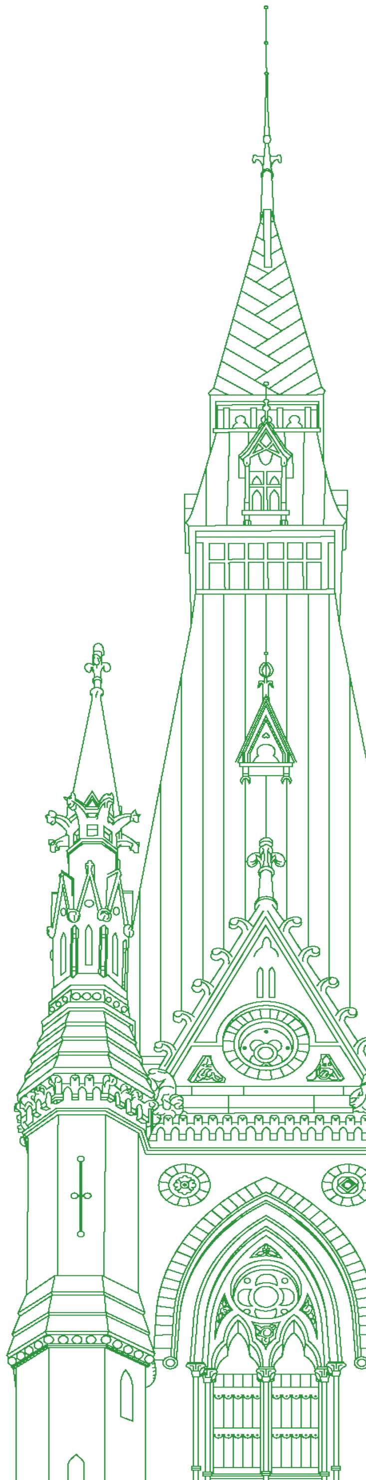

Chair: The Honourable Wayne Easter

Standing Committee on Finance

Thursday, April 16, 2020

● (1605)

[*English*]

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

Welcome to meeting number 19 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference of Tuesday, March 24, the committee is meeting on the government's response to the COVID-19 pandemic. We're really meeting for the purpose of receiving evidence concerning matters related to the response to the COVID-19 pandemic and to consider a biweekly 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, as you're well aware, by video conference, and the proceedings will be made available via the House of Commons website. Just so you're aware, the website will always show the person speaking rather than the entirety of the committee.

In order to make the work of our interpreters easier, I would ask people to speak slowly and as clearly as they can, and that those who are not speaking to mute their phones. Before speaking, wait until the chair calls you. I have the speaking order here.

With that, we will start the meeting officially. I believe we will start with the Governor of the Bank of Canada, Stephen Poloz.

Governor, I want to thank you, first of all, on behalf of the committee for all the work you, the senior deputy governor, your board and all the folks at the Bank of Canada are doing these days to assist Canadians in getting through this crisis. We'll turn the floor over to you and then go to a round of questions.

Governor.

Mr. Stephen S. Poloz (Governor, Bank of Canada): Good afternoon, Mr. Chairman and committee members.

Senior Deputy Governor Wilkins and I welcome this opportunity to appear before you to discuss the bank's policy actions in response to the coronavirus pandemic, as well as our monetary policy report, which we published just yesterday.

[*Translation*]

The Canadian economy is experiencing a significant and rapid contraction. The shock affects all countries, but commodity-producing countries like Canada are being hit twice. Beyond the impact of the necessary public health measures to contain the virus, the economy is also being hurt by the plunge in world oil prices. In the very near term, public policy-makers can do little more than cushion the blow.

● (1610)

[*English*]

For the bank to achieve its primary mandate of keeping inflation close to target, the economy first needs to be stabilized. In recent weeks, the governing council lowered our policy interest rate three times to 0.25%, which we consider to be its effective lower bound. These moves were based on analysis of the factors we could measure immediately, mainly the likely fallout on the economy from the collapse in oil prices as well as the immediate effects of measures to contain the coronavirus. This preliminary analysis indicated that cutting rates all the way to the effective lower bound was the best contribution the bank could make to stabilizing the economy and complementing the government's extensive efforts to respond to the pandemic.

However, for the bank's monetary policy actions to reach companies and households and foster a robust recovery, it's crucial that financial markets function well. Therefore, the bank has so far taken many steps aimed at improving market functioning. Let me describe these programs and facilities and their intended purpose.

The market for Government of Canada bonds is foundational: It forms the basis for many other financial markets. Therefore, we launched a program to purchase at least $5 billion of these bonds per week to support the liquidity and efficiency of this market. In yesterday's announcement, the bank stressed that we can increase this program at any time, should conditions warrant it, and we announced that we will increase our participation in the federal government's treasury bill auctions to 40% of each new issue.

The bank is also helping to ensure proper functioning of provincial debt markets by buying up to 40% of new provincial money market securities and up to $50 billion of provincial government bonds.

We've taken a number of steps to ensure financial institutions have ample liquidity so Canadian businesses and households can continue to have access to credit to meet their basic needs and bridge this difficult period.

These steps include enhanced repo facilities, which allow banks and other primary dealers to borrow cash from us by using their assets as collateral, in order to help them better manage their liquidity risks. We have expanded the list of institutions that can access our lending as well as the types of collateral they can pledge, and these facilities can now provide funding for up to 24 months. We've also started a contingent term repo facility, which offers liquidity to a broader range of counterparties that are active in the repo market. Further, we have established a program to buy Canada mortgage bonds, up to $500 million per week. This is to support the healthy functioning of an important market for mortgage lending to Canadians. Together, all these facilities should improve liquidity and funding conditions for lenders, which will help companies and households have access to the credit they need. It will also help them benefit more from our monetary stimulus during the recovery period.

To support Canadian businesses, we started a program to buy bankers' acceptances, which are a key source of financing for many small and medium-sized companies. We also began the commercial paper purchase program, which provides financing for a wide range of businesses and public authorities. As well, yesterday we announced a program to buy $10 billion of high-quality corporate bonds in the secondary market.

As we said in our policy announcement yesterday, the bank stands ready to augment the scale of any of its programs should market conditions warrant it. With these programs in place, the combination of aggressive fiscal action by governments and monetary stimulus by the bank will create the best possible foundation for the recovery period.

It's the normal practice for the bank to provide a detailed economic forecast for the Canadian economy in our MPR and for us to discuss this forecast when we appear before this committee. However, the economic outlook is highly conditional on how long the containment measures remain in place and how households and businesses adapt. Given this, the bank decided that it would be false precision to offer a specific forecast in our MPR. Instead, we chose to offer two plausible illustrative scenarios for the economy. One of these should be thought of as a “best case”, which remains feasible depending on the length of the shutdown and other factors, while the other is a much more severe scenario. Many possible outcomes lie between these two. Regardless of the outcome, based on the bank's analysis, we concluded that substantial monetary stimulus needs to be in place to lay the foundation for the post-containment economic recovery.

[*Translation*]

I want to stress that all our actions so far have been entirely consistent with our inflation-targeting framework as set out in the agreement with the federal government. Inflation targets provide an anchor for the economy, particularly inflation expectations, and a guide for monetary policy actions. Keeping inflation close to our 2% target means setting monetary policy to stabilize the economy and returning economic growth and employment back to full capacity.

[*English*]

Before I conclude, let me just note that this is the last time that I'm scheduled to appear before this committee as Governor of the Bank of Canada. These appearances are an important part of the bank's accountability to Canadians, and I've always appreciated these occasions to explain our work to you and through you to the public. I thank you for your work in this regard.

With that, Senior Deputy Governor Wilkins and I would be happy to take your questions.

● (1615)

The Chair: Thank you for your efforts and your work over the last years as well.

We will turn to MPs for questioning. I'll just give you the order first. For the six-minute round, first will be Mr. Poilievre, then Ms. Dzerowicz, then Mr. Ste-Marie and then Mr. Julian.

Mr. Poilievre, the floor is yours.

Hon. Pierre Poilievre (Carleton, CPC): Thank you.

As you've just stated, Governor, your bank is buying $5 billion a week of Government of Canada bonds and buying 40% of new Government of Canada treasuries. You said in your monetary policy report that this was because of strains the government was experiencing in raising new money and challenges in borrowing.

If the government's balance sheet is really as strong as you and others have claimed, why can't the government go on borrowing from willing lenders rather than having you create money from thin air to lend to it?

Mr. Stephen S. Poloz: First of all, we refer often to this notion of strains. The strains in the marketplace that we refer to are the actual functioning of the market. That pertains to the actual liquidity of the market: Can you sell a bond readily when you want the cash, or do you find there is quite a spread between bid and offer prices? It's a sure sign that a market is being disrupted when bid offer spreads widen out. It makes it very hard, for example, for mutual funds that are running bond funds to rebalance their portfolios, or for any investor who chooses to have cash instead of their bond to sell that, or for the borrower, for that matter, such as the government, to raise cash in the market when the market is not functioning as well as it should.

When there are increased liquidity demands, the most liquid assets that we have are Government of Canada securities. They are the places people turn in order to raise cash, so the market tends to get these strains.

I wasn't referring, then, to any issues at all about raising government money. What we did say yesterday was that the cash needs we see emerging in the near term are very likely to produce additional strains in the market. This is just a digestion effect. I don't see this as a credit issue.

Hon. Pierre Poilievre: Right, but perhaps the spread between bid and offer is due to the fact that the market is demanding a premium in the rate that it gets from government securities, taking into account the risk the market sees in making those loans.

You did say in your monetary policy remarks that there were challenges for the government in seeking borrowing. I have the remarks right here.

Mr. Stephen S. Poloz: Yes.

Hon. Pierre Poilievre: It just does seem a little bit strange that you have to pump this enormous amount of money into federal government bonds. You're now helping at a rate of a quarter-trillion dollars a year, annualized, in bonds alone. That doesn't include the 40% of the treasuries that you're buying. All of that suggests that the government cannot raise money on international lending markets at rates that it considers acceptable. That's why you by definition are creating it. If they could, they wouldn't need to come to you. So I just respectfully challenge the notion, which you and others have put forward, that governments can continue to borrow at this rate, and at the rates that they have been, without any consequences.

I turn the committee's attention to the overall indebtedness of Canada, because the economy has to support household, corporate and government debt. The question to you, then, is how much debt do Canadian households, governments and businesses owe combined?

● (1620)

Mr. Stephen S. Poloz: That's the question. We would normally measure that in terms of ratio to GDP. For the household sector, I would have to get the exact facts to you, but off the top of my head it's approximately 100% of GDP. It's like 170% of disposable income. That's usually the metric we refer to from a household sector point of view. I don't know about the corporate sector off the top of my head. The Government of Canada is about 30% of GDP, as we know, and provinces are larger than this as a share of GDP.

With respect to—

Hon. Pierre Poilievre: So the combined indebtedness of Canadians is well multiples of the entire size of our Canadian economy.

Mr. Stephen S. Poloz: That's correct.

Hon. Pierre Poilievre: That's another good reason we should reject the notion that we can just keep borrowing and borrowing. Eventually, our economy will not be able to support the abundance of debt that is being piled up here.

Moving to provincial debt, for which provincial governments have you had to come to the rescue so far or you expect to have to come to the rescue for in the immediate future?

The Chair: Governor, you didn't quite complete your last answer there. If you want to take the time to finish the answer, do so.

Mr. Stephen S. Poloz: I'm not sure, out of all these comments, which ones I should treat as questions, Mr. Chairman, but I will go to the last question, I guess.

I can say that we have not come to the rescue of any provinces. We have been buying short-term securities from the market directly, as the provinces have been issuing them, as a form to add extra liquidity to the system. As I was saying before, the strains we are looking at are not strains related to borrower strain. The strains are that across the entire network or the entire system, everybody in times like this goes to more liquid positions. That's when they are selling their stocks, when they are selling their bonds and when they are adjusting their positions, just when they are drawing their credit lines. A firm with a committed credit line with their bank several weeks ago would see the trouble coming, draw their credit line right to the maximum and then just park the money.

Well, the banks have to fund that in some way. They don't just pull it out of their vault or their deposits. What they do is they go to the market to fund that. Those markets were jammed up because of so many people throughout the economy—and I'm talking about people—acquiring additional liquidity. It's the central bank's job in that situation to provide those needs. The way we do that is by acquiring the assets, the illiquid or relatively illiquid assets, that the market is providing up. Our balance sheet expands at that time, which is what central banks do. Then, at a future time when those tensions ease back, no one will need the liquidity. The firm that drew its entire $100-million credit line will put the money back, pay back the credit line, and then the bank will have all that money to put back out into the market. That's when those assets get reabsorbed. This is how a liquidity provision takes place.

The Chair: Thank you both, and thank you for that explanation, Governor.

Ms. Dzerowicz.

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

I just want to say a huge thank you to Senior Deputy Governor Wilkins and to you, Governor Poloz, for presenting to us today. As this is, as you mentioned, your last time before our committee, I want to thank you for your extraordinary service to Canada and I want to thank you for your leadership during this pandemic.

Governor, over the course of the last month you've taken some very significant measures to ensure that the financial markets in Canada continue to function and that credit remains available. I know you've adjusted the overnight rate a number of times and you've introduced a number of programs to increase liquidity in core funding markets. You've taken us through that today in your presentation.

Yesterday, as you mentioned, you presented your monetary policy report and you announced some additional support.

In my riding of Davenport, my constituents, like most constituents across the country, are worried and stressed during this pandemic. They're wondering whether life will ever go back to normal.

What should our constituents think about your announcements? What signal are you sending them?

● (1625)

Mr. Stephen S. Poloz: Given the narrative, of course, you're right. There's every good reason for people to be concerned and our job is to do everything we can so that they needn't be.

I'm going to ask Ms. Wilkins to walk you through our economic scenarios in just a moment. Let me just say that the comparisons that people are making to past episodes are actually in most cases quite unhelpful. This is a very unusual thing. It's closest, I think, to a natural disaster. What we are doing with our policies is finding various ways essentially to stop the clock so that we can wait out the pandemic and then restart the clock. In the interim, especially fiscal actions put a floor underneath people so that they're supported through that period and they have a bridge to normalcy, and that forms the platform for the recovery afterwards.

People should be reassured that we're using all the tools in our tool kit in order to provide this transition.

Carolyn, would you talk briefly about the scenario—we don't have a forecast—to explain how it comes together dynamically.

Ms. Carolyn A. Wilkins (Senior Deputy Governor, Bank of Canada): There are a lot of unknowns about how the recovery, when it comes, will unfold. We started into this in a reasonably good position. The unemployment rate was relatively low and the economy was starting to strengthen again after some weakness in the fall. The banks are in excellent shape. We see that there's every reason to believe that recovery could be starting over the summer once and if the containment measures are starting to be lifted slowly, and that that would continue into the fall.

Of course, that all depends on the timing of the containment measures. In one of our scenarios, we assume that starts to happen in May and June. Your constituents and other people across the country will start to see that those businesses that were deemed non-essential will start to open. Not all of them will, but many of them will. People will start going back to their jobs or being hired, and their hours will become longer. That will create what I would call a virtuous circle that would underpin confidence.

As the governor said, the programs being put in place today by the government—for example, the wage subsidy or help for paying rent and other things—are really designed to put a floor under that confidence, so then when things start to open, we can start to get back to normal. Programs that we put in place to shore up liquidity and credit may seem very remote to people in your constituency, but in fact they're just essential. These programs ensure that, if they need their line of credit or they need to have some forgiveness on their mortgage payments, the banks are in a position to do that. It's not guaranteed, but at least they're in the position.

I'd like to finish by saying that the one thing we should note is that there has been also a large drop in oil prices, which means that part of the recovery might take longer depending on what happens to oil prices. We think a lot of that is due to the COVID virus. Those prices should firm up over time, but we think with inventories as high as they are, that could take a bit longer.

The Chair: Make it a fairly quick question, if you could, Julie.

Ms. Julie Dzerowicz: Mr. Poilievre was mentioning the debt levels in Canada. I know, Governor, that you are in touch with other G7 countries as well.

Can you relay to us how our economy is doing and functioning versus other economies as we're all going through this pandemic?

● (1630)

Mr. Stephen S. Poloz: We have very little by way of data on how economies are faring yet, but they all seem to be faring similarly in terms of how much of a shutdown is happening and what it does to the economy.

However, not every government has the same amount of firepower available, I would say, so that varies a bit from country to country. Certainly in our case, as Ms. Wilkins just mentioned, we started this whole episode with our economy operating at full employment, at capacity, and inflation on target, which was not something that was shared by many other countries. Just as a person who's healthy and fit has a better chance of shaking off the COVID virus, a healthy and fit economy has more resilience as we go forward.

In that sense, the federal debt-to-GDP ratio is quite low, among the lowest, so I think we walked into this with that sense that we knew fiscal policy would be able to rise to the occasion, knowing full well that monetary policy had very little ammunition at its disposal.

Ms. Julie Dzerowicz: Thank you so much.

The Chair: We'll turn next to Mr. Ste-Marie.

[*Translation*]

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

Good afternoon, Ms. Wilkins and Mr. Poloz. I want to thank you for joining us at the Standing Committee on Finance.

My first question concerns the duration of your programs. In particular, I want to know what signals will prompt the Bank of Canada to slow down or end its programs. The financial sector and the economy as a whole must know the signals and indicators that will lead to the withdrawal of these programs.

As you know, it's important not to act too abruptly and create unnecessary stress.

Ms. Carolyn A. Wilkins: Thank you for your question.

Of course, we'll take into consideration the same signals as we did when we set up these programs.

With respect to term repo operations, we noticed liquidity issues in the short-term funding markets. These issues were seen in risk premiums, in supply and demand, and in the way the market worked.

As the economy and financial markets recover, there will be less need for our services. That way, we can slowly withdraw these services. That's exactly what we did during the 2008 crisis. We were able to gradually cut these programs.

The same applies to our asset purchases. In terms of private sector asset purchases, at some point, the market will start working fairly well. This will be reflected in the level of activity, in supply and demand, and in prices.

Regarding federal government bond purchases, we've already said that we'll keep them in place until the recovery is well established and well under way.

Based on the experience of other central banks, we're well aware that the exit from the crisis should proceed smoothly. Otherwise, as you said, this could create turmoil in the market.

Mr. Gabriel Ste-Marie: Thank you for this response.

[*English*]

The Chair: Just to interrupt for a second, Gabriel, I seem to be getting both Carolyn's voice in French and the English overlaying that. Can the people in the booth check that out?

Go ahead, Gabriel. I won't take your time.

[*Translation*]

Mr. Gabriel Ste-Marie: Ms. Wilkins, the next question concerns the $200 billion in term repo operations. Yesterday the governor said in his speech that the Bank of Canada had accumulated over $200 billion in new assets.

What exactly are we talking about? Are we talking primarily about loans or Canadian corporate bonds? Are specific sectors being targeted?

I'd like more information on the $200 billion in term repo operations.

● (1635)

Ms. Carolyn A. Wilkins: Most of $200 billion consists of term repo operations. We're talking about approximately $140 billion in term repo operations.

In terms of the purchases, almost 95% are bonds that are less than a year old, so very short-term bonds. This is perfectly normal, since the current crisis is expected to be temporary.

We'll publish everything on our website. All our purchases and balance sheets will be available and transparent.

Mr. Gabriel Ste-Marie: Okay. Thank you for your response.

Earlier, in response to Mr. Poilievre's question, Mr. Poloz addressed the issue of provincial funding. The Bank of Canada supports the refinancing of 40% of provincial bonds.

In your opinion, how many provinces would have defaulted on their payments or failed to refinance without this Bank of Canada measure?

Ms. Carolyn A. Wilkins: Our 40% support is tied to short-term security action or non-action agreements that are less than a year old. It has nothing to do with provincial bonds. We wanted to provide 40% support to assist all the provinces equally.

The provincial ratings are quite high at the moment. I don't want to comment on the future or on the credit rating of any province.

I can tell you that our program is really about improving the way the provinces, their funding sources and the bond and securities market work. The program has greatly helped the provinces' funding conditions. As a result, the provinces can implement their tax programs to assist the people in their jurisdictions.

Our goal is to improve market conditions, not to resolve the provinces' credit issues.

Mr. Gabriel Ste-Marie: Thank you. I want to highlight the fact that you answered all my questions in French. I really appreciate that.

[*English*]

The Chair: Mr. Julian.

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

Thank you so much, Governor Poloz and Deputy Governor Wilkins, for being here today. We hope your families are safe and healthy.

Thank you, Governor, for your service to our country. We've certainly appreciated you coming to the finance committee regularly over the years.

You have spelled out the supports that are going to the banking sector: flexibility on repo facilities, a record low overnight rate and a number of other measures that help us support the banking sector. Other central banks, such as the European Central Bank and the Bank of England, have imposed conditions around those supports, things such as ensuring that there are no executive bonuses, dividend payouts or stock buybacks. In Canada, we have yet to see those conditions.

I can tell you, having spoken yesterday with small businesses in my riding, many of them are absolutely up to their necks. They're very concerned about whether they will be able to get through the next few weeks. I have Canadians who are having difficulty putting food on the table and keeping a roof over their head. At the same time, despite the fact that many credit unions have reduced their rates to zero, as we've seen with Vancity on their credit cards and Community Savings on their lines of credit, the banks have not done this.

There have been marginal cuts at best in some of the facilities they offer to people who are in dire straits. On the mortgage deferrals, I've not yet had one person come to me to say that a mortgage deferral has been approved without interest, penalties and fees. Therefore, Canadians are struggling, and we're not seeing from the banking sector that shared contribution to get through the crisis.

Has the Bank of Canada had discussions around ensuring that the banks do their part in ensuring that Canadians get through this crisis with no one and no small business left behind? Should the federal government be using its tools with the banking sector to ensure that they follow best practices such as Vancity and Community Savings are doing, credit unions that have provided significant supports for people in their communities? What would you say to my constituents who are struggling right now and ending up much more deeply in debt because their mortgage deferral comes with penalties, fees and increasing interest on top of interest so that they are really struggling, and will struggle even more coming out of this crisis?

● (1640)

Mr. Stephen S. Poloz: I guess I should begin by reminding you that regulating the banks is a job for OSFI, and that's not me passing the buck at all. As for what OSFI has said to the banks and publicly, it has not told them they can't pay dividends, but it has asked them not to increase their dividends, which is something that historically they've tended to do, and to stop using their capital for buybacks.

One of the reasons OSFI has taken that position is that it had imposed what we call a dynamic stability buffer, an extra capital buffer on top of its regular capital requirements, in advance during what we call the good times of roughly two percentage points. I think it was going to be 2.25% by now. What happens, then? Saying to them that it's okay to reduce the buffer now has the same effect on the economy as if we were in a different economy without a buffer and they said let's not have any dividends. What it does is keeps capital in the bank and allows it then to be used to expand lending if that is the demand.

As I described before, we had a tremendous amount of drawdowns from companies drawing their credit lines in the early days of this period, so this move by OSFI helped that situation quite a lot because the banks can satisfy the requirements at a slightly lower level. We have at least been operating in the same way; it's just that we had an additional tool there, not a tool that the Bank of Canada manages but OSFI's tool. You'll recall, perhaps, the day that the superintendent and I appeared with the minister to describe the basket of changes that happened all at once.

As for the other items you raised, I'm not going to be the defence for the banks. I'll just say that the banks have been important conduits for the policies that have been enacted. Additional lending policies have been put in place, and the banks are running those programs on behalf, essentially, of the government because they're the ones connected with the clients. They have a lot of risk already, of course, in existing loan books. We shouldn't forget this. In crises, there will be strains in the credit in their books. This is also something to take into account.

As for mortgage deferrals and the reduction of credit card rates, that is somebody else's province. I'm glad to see the flexibility they have put out there, because I think that in this deepest downturn of the economy, that's an important buffering mechanism.

The Chair: Okay, we are out of time, Peter, but you will get a second round after the next four questions.

We'll now turn to Pat Kelly with a five-minute round and then go to Mr. Fragiskatos.

● (1645)

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you, Mr. Chair.

Governor, what is the dollar value of purchases under the Government of Canada bond purchase program so far?

Mr. Stephen S. Poloz: I'm going to turn to Ms. Wilkins, who I think has brought those numbers with her. We committed to $5 billion per week. It's only been three weeks, I think.

Ms. Carolyn A. Wilkins: It would be about $15 billion.

Mr. Stephen S. Poloz: It's $15 billion, I guess.

Ms. Carolyn A. Wilkins: I'll check that number. It changes every day.

Mr. Pat Kelly: What is the dollar value of purchases under the provincial bond purchase program and purchases made under the 40% absorption of new debt issued?

Ms. Carolyn A. Wilkins: Under the provincial bond purchase program there have been no purchases to date. We just announced that program, so we are finding an asset manager and developing the program. It should be ready to start purchases in three or four weeks. Under the provincial money market program, which is where we purchase the T-bills for one year or less, the purchases are about $2.3 billion.

Mr. Stephen S. Poloz: Yes, $2.3 billion.

Mr. Pat Kelly: How many different provinces does that account for?

Ms. Carolyn A. Wilkins: It would include all of them that have been issuing. It's weekly. We would purchase 40% of the T-bill issuance of every province on a weekly basis, so one province per week.

Mr. Pat Kelly: Okay, so this is done automatically for every province.

Ms. Carolyn A. Wilkins: Yes, it is.

Mr. Pat Kelly: It is not something you are determining or a capacity of any particular province. So, what's—

Ms. Carolyn A. Wilkins: No. I'm sorry to interrupt. That's important because that's what shows you this is meant for market functioning in general and not targeting any particular province.

Mr. Pat Kelly: What's the dollar value in total, then, of new currency created to date under these various programs?

Ms. Carolyn A. Wilkins: It would be nearly $200 billion.

Mr. Stephen S. Poloz: Yes, you frame the question in such a way.... The demand for currency or banknotes has not really changed significantly, and so we haven't created anything more than we normally do, but what has happened is we have created what we call "settlement balances", which is what we call "liquidity". It's cash that's available to the system, so in order for us to create it, we acquire the asset so our balance sheet still balances. That's all that's going on. When we acquire a Government of Canada bond, then we're crediting the system account with that much by settlement balances, so we literally call it "liquidity" because that's what it is. It's not cash in your pocket, though.

Mr. Pat Kelly: Okay. You said you believe that all of these measures that you have announced so far fall within your inflation targets and that there will be no effect on inflation by these programs. Did I understand that correctly?

Mr. Stephen S. Poloz: The best way to think of this as a complete scenario is to think about what would happen if we didn't do it. If we didn't do it, the system would be starved for liquidity and credit lines would be cut so those companies wouldn't have been able to draw on them. We could have seen people with maybe their credit limits reduced. In other words, there would be what we call a "credit crunch" and that would be a disinflationary effect on the economy. By creating the additional liquidity, we satisfy that need and prevent that from becoming a disinflationary problem.

I know that if we were starting with normal times and we did all these things, then you'd be thinking, well, that looks like it could be inflationary. Well, it is exactly the same operation you would do if you were trying to be inflationary, but they're doing it in order to counterbalance this disinflationary effect that would occur if we didn't do it.

Basically what Ms. Wilkins is saying is that if we are to achieve our inflation target, our first order of business is to stabilize the economy, then get it growing again so we get back to full employment, and then we're back to where we were before. Those are the steps along the way.

Mr. Pat Kelly: Over what time period do you expect to be able to return these assets you've purchased back into the market? Is this starting in a year, or will this be decades?

Mr. Stephen S. Poloz: As Ms. Wilkins said, the vast majority of the operations we have done so far are short-term operations and so they would just roll off the book as they matured. Whoever was borrowing then would borrow in the market because the market would be back to a normal rhythm with less tension—

● (1650)

The Chair: Thank you.

Sorry, Stephen, go ahead.

Mr. Stephen S. Poloz: I'm sorry, Chair, perhaps I could just finish that sentence. Frankly, it will depend on conditions. This is a temporary disturbance, so later this year some of that unwinding will already be happening. Some of it may be longer term, but for the most part it's going to be that whenever the economy is getting back to normal then markets will be back to normal, and that's how the rollout will happen.

The Chair: Okay, thank you all.

We'll turn to Mr. Fragiskatos, then go on to Mr. Cumming.

Peter.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chair, and thank you to you both.

Governor, I want to ask you about the overall health of the global banking system, specifically relating to loans and debt repayment. Just a few days ago the International Monetary Fund issued the following statement:

> ...the resilience of banks may be tested in the face of a sharp slowdown in economic activity that may turn out to be more severe and lengthy than currently anticipated.
>
> As firms become distressed and default rates climb higher, credit markets may come to a sudden stop, especially in risky segments like high yield, leveraged loan, and private debt markets.

In addition to the IMF, The Economist magazine has written very recently that there are deep concerns about the stability of the European banking system, particularly because of the concern around loans and debt repayment. It mentions in particular Deutsche Bank, and beyond Europe, Chinese banks.

Governor, what are your thoughts on these perspectives and the stability of the global banking system? What might that imply for Canada going forward in the months ahead?

Mr. Stephen S. Poloz: We've had a persistent narrative around the global financial system and the Canadian financial system that has mostly focused on our FSR, which, as you know, is once a year. Coming up in about four weeks from now, we'll be before the public with our updates on that.

In a broad sweep of your question, what we can say is that the global financial system is in far better shape and in a much more resilient place than it was at the time of the global financial crisis. There was substantial good work done through the Basel process, the Basel III reforms. The reason that took so long is that it was global and everybody had to adhere to an agreed higher standard.

The IMF itself does regular stress tests of the financial system in order to reassure us that things are working as planned. Those stress tests normally take the form of a combination of the biggest recession that the country has ever faced—we usually use the 1981-82 recession as the model—with a bigger increase in unemployment than happened then. In ours, they also used a 30% decline in house prices, just to add even more stress on the banking system. Of course, we're most familiar with our own results, but they do this for the whole community.

What we find is that the banking systems are well positioned to absorb a shock of that magnitude. That's normally something that lasts quite some time. That's a long, extended recession.

I'm not saying that that means this is a very unique situation. Of course, it's different in some ways. It's much deeper, sharper and we believe much more short-lived compared to what I've just described. I'm not going to dismiss those risks, because they are important, but I feel very confident in the resilience of the financial system as it stands today.

I think the proof is what you're seeing. You're not hearing about firms being cut off from their credit, which we heard a lot of back in 2008. For example, as we just heard this morning when we had the IMF meeting, credit is expanding in China. That's another sign that the recovery is starting to take hold there, and it's a sign that even though there are risks we can point to, their financial system is performing as normal.

I'd like to reassure you, without taking it off the table, that I agree that this is an important consideration. It's something that we study a lot, and we'll say a lot more about it in May. Four weeks from now is when that report will be ready.

● (1655)

Mr. Peter Fragiskatos: Thank you very much, Governor. I put the question to you simply because, relatively speaking, Canadian banks are quite stable but we do obviously operate in an international context.

Certainly the bank is not distant. It has taken an active role, arguably the most active role it has seen for itself in Canadian history. However, for many Canadians, federal institutions can seem distant. Do you have a message for everyday Canadians about the approach the bank is taking and how the bank's actions are having an impact on their lives? What is the focus in terms of making sure that people's lives are stable and secure? How does the central bank go forward with that in mind?

Mr. Stephen S. Poloz: I know that the programs we described can sound exotic and arcane, and so on. It's easier to think of it more like plumbing. When it's working fine, it doesn't really attract your attention, but when it doesn't, we have the problems.

We're really playing a complementary role. The star in this is the fiscal approach to buffering the shock for people. For us, it's making sure that we're using all our tools to ensure that those things can get to ordinary people so they can renew their mortgages, so they can buy a house when the recovery is under way, and so on. That's what we're aiming our efforts at. Therefore, if they don't really see us, it's probably a good thing.

The Chair: Thank you both.

Stephen, that was a great description.

I'll turn to Mr. Cumming, and then go to Sean Fraser.

Mr. Cumming.

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

Thank you for appearing today. I want to touch on a couple of things.

First, your earlier comments talked about, even prior to COVID, there being strains in the economy with the commodity prices, specifically in the resource sector. As you see it, how important is that sector to the recovery of the economy?

Mr. Stephen S. Poloz: I see it as very important. As I said in my introductory remarks, whenever there is a global shock such as this, we of course feel the shock just like everybody else does. However, since we're a major commodity exporter, we feel a second shock because the prices go down too, and that's like an income cut for the entire economy.

One of the things I try to make clear is that, just on the basis of the drop in commodity prices alone, we would have cut interest rates by at least 100 basis points, such as what we did in 2015, because it's not unlike what we saw in late 2014 and early 2015. Possibly we would have ended up doing all 150 basis points, if that were the only shock we were facing. That is a very real shock to the economy, and it will work through in its usual way. Of course, it has regional implications. It's not all spread across the entire economy.

The secondary effects of it are.... Alberta and Saskatchewan have experienced the effects of lower oil prices. When everybody who's affected spends less money, that lower spending affects the rest of the entire economy. We've seen that over and over. This is one of the things that sets Canada apart from, say, the United States. They don't see it nearly to the same extent as we do.

It's crucial, so we do think the oil sector could recover a bit more slowly because of the buildup of inventories. That means prices have fallen and they might take longer to get back up to a more reasonable level, but it's a very hard forecast to make at this stage. There's a lot going on in that market. I would just like to see how it turns out for now.

• (1700)

Mr. James Cumming: I want to talk a bit about this corporate bond buy: the $10 billion in corporate bonds so far, and there could be more. There's a risk that you might overpay for those assets and the bondholders will profit from that acquisition.

Would you welcome the Auditor General to audit to ensure that you didn't overpay for those assets?

Mr. Stephen S. Poloz: Carolyn, would you like to take that question?

Ms. Carolyn A. Wilkins: First, on the program itself, we intend to have a very well-respected and experienced set of people doing those purchases, with the operational capacity and the robustness of experience to do that. In my mind, that's the very first line of defence, along with our other risk mitigations there.

Under our act, we have a provision for the Governor in Council to appoint two firms of accountants to audit the affairs of the bank. That's stated in our act. The auditor's report is put in our annual report and it's submitted to the Minister of Finance as well.

For 2019, as a point of reference, our auditors were PricewaterhouseCoopers and KPMG.

Mr. James Cumming: Thank you.

I want to go back to a comment made earlier about the extension of credit and companies building up their operating lines just after the crisis and about the term “park the money”. What evidence would there be.... To me “park the money” means it's money available, but that may not necessarily be the case. If they fully extended their lines, they may be tapped on their lines.

Where does the comment “park the money” come from? That would indicate that they have set aside money for liquidity, and I'm concerned that this may not necessarily be the case.

Mr. Stephen S. Poloz: I used the expression because the evidence we had, which is anecdotal obviously, was that companies were drawing their lines to their maximum even though they didn't need to for their cash needs at the time. This was probably just because they remembered that back in 2008, when we actually had a credit crunch, some of those lines were cut back before they were able to tap them completely.

What I understand from our discussions over the past few days is that this activity has calmed down, that the line draws have slowed right down. In fact, some companies have begun to pay back some of their lines. This is just another sign that our policies have had the desired effect of restoring liquid conditions in the market and making people feel more confident that if they need to, let's say, issue a corporate commercial paper sometime next week, it will succeed. They don't need their credit lines to be full with cash on hand if they know they can do their regular commercial paper issuance, whereas if the commercial paper market were frozen up, they would need to draw on their lines to satisfy their basic cash needs.

It's no more complicated than that, really. Parking it means you're keeping it in your chequing account so that you can use it for your day-to-day needs, but if you have extra that you don't need, you're going to put it back into the system and not pay interest on it.

The Chair: Thank you both very much.

We'll turn now to Mr. Fraser and then go on to Mr. Ste-Marie.

Sean.

• (1705)

Mr. Sean Fraser (Central Nova, Lib.): Thank you, Mr. Chair, and thank you, Governor Poloz, for joining us and for your service over the past number of years, and particularly the past number of weeks.

Mr. Chair, please cut me off with a minute or two to go. I'm going to yield a bit of my time to our colleague from Saanich—Gulf Islands, if possible.

The Chair: Sean, I don't want to interrupt you. We have lots of time. Take your full time and I'll put Elizabeth on at the end.

Mr. Sean Fraser: Okay. Thank you.

Governor, I have essentially two questions for you. The first builds upon a comment you made during your remarks. You suggested that it's important to put a floor beneath people, and you indicated that one of the features that may separate the current public health and economic challenges before us from those prior is that this might actually be short-lived, given the nature of the threat that's underlying the economic challenge.

I'm curious to know whether you think the fiscal measures—what you described as being the star in this episode—are going to be sufficient to essentially float the households and small and medium-sized businesses that are facing such a crunch, to help them get through this hopefully relatively short period so that we can bounce back more quickly than we did in both previous recessions and, frankly, more quickly than international comparators.

Mr. Stephen S. Poloz: Yes, I have quite a lot of confidence in that.

First, when this began, we realized that some of the most vulnerable folks out there would be those working in the rapidly expanding gig economy, all part-time work and that sort of thing. I actually didn't know how big it had become. I knew there were millions, but I didn't realize there were six million individuals not covered by the standard EI system. That's a very vulnerable position to be in, and of course, they're also in the sectors most likely to be impacted right away. The creation of that program to ensure that those folks would have some basic income to get through this period was a very rapid response, which I was impressed to see, and its delivery was very quick.

Second, and particularly attractive, is the fact that the program is what we call “elastic”. If the shock turns out to be twice as big as we first thought, there will be twice as many people drawing that money. If it's half as big, there will be half as many. That elasticity makes it like an automatic stabilizer in the way economists think of it. That's a very positive attribute. You don't have to go back and say, “I need more money, so I have to do something bigger.” It will automatically become bigger if it needs to be.

Third, the wage subsidy is a direct channel. The very desirable feature there is that it maintains the connection between employer and employee. That, I think, would be very important to consumer confidence for that platform you're talking about, in the recovery period. First of all, I know I have a job because I'm going to get called back, but second, the employer's not scrambling around trying to restart and looking for people to fill those positions. That's just another little bit of friction that is avoided by having that kind of system.

I think that does place us really well. That doesn't mean we're that distinct. Other countries did it similarly. Japan did it before we did, and Italy did a similar program. We're learning things. That's what the international conversations are about, I think.

Mr. Sean Fraser: One of the themes I found fascinating during your remarks was the fact that the bank is essentially introducing an inflationary policy to combat the disinflationary consequences that we would see without intervention. I'm curious to know whether you've actually examined this, or have an opinion on what kind of impact we would have seen if we hadn't had such an expeditious fiscal response of this order of magnitude that we're dealing with. I know, at the beginning of this ordeal, there were a number of people on the public health side saying that we needed to be willing to look like we've done too much to avoid the worst consequences. I'm quite happy to look like we've done too much.

Have you done an examination or do you have views on what would have happened in the absence of a fiscal intervention of the nature we've seen?

● (1710)

Mr. Stephen S. Poloz: That question probably is best saved for two or three months from now, when we actually have some data on how the economy has behaved through this, but we do know the dollar amounts, from the PBO and so on. We have ideas of how much money is actually flowing in. Let's say it is in the order of 5% of GDP. I'm looking at Ms. Wilkins here to sort of nod that it's something like that. If you're putting 5% of GDP worth into the economy, that means the economy would be, give or take, four or five percentage points even weaker than what we'll actually get.

Another way to look at it is, as we've mentioned before, our operations have injected around 10% of Canada's GDP worth of additional liquidity into the system. That's putting quite a scale on that; that is a lot. Imagine if you were to take $200 billion, or 10% of GDP, out of the economy how much disinflationary effect that would have on the economy. What we're doing is offsetting those kinds of forces. It won't necessarily be perfect, but grosso modo we should be in the right ballpark if markets continue to function as they have.

Mr. Sean Fraser: Excellent.

The Chair: Sean, you're a little over your time. Thank you.

Mr. Sean Fraser: Okay. Thank you.

The Chair: Just to tell you where we're at in terms of time, we can give Mr. Ste-Marie and Mr. Julian four minutes each. Then we'll go to Mr. Morantz, followed by Ms. Koutrakis and Elizabeth May, and we might have time for a couple of singles.

Gabriel, we'll turn to you.

[*Translation*]

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

Mr. Poloz, you provided an optimistic scenario and a bleaker scenario. You said, “I'm reasonably optimistic. The best-case scenario remains feasible.”

However, as Éric Desrosiers reminded us in this morning's *Le Devoir*, Statistics Canada spoiled the picture on Wednesday. It released an initial estimate of the decline in gross domestic product in the first quarter. Its estimate was -2.6%, just below your bleak scenario. This was done in particular because of the 9% downturn in the economy in March.

Based on this information, do you believe that the best-case scenario is still feasible?

Mr. Stephen S. Poloz: That's an excellent question.

Statistics Canada gave that very preliminary figure for the first quarter. The figure is -2.6%. In comparison, our scenario anticipates that the contraction for the first quarter will be between 1% and 3%. This is exactly along the same lines. It's a comparable trajectory.

In terms of the second quarter, the most significant quarter, we can envision a fairly positive scenario of -15% compared to the fourth quarter. The worst-case scenario is about -30%. The reality will probably be somewhere in between. It will depend on when the economy starts to recover. If we start again in May or even in early June, the economy will likely recover in stages. This is a positive or optimistic scenario that would start in the second quarter. However, the third quarter is really a quarter for commitment.

In our view, this positive scenario is a possibility. However, it will depend on the severity of the situation. At what point can we lift the restrictions imposed on the public? We don't know, as the Prime Minister said yesterday. However, I think that this positive scenario would be possible.

The bleak scenario is really bleak in comparison. Bankruptcies and job losses in the longer term, among other things, will affect trust. On the other hand, if trust is maintained, the recovery will be more robust in the third and fourth quarters.

● (1715)

Mr. Gabriel Ste-Marie: The trust must be there.

Thank you.

[*English*]

The Chair: Thank you.

For the clerk or translators, I think both Mr. McLeod and I are still hearing both languages at once. We can pick up the audio, but it is really difficult with both languages coming through in our ears.

In any event, we will turn to Mr. Julian, and then go to Mr. Morantz.

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

You talked earlier about the provincial bond purchase program that is in place. Of course, many municipalities are struggling now. We've heard mayors in some parts of the country talking about bankruptcy. The large municipalities often fund a big part of the public transit that is so vital between cities, including in the Lower Mainland of British Columbia. We do have the ability in the short term to purchase municipal bonds.

First, to what extent do you see that as a tool that the Bank of Canada could use to support municipalities that are struggling?

Second, in terms of the corporate bond purchase program, are the major banks eligible for that, and can you let the committee know what the criteria will be around the purchase of corporate bonds?

Thank you.

Mr. Stephen S. Poloz: I'll start and then turn it over to Ms. Wilkins.

Please bear in mind that the purpose of these programs is to help the market function better. It is not to somehow fix the cash needs of a government, whether it's municipal or provincial. The municipal bond market is a relatively small market in Canada, so it's not core to the functioning of markets. Usually those bonds are issued for infrastructure spending.

For immediate cash needs, I think the most likely channel for municipalities is going to be to talk to their province. As you can tell, we now have an ambitious program put in place to help the provincial bond market deal with those short-term digestion effects.

As for the corporate bond market, Carolyn can tell us a bit about how the banks fit in.

Ms. Carolyn A. Wilkins: The first part of your question was whether deposit-taking institutions are eligible. The answer is, no, they are not for this program. The reason is that we have a number of other programs and have made a number of other changes that have given them the liquidity that is helping them make sure those funds are being channelled to businesses and households.

With respect to the program, it would be senior secured and unsecured debt of highly rated Canadian incorporated institutions. The cut-off for the rating would be BBB. That's just above the lowest level of investment grade. That means there is an eligible universe of just under $100 billion. We would commit to taking up as much as.... There's a cap of $10 billion on that.

There are other belts and suspenders, and the details are going to be worked out, but the eligible maturity would be between one and five years, not the longer-term debt. It's the shorter end of the market but is still a nice centre. It would also mean that we would have to think about concentration ratios, about how much of any particular issue we would be taking up and holding.

Those are the high-level details. When we get the program fully articulated, the full range of details will be made public.

● (1720)

Mr. Peter Julian: When do you expect to have the program in place?

Ms. Carolyn A. Wilkins: We're aiming for exactly the same timing as the provincial bond programs, so within three or four weeks. That would be to actually start purchases. In all likelihood we would be publishing the full program parameters before that. We hope that this program will ease some of the strains and improve the functioning of what's a very important market for Canadian companies.

The Chair: Thank you all.

We will next go to Mr. Morantz, then to Ms. Koutrakis and then to Elizabeth May.

Ms. Gaudreau, if you want in at the very end if you have a question, just give me a thumbs-up and I'll let you in.

Marty, you're on.

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

Governor, thank you for your time today. It's been a very interesting conversation.

I have a few areas I want to touch on. I did have a chance to review your report, which was issued yesterday. It's quite a sobering read. There are so many things that jump out from it, but one thing that jumped out at me was the part where you talked about the exceptional policy response that the bank and the Government of Canada have engaged in. You list them all, basically: the CERB, the wage subsidy, the bond purchasing and the municipal bond purchasing. You talk about all of those things.

We don't know, because no one is able to say, how protracted this situation is going to be and how long we're going to be in this period of suspended animation. The way I like to think of it—and correct me if I'm wrong—is that it looks like the government and the bank have essentially put the economy on a form of life-support.

How long can we keep this up? How long can the Bank of Canada or the Government of Canada keep us in this state before things start to go wrong, and what kinds of things could go wrong if it goes on for too long?

Mr. Stephen S. Poloz: I agree that it is sobering. That's for sure. I'm less of a fan of the metaphor of life-support. I think of it as stopping the clock.

As I said before, we stop the clock in as many respects as possible and just let everybody sit back. Then we're going to restart the clock. Of course, we're going to start it up in a few steps, because we can't just do everything overnight.

It's important for us to bear in mind that this is a temporary thing. We can watch what has happened in China, for example, or if you prefer, we can look at South Korea or Italy. Some cases are better than others, like ours, but they all have a cycle that they go through. This is not an open-ended situation.

Our scenario, which we describe as a best case, given where we are today, would have us looking at various places in the economy that could begin to restart sometime in late May, probably, and early June. They're not 100% restored, but.... Maybe lots of us will continue to work the way we are now, doing virtual work and working from home, until the testing is very widespread and the confidence builds that we have things under control. All that is to say, the economy should begin restarting before the third quarter starts and will for sure be doing so in the third quarter.

That means we're going to get a V-shaped trajectory that goes down very sharply and then back up, but not all the way—sort of a half V, like a cursive V—and then the rest of the cursive V curls up at the end. That's when it takes maybe another year for the economy to get back to the same path that it was on before all this started. When we look back at this, we'll say that it was more or less a full year's departure from our previous path. That will happen if we've done a good job of buttressing confidence and having people ready for that recovery period. I think the tools that have been deployed have the best chance of doing exactly that.

● (1725)

Mr. Marty Morantz: I want to circle back to the issue of inflation. I know you made arguments that essentially all this economic stimulus is really designed to get you back to the market equilibrium that you shoot for in your policy around inflation, which is 2%.

I raised the point in other meetings that just after World War I there was a major recession, a post-World War I recession. Governments in Europe and North America did a lot of these same things, and we wound up—I think the Weimar Republic in Germany was the best example—with massive hyperinflation that caused prices to double every day in multiple powers.

I'm wondering why you're so confident that we're not going to have to deal with that after this horrible situation we're in, and if we do, could you be forced into utilizing interest rates as a tool to get things back under control?

Mr. Stephen S. Poloz: That would be a nice problem to have, to be frank. As a consensus among economists, our biggest concern here is that, net net, this will be a disinflationary occurrence, that the economy will recover slowly enough that there's persistent downward pressure on inflation. That's why I said it's so important. If we didn't do this, there would be a significant disinflationary force acting on the economy.

If we actually fell into the territory where we had negative inflation for a persistent period of time, this is the part that economists really want to avoid most of all. That's because when you have existing debt and prices are falling, in real terms the debt is rising and your ability to service it is actually falling through time. That is the kind of interaction that gives you prolonged recessions or perhaps even.... That's how the Great Depression unfolded.

Avoiding that means being really aggressive with the kinds of policies that we're talking about today. I was only half-kidding when I said that if inflation pressures did start to emerge, it would be a nice problem to have, because that is the one that we best know how to deal with. You'd be right, but as those conditions evolved, you'd be saying it's time for all this to start going back to normal, and ideally back it would go to normal. Yes, interest rates would rise normally in that situation and cool things off to a point where we have the perfect soft landing. That's the dream scenario.

Mr. Marty Morantz: Then you do think interest rates could rise after all this is behind us.

Mr. Stephen S. Poloz: Yes. When we get back to normal, interest rates will certainly rise.

Mr. Marty Morantz: I want to circle back to my home province of Manitoba for a second.

Premier Pallister proposed an idea recently, which I think every premier in Canada liked. It was the idea of the federal government essentially being a central borrowing hub for the provinces—because provinces are borrowing now, too, to deal with the situation—instead of the provinces going into the credit markets on their own and paying more.

My understanding is that you weren't a fan of that idea. I wonder if you could explain why and whether you might have a change of heart on that proposal.

Mr. Stephen S. Poloz: What I said at the time, and I guess I still feel that way, is that it really is a question for the Minister of Finance, not for the Bank of Canada. If the Government of Canada would like to have some form of borrowing hub for the provinces, that would be a government policy for them to think about.

As I've said also, our objective here is to do our best to make sure that markets behave, that they function very well. That makes it easier for the provinces to go about doing their normal business, or in this case, extraordinary business, because the demands for the immediate term, the cash needs, are going to be higher than the markets are used to dealing with. We'll be in the market, helping to make that market function well. That is not us extending credit to provinces; it is us making sure the market works so that the market can absorb that borrowing as we go through.

By the way, interest rates have fallen a lot. It's true that provincial spreads have widened a little, and they've narrowed a lot since we just announced our program yesterday, but the all-in cost is not high. Interest rates are extraordinarily low for everybody. I don't see this as an expensive period for borrowing. As I said, it's more about market function and making sure that everybody can get their business done, and we'll be there to make sure that happens.

● (1730)

Mr. Marty Morantz: Thank you very much.

Thank you, Mr. Chair.

The Chair: Thank you both.

Marty, as you know, the Minister of Finance is up next, so that might be a question you'd want to raise.

Governor, I'll tell you, I was around in the 1980s and owed a lot of money on the farm. When interest rates were 22.5%, it was rough. Therefore, yes, interest rates are low today.

We'll go to Ms. Koutrakis, and then over to you, Elizabeth May.

Ms. Koutrakis.

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

I'll begin by thanking Mr. Poloz and Ms. Wilkins for appearing before the finance committee today. I thank Mr. Poloz for his incredible service over the years and wish him continued success in his future challenge.

The range of monetary policies announced by the Bank of Canada is astonishing and demonstrates a commitment to ensuring that the federal government, provinces and territories, banks, businesses and individuals across Canada have the resources needed to emerge from this crisis with strength and confidence. The opportunity to discuss details of these policies with you is incredibly valuable to all of us, and thank you for that once again.

The most recent monetary policy report presents two scenarios outlining how the severity and persistence of the COVID-19 crisis might impact the Canadian economy, and we've heard a lot of that through your comments today. The federal government has put forward $107 billion in direct support and as part of a potential total package of $765 billion, including liquidity measures to keep the economy going.

I have the following two questions.

How does the Bank of Canada's planning and response change in a worst-case scenario, where we remain in a full or partial lockdown for several months? Should the Bank of Canada and the Government of Canada be planning and preparing for a worst-case scenario, and do we still have sufficient fiscal and monetary room to meet the challenge if the current lockdown continues for several more months?

Mr. Stephen S. Poloz: You want to explore the worst-case scenario. Let's talk about that.

First of all, as I've said a couple of times, the centrepiece of the policy response is fiscal and the most important tools in the fiscal response are what I call “elastic” tools. They will grow automatically if the shock lasts longer. I would think you'd best put that question to the finance minister. I know you're meeting with him a bit later.

I'll put it this way: In terms of the level of federal government debt from where we sit at just over 30% of the Canadian economy, imagine a household that has had a mortgage for some time and they owe 30% of their income on their mortgage. They say, “We've been in this house for 12 years now. Let's put an addition on the back. We can have a bigger kitchen and we'll make it nicer.” They go to the bank and they have to borrow about 10% of their income to do this project, so their mortgage goes from 30% of their income to 40% of their income. Then they have a nicer house, they do their thing and a number of years later they've paid it back. This is roughly the experiment that we are talking about in fiscal space. It could be as much as, let's say, if it was a bad scenario, 10% of GDP that the federal government needs to borrow and then pay off over a period of time at extraordinarily low interest rates. I don't think it's much different from what an ordinary household has done at some time in their lives.

In that sense, again, from there on, ask the finance minister what he thinks about that.

I'm getting the signal from the chair, but I want to say that the Bank of Canada policy is to provide the type of market support where that can all occur. If we are in a period of worst-case scenario as you describe, it would be a very uncertain time. Those tensions that we've been seeing in markets would persist and we would continue to do our thing.

As I've said to people, those tools can be used essentially without limit in order to sustain that market performance. Those large-scale asset purchases can be on a much bigger scale than what we're proposing to do at this point, and if that's what they had to be, that's what they would have to be. That would give us good market performance, we would get the job done, and then, of course, over time, whatever period of time the fiscal authority decided, we would pay that money back.

● (1735)

The Chair: Governor, you're too sharp-eyed. I was giving the one-minute signal to Annie to tell her she had one more question.

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

Governor, thank you for your very thoughtful and very detailed response.

After this crisis is over, is there any way we can regain the 4% or 6% of lost growth that it will cost?

Mr. Stephen S. Poloz: Yes. I think the number you suggest is not an unreasonable one in terms of how much we could end up losing this year, but what will happen is that we're going below capacity, and as I said, we're going to be in a disinflationary zone. It means that the economy will be able to grow faster than its potential for a while in order to make up that lost ground, just to get us back, in level terms, to that full employment place where we were just a few months ago.

Yes, of course it's possible that there will be some structural effects to the economy to change that, but there are also arguments for there to be positive structural effects. The types of innovation you've seen during this crisis are the sorts of things that raise productivity long term. I wouldn't put that as an impossible thing either. In the end, I'm quite confident that we will make up that lost ground, but don't hold me to a timeline. It's going to take something that we measure in, say, a couple of years.

The Chair: Thank you both.

We'll turn to Elizabeth May, and then to you, Ms. Gaudreau, if you want to get in.

Elizabeth, you have about five minutes. Go ahead.

Ms. Elizabeth May (Saanich—Gulf Islands, GP): My heavens, I thought I would get one question in. Thank you, Mr Chair.

Again, thank you to colleagues for allowing me a question.

I also want to add my thanks to you, Governor Poloz, and to your senior deputy governor, Carolyn Wilkins. I don't think any Canadian would doubt that we're being extremely well served by your approach to stabilization of our markets and making sure we get through this.

I was drawn to your analogy about looking at Canada as a human being and looking at our immunity, our physical strength, going into this, and your points that we were at full employment when this hit and that our debt-to-GDP ratio was pretty healthy at the federal level.

In other countries around the world, the financial risks are again likely felt just like a human being. There are a lot of economies out there that don't have our internal resilience and don't have the robust balance sheets that Canada has. As COVID spreads and makes its way around the world, we haven't yet seen the continent of Africa with the kinds of.... There could be very bad effects of COVID-19 that we haven't seen yet in many economies around the world. How is the Bank of Canada working in that international context to coordinate with others, as I assume you are, to support more vulnerable countries to enable them to maintain their market confidence and to buffer the risks of financial stability in that global context?

● (1740)

Mr. Stephen S. Poloz: The level of international coordination has been quite high. The G7 and the G20 have been meeting regularly. This morning was the big IMF meeting, which is, of course, most of the world.

What you see is a lot of commonality across the fiscal reactions, at least in the types of tools that are being used. As I indicated earlier, I think there has been a high level of sharing. Even though it feels as though it's happening all at once, it has been a bit sequential, so it has been possible to talk among various countries as things unfolded.

I remember—it seems like a long time ago—talking to my colleague from Italy as it was just getting under way and having those insights then, which, compared with Canada's timing, was very far in advance of it. It's the same thing with South Korea. I know the governor there very well. As for China, we got great insights from the governor of the central bank of China along the way, before anybody else was really affected. That's been great, and certainly the central banks have coordinated even harder than that.

Frankly, we've been spending almost the entire week in crazy hours on Skype, meeting in the way we are doing now. I started at six o'clock this morning with my first meeting, and that's just because of the time zones.

I think we do have a sense that we're all in this together, and I think it does matter a lot to our outlook. You raise a good point, which is that it's sequential, and therefore, the recovery will also be sequential. As an important exporter, we know that our foreign counterparties will be going through it at different times, so it's not that we're going to have a simultaneous recovery, and that will affect commodity markets in the longer term. That's why I said that oil and other commodities might take a little longer to get the full benefits of a recovery.

I hope that answers your question.

The Chair: You can have a fairly quick one, Elizabeth, so that Marie-Hélène will have a little time.

Ms. Elizabeth May: I'm intrigued by your last comments, Governor. Perhaps you could shed a little bit of light.

What are we learning now from the economies that are sequentially a little ahead of us in terms of how we start and restart our economy after the COVID pandemic?

Mr. Stephen S. Poloz: That conversation is really just getting started. We talked a bit about that yesterday in the G20 meeting. Basically what is going on is a lot of consultation with the private sector. It almost looks a bit like grand-scale industrial planning, asking "When can you get started and what do you need?" The supply chains are so complex that there will be fits and starts. Of course, some of your supply chain is not in Canada at all.

We may be fortunate in the sense that China was at the beginning, because that's an important element in most countries' supply chains, for manufacturing at least, and of course an important customer for commodities. Some of that stuff will start to move in the early going. It's very complicated and we're not ready yet.

I know here in Canada we'll be doing the same thing, creating that consultative structure so that everybody can be better informed of what should go first, what can go first, and what would prevent it from going first. We need answers to those questions and you can only do that by talking to people.

The Chair: Thank you both.

Ms. Gaudreau, the floor is yours.

[*Translation*]

Ms. Marie-Hélène Gaudreau (Laurentides—Labelle, BQ): Thank you, Mr. Chair.

My question will be brief.

Mr. Poloz, you expressed surprised about the number of workers who don't qualify for employment insurance. We were talking about 7.5 million people.

● (1745)

Mr. Stephen S. Poloz: That's it.

Ms. Marie-Hélène Gaudreau: Since employment insurance is an automatic stabilizer of the economy, in your opinion, wouldn't the economy be more stable in a time of crisis if the system covered more workers?

Mr. Stephen S. Poloz: Certainly.

We've known for a long time that automatic stabilizers aren't very sensitive to the economy. In another era, one study estimated that automatic stabilization was almost equivalent to a change of less than 1% in the interest rate.

Very recently, we talked about the renewal of our target and our agreement with the government on inflation targets. We live in a world where interest rates are already lower than usual. The tax authority doesn't have many stabilizing powers. In this respect, it might be better to have more automatic stabilizers in the system, or at least something more sensitive.

Ms. Wilkins is an expert in this area and she could elaborate on this issue. However, we should certainly be having this discussion right now.

Ms. Wilkins, I'll give you the floor.

Ms. Carolyn A. Wilkins: That's a very good question. The governor answered it well.

I would just add that, when a central bank has less leeway to change the interest rate or to use it to stabilize the economy, tax policies come into play. Automatic stabilizers are one of several tools to improve the situation.

That said, the government is certainly responsible for changing them in some way.

Ms. Marie-Hélène Gaudreau: Thank you.

[*English*]

The Chair: Thank you both.

Thank you, Marie-Hélène.

Governor and Deputy Governor, I have a question to throw in.

Today has been a real education, if I could call it that, on the value and the stability of some of the national institutions and agencies we have in Canada.

The question I get the most, when either the Governor of the Bank of Canada or the Minister of Finance speaks and we're talking about liquidity in the market, is this: How do you explain that in layman's terms and what does it mean for John Doe who is out here on the corner of the street and has a small business or is working for a small company? Can you explain that to us in layman's terms?

I'm sure it would be a better explanation than I'm giving.

Mr. Stephen S. Poloz: Let me just portray two channels for illustration. One I've mentioned before, so I can be quick. That is, John Doe perhaps owns a small business and relies on a credit line for the fluctuations in his business. He has money coming in, but of course, he has money going out, and while he's waiting for money to come in, money goes out too fast and he draws on his credit line. Then when the money comes in, he pays back his credit line. That's a very common business model.

Imagine if he woke up four weeks ago and the bank said, “Well, you've only used about a third of your credit line, so we've decided that from now on it's only going to be this much because you don't need the rest.” It would be just at the time he was thinking, “My goodness, I'm not sure I'm going to get paid by so-and-so, so I'm actually going to need that credit line to keep paying my people.”

That's what happened in 2008, because despite all the best efforts, it was a financial crisis and a credit crunch. The banks were really trying to protect their capital positions, and so on; of course they do. That was a very bad shock, and financially worse than this one—not economically worse, but financially.

That's one scenario. If the central bank comes in and says, “Well, look, Mr. Banker, here's all the liquidity you need,” and the banker says, “There's no need then for me to adjust that credit line at all, so off you go, Joe, no worries,” that's a big difference to how the economy behaves.

The other side of it is, suppose Joe decides he has money saved up and it's in the form of bonds of some kind and he just calls his broker and says, “I need so much of that money right now to weather the storm.” His broker says, “Well, I don't know. The market's caving in. I don't know if I'm going to be able to do very well with that, Joe. It's a really bad time for you to sell,” and so on. He says, “Do it anyway,” and he loses money. What's going on there is that the liquidity that's absent doesn't allow him to do his transaction in a normal way.

In behind that, there's the central bank saying, “We have to make sure that market works for Joe.” It's not just for the fancy market participants; it really does matter to Joe. We call it liquidity.

You know I'm famous for metaphors. My favourite metaphor is, when the economy goes into a place such as this, it's as though something just pops and there's a crater and the economy is falling into a hole. What we do is fill that crater up with liquidity so you can paddle your boat across it. Once you get to the other side, you don't need the hole to be filled with liquidity any more. You're back on dry land and you're back in business.

That's essentially what we're doing. We call it bridging, or whatever, but liquidity really is just like water. When we do it in one area, usually it seeps around everywhere else. Sometimes we have to do something a little special, like yesterday, to make sure of it. That's what's going on. In this whole thing, we've cut rates 150 basis points and we want to make sure the maximum effect of that finds its way all the way to your friend Joe. Right now, the markets don't quite let it happen, but they will.

● (1750)

The Chair: Thank you very much. I said your explanation would be a lot better than mine, and it certainly was.

Governor and Senior Deputy Governor, thank you for your appearance before the committee today. We had two good hours and a real education.

I also want to thank you both, and especially you, Governor, for appearing before the committee so many times over the last number of years and basically explaining how the Bank of Canada works and answering questions in this Parliament and the previous Parliament.

I also fondly remember the tour of the Bank of Canada you gave the previous finance committee and the good discussions we had there that night to understand how the system really works, the inner workings of the Bank of Canada.

I know this might be your last appearance before the committee. These are interesting and really difficult times within Canada and globally, but I sincerely thank you on behalf of the committee and on behalf of Canadians, and if anything, you can be absolutely proud of your term as Governor of the Bank of Canada.

Governor and Senior Deputy Governor, thank you very much.

With that, we will suspend briefly and then come back and do our sound checks for the next panel, with the Minister of Finance.

Mr. Stephen S. Poloz: Thank you very much.

Thank you all.

● (1750)

_____________________(Pause)_____________________

● (1810)

The Chair: Welcome to the second panel of the House of Commons Standing Committee on Finance, meeting number 19. As everybody knows, we're operating under an order of reference of Tuesday, March 24. The committee is meeting on the response of the Government of Canada to COVID-19.

Today, and especially with the minister and his officials here, we're considering a biweekly report that has been provided by the Minister of Finance on the actions undertaken pursuant to parts 3, 8 and 18 of the COVID-19 Emergency Response Act.

I know the minister's time is limited. We really appreciate it, Minister. In fact, I was trying to give you a break and not have you come to this meeting today, but thank you for finding the time later in the day to appear in person. I think you have about 45 minutes, and then we'll go to officials after that. We'll allow you to start with an opening statement and then we'll go to questions. The first one up on questions will be Mr. Poilievre.

Go ahead.

Hon. Bill Morneau (Minister of Finance): Thanks very much, Mr. Chair.

I'd like to take the opportunity to thank the committee for having me here. I'd also like to thank the members of the Standing Committee on Finance for the work they're doing.

We obviously know that COVID-19 is causing unprecedented disruption to the economy here at home and around the world. None of us has faced a crisis like this. Our government knows that Canadian workers and businesses have been through a tough time already and that this difficult period is continuing. That's why we're moving rapidly to help as many Canadians as possible, as quickly as possible. We're creating, developing, adapting and delivering measures in record time.

Today my goal is to highlight some of the measures we've announced recently, including enhancements to programs in anticipation of your questions.

Earlier this month when I met with you, I talked about the Canada emergency response benefit, which provides $2,000 every four weeks for up to 16 weeks to workers who lose their income as a result of the pandemic. What we've seen over the last week is that millions of Canadians have successfully applied to the program and received payments. We want this benefit to be as flexible and accessible as possible. That's why, for example, it's available to workers whether or not they have employment insurance. No one should have to choose between protecting their health, putting food on the table, paying for their medication or caring for a family member.

[*Translation*]

Yesterday, the Prime Minister announced new measures to expand the eligibility criteria for the Canada emergency response benefit. Workers can earn up to $1,000 a month while receiving the benefit. This includes wages along with fees and royalties.

The Canada emergency response benefit will also be available to people who were unemployed prior to the pandemic, who ran out of employment insurance benefits, and who can't find work because of COVID-19. Seasonal workers who can't work in their field because of the pandemic will also be eligible.

[*English*]

The Canada emergency response benefit is an important part of the government's COVID-19 economic response plan to support Canadians and businesses facing hardship as a result of the COVID-19 global pandemic. We also need to recognize that the pandemic has placed a significant amount of stress on certain workers.

Take those working in hospitals or nursing homes as examples, or the people who are ensuring the integrity of our food supply and those providing essential retail services to Canadians. The work these people are doing is essential. However, their salaries are sometimes less than what they'd receive from the Canada emergency response benefit. We want to boost the salaries of these essential workers. We're working with provinces and territories to offer a cost-shared, temporary top-up to the salaries of all low-income workers deemed essential in the fight against COVID-19.

Through this new transfer, provinces and territories will be able to provide a salary top-up every four weeks to the essential worker who earns less than $2,500 per month. The Government of Canada will cover a portion of the cost of the top-up and will provide an important boost to the front-line workers in our hospitals and long-term care homes, those working to make sure our groceries are well stocked, and others.

● (1815)

[*Translation*]

As announced yesterday, the federal government will share the cost of the programs to retain essential workers that were already in place in Quebec and British Columbia. The government is also providing support to employers through its COVID-19 economic response plan.

As you know, the Canada emergency wage subsidy covers 75% of employees' wages up to a maximum benefit of $847 per week, for up to 12 weeks. As I said earlier, not all jobs are the same and not all businesses are the same. We changed the eligibility criteria for the Canada emergency wage subsidy to help as many employers as possible and thereby as many workers as possible. As a result of Bill C-14, which was passed by Parliament last Saturday, employers must show that their revenue decreased by 15% in March 2020, instead of by 30%, as will be the case for April and May. We also acknowledge that the pandemic has been negatively affecting employers since mid-March.

[*English*]

Employers will also have two possible benchmarks to determine their eligibility, based on their loss of revenue. They'll be able to compare revenues of March, April and May 2020 to that of the same months of 2019. Alternatively, they can use an average of revenues in January and February of this year; this is especially beneficial for new businesses and start-ups that might not have a year's worth of earnings to look back on.

Employers will calculate revenues through one of two accounting methods: either the accrual method or the cash method.

[*Translation*]

To make it simpler and more cost-effective for employers to re-employ workers, the government will also refund some premiums for employers who keep their employees on paid leave. This includes employment insurance, Canada pension plan, Quebec pension plan and Quebec parental insurance plan premiums.

[*English*]

The government continues to assess and respond to the challenge of COVID-19 and we stand ready to take additional actions as needed. Earlier today, the Prime Minister announced that we'll make the Canada emergency business account available to more small businesses.

The CEBA was created to provide help to small businesses and not-for-profits to pay for non-deferrable operating costs. When we initially launched CEBA, the eligibility requirements required employers to have paid between $50,000 and $1 million in total payroll in 2019 to qualify.

As we've always said, the COVID-19 economic response plan is responsive. We heard from Canada's small businesses. We want to make sure that businesses are getting the support they need, so we've expanded the criteria. CEBA will now be available to the businesses that paid between $20,000 and $1.5 million in total payroll in 2019.

In addition, the government is also providing up to $306.8 million on a cash basis to indigenous businesses unable to access the government's existing COVID-19 support measures. This includes access to short-term interest-free loans and non-repayable contributions. Financial support for indigenous businesses will be provided through aboriginal financial institutions that offer financing to first nations, Métis and Inuit businesses.

Canada's COVID-19 economic response plan is the biggest economic program of our lifetime.

[*Translation*]

We're prepared to do whatever it takes to keep Canadians safe. We'll support workers and businesses because we know that this will help the Canadian economy recover more quickly once the crisis is over. This is how we can continue to build an even better Canada.

Thank you. I'm happy to answer your questions.

[*English*]

Mr. Chair, I'm ready for questions.

The Chair: Thank you very much.

To the departmental officials, your staff and others, thank you for the biweekly report. There's a lot of information in it. With all the other stuff that is going on these days, I know it has to be difficult to pull that together.

We'll go to five-minute rounds with the minister. We'll start with Mr. Poilievre, and then we'll have Mr. Fragiskatos, Mr. Ste-Marie and Mr. Julian.

Pierre, you're on.

● (1820)

Hon. Pierre Poilievre: Thank you, Minister.

How many medical face masks did your government throw away last year?

Hon. Bill Morneau: Mr. Chair, I don't know if the technician can help, but Mr. Poilievre is actually sideways, so I'm looking at him vertically.

Unless you're actually lying down....

Voices: Oh, oh!

Hon. Pierre Poilievre: It has been a very long month, Minister.

Is he sideways as well? I think we can get into the habit of looking at each other sideways.

Hon. Bill Morneau: Thank you for the question. I think importantly we are working hard to make sure we have the protective equipment that Canadians need.

Hon. Pierre Poilievre: How many did you throw away last year?

Hon. Bill Morneau: Again, I'm sure that we can continue on other questions if you'd like. I don't have anything to respond in that regard, but I know that we're working hard to make sure we have the protective equipment that Canadians need.

Hon. Pierre Poilievre: Okay. The answer is now made public. Your government tried to cover it up, but you threw away two million essential face masks last year and 440,000 medical gloves. That's in addition to the 16 tonnes of personal protective equipment you sent outside of the country, leaving many people scrambling.

I had a call from a member of Parliament today who is literally driving around to seniors homes and providing them with face masks. There are no other supplies, your stockpiles having been emptied. He was shocked to learn that HST applies on the purchase of essential medical and personal protective equipment. In addition to having driven up the price of this equipment by throwing it away and giving it away, your government is actually taxing this essential equipment.

On behalf of the official opposition, I'm prepared to call on you to lift the HST off personal protective equipment. Would you commit here and now that your government will stop taxing this vital equipment to make it more affordable for groups and facilities that desperately need that equipment at this time?

Hon. Bill Morneau: Well, as I think you know, we are in the midst of an extraordinarily challenging time in getting the proper personal protective equipment ready and available for Canadians. I know that my colleagues have been working hard on this front. We've secured many things that we recognize are both critical now and will remain critical.

We're going to keep doing that. We're going to keep making sure that we have access to the sort of equipment we need at this time and that we're prepared to deal with this crisis. As with any suggestions that come from parliamentarians, we do consider them in order to make sure that we're responding in a way that's appropriate.

Hon. Pierre Poilievre: Minister, I do have another question for you.

A great Sparks Street businessman, Sam Elsaadi, was telling me that many of the small businesses on Sparks Street are not able to access the emergency business account because they don't have payroll.

Now, it's positive that you've lowered the payroll requirement down to $20,000, but many new businesses, often immigrant-owned businesses, bring in family members to run the business and do all the work, and they all decide not to take a wage so that they can put all their money into debt repayment and growth. They can't get the wage subsidy because they have no historic payroll to qualify, and they can't get access to the emergency business account.

Would you consider allowing another measurement to qualify other than payroll so that deserving businesses like the ones that Sam is talking to can have a chance to get that $40,000 and keep their businesses alive?

Hon. Bill Morneau: Let me start by saying that we're trying to make sure the programs we put in place are responsive to the challenges we're facing right now. That's why we've done multiple things that are helping in many ways.

Obviously, we've had many people, including many small business owners, who have decided to go on the Canada emergency response benefit. In the case of Sam, I suppose there would be many family members who might be able to actually go on that emergency response benefit. It could be multiplied many times over if they meet those criteria.

Additionally, as you know, we did change the criteria for the Canada emergency business account, and now there will be more than a million businesses that will be able to apply for that loan. What has happened so far—I have the most up-to-date numbers—is that we've now hit 220,000 businesses that have applied for it. That represents about $8.8 billion in financing that has been realized and, of course, 25% of that will be forgivable if they pay it back by the end of 2022.

We are constantly looking at making sure our measures are responsive. You've seen that today. I hope there are other measures that are supported for that business. We'll continue to look at that.

● (1825)

Hon. Pierre Poilievre: Thank you.

I know that we're running out of time—

The Chair: You are out of time, Pierre. You're quite a bit over. You'll be back on again afterwards.

Hon. Pierre Poilievre: Okay. Thank you.

The Chair: We'll be back to you in the next round.

We have Mr. Fragiskatos and then Mr. Ste-Marie.

Mr. Peter Fragiskatos: Minister, thank you very much for the work so far.

I also have to say thank you very much for listening to members of Parliament. Where gaps have existed, they have been filled. I can speak for myself here, but I think colleagues would agree that the engagement has been very good on your part and on the part of your staff and the Department of Finance. Today's changes were especially welcome, and I did want to mention that to you.

Minister, this is obviously not just a Canadian problem; it is an international problem, one that necessitates an international solution. With that in mind, I want to ask you how we are approaching that. Are we approaching it through particular forums? Is the G7 going to become quite critical in that regard? Is the G20? How do you envision that playing out?

In that vein, what are key issues of focus for you from the financial side when you're coordinating and interacting with your counterparts at the international level?

Hon. Bill Morneau: Thanks, Peter. It is most certainly a challenge that's facing not just Canada but countries around the world.

We have been very deeply engaged with other countries. We're trying our best not only to be coordinating as best we can but also to understand measures that other countries are taking to determine whether those might be helpful in our country. I was in a meeting with the G7 countries earlier this week and with the G20 countries yesterday, and with the International Monetary Fund committee this morning. We are in very regular contact.

The focus in those meetings is on comparing what we're doing and also on thinking about how we deal with the international financial system to make sure it's operating effectively, and then it's also to think about what we can do for countries that may be more impoverished and have significant challenges. We've been looking at how we can deal with the least well-to-do countries through the Paris Club and the G20. We've put forward important measures to actually be supportive of the International Monetary Fund so that they can deal with the many responses they're getting.

Also, on specific issues, we're actually trying to learn from each other. I was back and forth today with the Australian finance minister, Josh Frydenberg, and looking at our program versus what he's been doing in helping tenants with rent. As you know, we've talked about our need to deal with that as well, which we're working on. That's helpful, because we're looking at different ideas.

There are multiple ways that we're working on, together with the international community, and that will continue. Of course, every country has a different situation. We're in a positive situation in Canada comparatively but still have very significant challenges.

Mr. Peter Fragiskatos: If I can shift from the international to the domestic, we've introduced a number of measures, but as you yourself have said, this is a phased approach and we will look at gaps where they exist.

I want to ask you about seniors. I've had a number of seniors reach out—constituents who I know personally, in fact—who are very worried about their retirement security. Seeing what's been happening on the markets, it's pretty obvious why. Do you have thoughts on that and what we would consider potentially looking at in the future to help seniors who are really wondering about their future stability in their retirement years?

Hon. Bill Morneau: I think seniors are probably the most anxious Canadians right now, because of the health issues around COVID-19 and the reality that it is hitting seniors disproportionately hard. I do know that we need to be very focused on our health systems to make sure they are supported, which we've been doing. To make sure that we work together with the provinces in the securing of the kind of equipment we need is also critically important.

From a financial standpoint, most of our efforts financially have been in trying to bridge people through this difficult time. That means in particular thinking about people in businesses that are having a fundamental change in their revenue as a result of COVID-19. From the seniors standpoint, the guaranteed income supplement and old age security of course are secure, so there's been no change in that. Also, when we introduced the GST low-income tax credit top-up, that had a very significant impact on seniors. More than 80% of single seniors and more than 40% of seniors in couples were advantaged through that measure, so that's quite helpful.

To the extent of their investment accounts, we have seen a huge amount of volatility in the investment accounts, as you know. From lows, that has come back up. Nonetheless, we know there's anxiety. The decision to reduce by 25% the amount of the RRIF that people need to take out is important, consistent with what was done in 2008-09.

We'll have to consider challenges as they come, Peter. We're going to keep doing that. We recognize that we need to support seniors, as they're very anxious around health, and we'll continue to do that.

● (1830)

The Chair: We will have to end it there, folks.

We'll go to Mr. Ste-Marie, Mr. Julian and then back to Mr. Poilievre.

Gabriel.

[*Translation*]

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

Good evening, Minister Morneau. Thank you for being here. I also want to acknowledge the entire team of officials at this meeting of the Standing Committee on Finance.

I'm very pleased with today's announcement regarding commercial rental assistance. I'm also very pleased with the expanded eligibility criteria for guaranteed loans. There used to be a requirement to have a payroll of between $50,000 and $1 million. Now, the payroll must be between $20,000 and $1.5 million. This will make a big difference. We're very pleased about this.

At this time, the application form that people must fill out to obtain the emergency assistance contains an oddity. I'll read it:

> 14. Per the requirements of the Program, as set out by the Government of Canada, the Borrower confirms that: ...
>
> (c) It is not an entity owned by individual(s) holding political office; ...

I'm wondering about elected municipal officials. For example, I'm thinking of a reeve who owns a microbrewery in Lac-Saint-Jean, a municipal councillor who runs a store in the Laurentians, or a school board trustee who owns a restaurant in Bas-Saint-Laurent. More and more people are worried about losing their businesses. At this time, some financial institutions don't know the scope of this exclusion. They've been waiting for clarification from your department for the past two days. In the meantime, the applications are being put on hold.

Are you able to answer my question? If not, could Mr. Halverson answer it?

Hon. Bill Morneau: Thank you for your comments.

Obviously, there are still things that we need to consider. The purpose of this exclusion is clear. A person like you and me shouldn't have access to a loan for a small business. That's why we implemented the exclusion. We know that we need to look at the issue of part-time politicians. For example, we must establish the point of this situation. We're in the process of determining our approach. I don't have any news right now, but I fully understand the issue.

We still want to make sure that the loan goes to the people who really need it. This means that we still need to have criteria. We consider the criteria necessary to ensure that this works.

Mr. Gabriel Ste-Marie: Thank you.

In terms of the commercial rental assistance, can you elaborate on it, provide the date of the announcement, explain how the assistance would be retroactive and tell us how it would work? Are you already able to do this?

Hon. Bill Morneau: I don't have those details right now. Sorry about that. We're in the process of seeing how it could work.

As you said, the important thing for businesses and SMEs is fixed costs. That's one of our major objectives. We're looking at possible approaches. Of course, this falls under provincial jurisdiction. This means that we must work with the provinces. Every week, when I speak to the provincial ministers of finance, I discuss the importance of SMEs. In this way, our approach will help SMEs. We must work in partnership with the provinces.

● (1835)

Mr. Gabriel Ste-Marie: Thank you.

Dairy farmers are experiencing difficulties. They're suggesting that the Canadian Dairy Commission be given more leeway. They're suggesting an increase from $300 million to $800 million.

Are you looking at this possibility?

Hon. Bill Morneau: If we receive a letter to that effect, we can look into this possibility. However, it hasn't been part of our program so far.

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you, both.

We'll move to Mr. Julian, and then to Mr. Poilievre and Ms. Koutrakis after that.

Go ahead, Peter.

Mr. Peter Julian: Thanks very much, Mr. Chair.

Thanks, Mr. Morneau, for being available.

I do want to pay tribute both to your hard work—I know you're working 20-hour days—and equally to your accessibility. You have been remarkably accessible over the last few weeks. Normally opposition members don't necessarily pay compliments to government members, but I think it's important to underscore your availability and discussions around these important measures to help Canadians.

The announcements that have been made over the last few days, improving the CERB and putting in place a courage bonus, are all on issues that we raised with you. I raised the courage bonus last time you appeared before the finance committee, and the enlarging of accessibility around the emergency business account. These are all important steps.

I think we would agree that there are still many other measures that need to be taken to avoid having people left behind, and so I want to ask you a couple of questions.

First, I had a round table, a video conference, with the small business community in my riding. They raised rent abatement as an extremely important measure that needs to be taken. Gord Johns, our small business critic for the NDP, and I have written to you about a 66% rent abatement proposal. We certainly hope that is the measure, as we've seen with other countries, you put into effect. France, Denmark and Australia, as you know, have put into place rent abatement measures.

Second, credit card costs and mortgage costs are exceedingly high, and the banks have not made the types of sacrifices that we're seeing many other Canadians make. I have not heard of a single person who has had a mortgage deferral approved without penalties, interest or fees. This has an impact on our small business community and in fact on all communities. We've seen credit unions, such as Vancity, reduce their rates to zero. We have not seen the same kind of shared sacrifice with banks playing their part. Will you use the tools that you have to make sure the banks in Canada play their fair part in fighting back against this crisis so that no one is left behind?

My final question is around the CERB, the emergency response benefit. As you know—and the minister has said this publicly—it's available to everybody who applies. You've referenced both seniors and students being left behind right now. Jagmeet Singh proposed that it be a universal benefit. Right now the structure is already in place. Will you look to put in place that benefit so that everybody can take advantage of it and actually access the emergency response benefit, and of course, as has already been proposed, have it taxed back if they don't need it when they file their income taxes this summer?

Thanks for being here, and thanks for answering my questions.

Hon. Bill Morneau: Wayne, do I have time?

The Chair: You have two minutes.

Go ahead.

Hon. Bill Morneau: There are a few things there, Peter, that you're asking.

First of all, on rent, as I mentioned, we are working through that issue. It is a provincial jurisdiction. I've been bringing it up with the provincial finance ministers each week over the last month, and they've been making progress. Some provinces have done different things than other provinces have. Saskatchewan has moved forward with the $5,000 benefit for small businesses. We do need to work together with provinces in this regard, and we are doing that right now. That is, from our perspective, important.

From the standpoint of the banks, we'll continue to work with the banks. We've had, as I said, 220,000 loans that now have been administered in very short order with the banks, and $8.8 billion has been moved out. That was an enormous effort. We did work together with them to make sure that could happen. Of course we pushed to make sure they moved forward on helping with credit card fees, and they've all cut those credit card fees in half for people in distress. I'm not saying that we shouldn't continue to hold their feet to the fire—we will—but we've made significant progress, and we're going to continue to encourage them to support their clients who are Canadians.

With respect to the CERB, we think it's important that it go towards people who have lost income as a result of COVID-19, and that's how we've defined it. We're going to continue with that. We're going to continue to make sure, for people who find themselves in a vulnerable spot because of COVID-19, that we're dealing with them. That's the kind of approach we're taking with students. For example, we don't think a universal benefit would be appropriate in this regard. There are many people, like you and me, who have not been impacted from an income standpoint as a result of COVID-19. We're focusing our efforts on those people who have been impacted and on making sure that we deal with them as well as we can.

Thank you very much.

● (1840)

The Chair: Thank you. You're both right on time. That's unusual.

We will now go to Mr. Poilievre and then to Ms. Koutrakis.

Pierre.

Hon. Pierre Poilievre: Thank you very much, Mr. Chair.

Minister, I want to reiterate what I said earlier. We have a shortage of personal protective equipment in Canada because your government threw millions of face masks and 440,000 medical gloves in the dumpster. You also gave 16 tonnes of medical equipment to China when we most needed it. This, of course, has driven up prices here in Canada and driven down our stockpiles.

One thing you could do to mitigate the damage your government has done in this area is to take the HST off of those kinds of protective equipment. I know that much of it has been bought privately for long-term care facilities, seniors homes and other places that are not owned or run by government. I think you'll agree with me that people should not have to pay tax on that equipment. I encourage you to remove the HST. That would be a practical and simple thing to make it more affordable.

With regard to the CERB, I want to congratulate your government for listening to demands by numerous MPs, including me, to allow people on the CERB to work and earn some income. You've allowed them to earn up to $1,000, which is definitely an improvement over the original program. That only works out to about eight or nine days out of a month for a lot of workers. If their employer were to come along and say, “Good news. I have more work for you and I can pay you for it. Can you do some extra work?” a lot of them would have to say, “No, I'm afraid I can't because I'll lose my CERB and I'll be worse off working for more than a thousand dollars' worth of wages than I am right now.” Would you consider another methodology to allow people to earn more than that $1,000 so that they would always be better off taking extra hours and earning more wages?

Hon. Bill Morneau: We're working to make sure that these programs work and that they serve their goal, which is to provide income for people who do not have income as a result of COVID-19. We're trying to make sure that the adjudication and delivery of the benefit are things that can be administered in this emergency time period.

One of the things we've talked about in the past is that this, we expect, will be a temporary measure. This is a measure we've put in place for 16 weeks. We're trying to make sure that it's administered as a temporary measure in a way that supports people but that doesn't delay the ability to get the payment out to people. In this regard, there's always going to be a balance. We're trying to balance it so that we make sure it has the right incentives and that it protects people. We've come to this conclusion through looking at an approach that we think works.

There will be other things that we're going to continue to need to look at. We know that in a time of emergency we don't have all the answers up front. We're trying to make sure we get to the answers in a way that makes sense, and to the extent that there are things we need to look at and come to in the next iteration, we have done that. A good example of that is how we have moved to the $1,000. On that issue, we feel we've come to the right conclusion.

There will be other issues, I'm sure, that we'll continue to look at to make sure these programs are working successfully. Of course, we want to make sure they're delivered. We were so pleased to say that we were able to actually move forward with the CERB in the timeline that we had. We're so pleased to see millions of Canadians who are actually on it.

Having been involved in international meetings this week, I will say that I think one of the things that Canadians can be proud of is that not only did we come up with these measures and have we been iterating them, but they're also actually being delivered to people. We're finding that is not necessarily the case in other countries where they do not have the same ability to get those benefits out to people, which of course is the ultimate goal. We want to make sure people actually get access either way.

● (1845)

Hon. Pierre Poilievre: That is true, but that said, there are small businesses that are falling through the cracks. Again, they can't pay wages right now because their government has shut them down. It is either that or they don't historically have wage-earning employees, so they're not eligible for any wage subsidy. They themselves don't get a wage, so they've never met the $5,000 threshold to get the CERB. Because they don't have a payroll of over $20,000, they can't get the emergency business account either.

There is a large number of people who meet that definition. One of the easiest ways to help them quickly would be just to give them back the GST they have remitted to your government over the last 12 months. Would you consider doing that, Minister?

Hon. Bill Morneau: Actually, you've mentioned this before. We've looked at this, and it just doesn't work. I know you have argued for this. It doesn't work in a number of ways.

First of all, it's not their GST. They hold that GST in trust. It never was their money, so it's not an easy thing to necessarily give back.

Hon. Pierre Poilievre: It's not your money either, Minister, with respect.

The Chair: Okay, Pierre. Let the minister answer.

Hon. Bill Morneau: There are other reasons, of course, that are appropriate to consider here. One is that this measure would have a very different impact on different business sectors, because the way GST is done, it's based on the value added. Some businesses, like the ones in Wayne Easter's riding, are farmers who wouldn't get anything from this because they wouldn't be eligible. Finally, GST/HST is different in different provinces, so the administration of this is not straightforward and we would not be able to do this in a timely way.

We considered that and concluded it wasn't a measure that was appropriate. We also know that, in most cases, those businesses that you're talking about will be able to get the Canada emergency response benefit, because if they don't pay themselves in salary, they will be able to claim dividends for the Canada emergency response benefit, so that will enable them to be eligible.

We're hoping that works. Of course, we're going to continue to look at these measures to make sure they're working broadly.

The Chair: This will be the last question. We're going to hold you five minutes more than you wanted, Minister.

Ms. Koutrakis, you'll wrap it up with the minister. I know there will be disappointed members who didn't get to question the minister, but next we will have the officials.

Annie, you're on.

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

I want to take the time to thank you, Minister, for appearing before the finance committee. I know you're very busy. I also want to extend a huge thank you to your staff and to everybody in the finance department. I know how difficult and challenging it is for everyone, and I know you're working around the clock. I want to say a huge thank you on behalf of all Canadians.

You are acting to close all the gaps, I know, but no matter the amount of fine-tuning you do, there will always be some people who don't quite fit the criteria. Clearly, you are doing your best and listening to all MPs and Canadians and making adjustments. I have received numerous phone calls and emails from my constituents thanking the government for being so open and willing to listen and adjusting as we go along. On behalf of my constituents, thank you as well.

Minister, can you comment on where Canada's COVID-19 economic response plan stands relative to our needs in comparison to similar fiscal stimulus and aid packages announced by other countries around the world? How do we know if we are doing enough? How willing and able is the government to go further in our spending as the situation evolves?

● (1850)

Hon. Bill Morneau: Thank you, Annie. This is an important question.

I think what we will see is different countries doing different things based on their situation. We're lucky that our situation fiscally is strong, so the measures we've put in place now represent about 8.5% of our GDP. That's obviously enormous. It's very significant in terms of the direct measures to people, the $107 billion or so that's going directly to people through the wage subsidy and the CERB. It's also very significant in terms of the deferrals we've put in place on taxes, as well as, finally, the credit that we're putting out for businesses. It's significant in multiple places.

With respect to other countries, we are doing that international comparison now. We are among the leaders in that. We obviously have a fiscal situation that enables us to do that. Many European countries don't have that same positive starting point, but we've been comparing and we see that we've been more aggressive in supporting people and more aggressive in supporting businesses.

As I mentioned on an earlier question, we've also been more effective in actually getting it done, for example, getting the business loans out. In our country, they're actually out and in people's pockets already, in many cases. Of course, our CERB is out and in people's pockets, in millions of cases, so this is very positive. In that way, Canada not only has done the work and made the commitments, but we're also delivering. In some countries, the commitments and the delivery are separated by administrative challenges that we've overcome.

We'll continue to look at other countries, how they're doing it, and compare our efforts. We'll make sure they're appropriate for us, but also make sure they're appropriate for supporting all Canadians, your constituents being a good example.

The Chair: This will be your last question, Annie.

Ms. Annie Koutrakis: The announcements for things like supporting small business with rent and implementing a top-up for essential workers will require partnership with provinces and territories. Can you tell us more about the partnership between the federal government and the provincial and territorial governments, what that looks like, and the next steps for these programs?

Hon. Bill Morneau: I can't quite yet, Annie. The reason I can't yet is that, on the essential workers file, you'd recognize that many of these essential workers are actually in sectors that the provincial governments are responsible for—health care workers, old age care facilities—so we do need to work with them. We've asked for them to come forward to help us deliver those supports and also to be part of the ability to fund it. That discussion is ongoing.

With respect to rent, we're still at a stage where we're coming up with the final details on how we can make sure that works. We are looking towards working with the provinces on that as well. I'm not quite far enough along to give you more details. As with all of the things we're doing with COVID-19, we're trying to get to good conclusions quickly, but also making sure we can administer them.

That's why we do need that discussion with the provinces. We do need to make sure we have the mechanisms, which I'm hoping we will have in the very near future.

Ms. Annie Koutrakis: Thank you.

The Chair: Thank you, Minister. I know you have to go. We've held you a little over time, but thank you for coming later today. We appreciate that very much.

We do appreciate all the work you're doing and all that the officials are doing. There's great feed-in from the caucuses of all parties. I've even said, “My god, the centre is listening more now, when we're in our ridings, than when we're in Ottawa.” That's a good thing.

Hon. Bill Morneau: Can I just take a moment?

The Chair: Yes.

Hon. Bill Morneau: We know that we're doing this virtually. We know that it's different. I want to say that this sort of accountability, we think, is very important.

[*Translation*]

It's very important for our democracy that we can meet virtually.

[*English*]

I'm going to continue to want to make sure that we give you information from the Department of Finance, that we find a way to be as accountable as we can be, given that we're in a challenging situation. We recognize that's important.

I know there are a lot of people working behind the scenes, translators and people doing the technology. I want to thank all of them too, because they are doing essential work and we know that they couldn't be at home.

Thanks, everyone, for making this happen today. We're looking forward to keeping you up to date. I know that my officials, who have been working very hard, are available now as well, as are officials from CRA and other places. I'm sure they'll be able to answer your questions.

Thanks very much.

● (1855)

The Chair: Thank you very much, Minister. Good luck wherever you head from here.

Colleagues, the list will be this. We'll turn to officials now. We'll go to five minutes.

Elizabeth May, if you want in for a question at some point, raise your hand. I don't see you now, but you can raise your hand.

Ms. Elizabeth May: I'm not going to ask for a question in this round, Mr. Chair. I'm saying goodbye to my friends.

[*Translation*]

Thank you very much.

[*English*]

The Chair: Thank you very much, Elizabeth.

Members, I'll give you the full list so everybody knows where they are.

We'll be starting with Mr. Cooper, and then it will be Ms. Dzerowicz, Mr. Ste-Marie, Mr. Julian, Mr. Cumming, Mr. Fragiskatos, Mr. Morantz, Mr. Poilievre and Mr. McLeod.

If anybody else wants in, send me a note at my P9 if I missed anybody.

You're on, Mr. Cooper, for five minutes.

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Thank you, Mr. Chair.

Thank you to the officials for making themselves available today. I want to direct my questions to the finance officials.

My question relates to the wage subsidy and, in particular, when the portal will be up and running. It was on April 1 that the Minister of Finance provided details of the new enhanced wage subsidy. It was at that time that a timeline of three to six weeks was provided. Two weeks ago, the minister appeared before this committee, and he indicated, or at least officials indicated, that they were optimistic it would be closer to three weeks rather than six weeks that the portal would be up and running. By this time next week, it will be more than three weeks, so I want to ask the officials whether small businesses can look forward, at this time next week, to being able to apply through the portal.

Mr. Andrew Marsland (Senior Assistant Deputy Minister, Tax Policy Branch, Department of Finance): Mr. Chair, perhaps I could ask my colleague Frank Vermaeten from the CRA to answer that question. They've been working very hard to stand up this system.

The Chair: Frank, you're on.

Mr. Frank Vermaeten (Assistant Commissioner, Assessment, Benefit and Service Branch, Canada Revenue Agency): We definitely have been working very hard to stand up the portal. It is a significant undertaking. It's much more complex than the CERB, for example, but we are making excellent progress. Our plan is to open the portal on April 27, if everything goes according to plan, and so far everything has.

So we'll open that on April 27. Then, about during the week of May 4, we'll be in a position to process and release payment for most of those applications, the ones that don't need additional review. Later on that week, some of those payments will start going out for those on direct deposit.

That's our plan. We're certainly happy to keep you posted on that.

Mr. Michael Cooper: Just to clarify the timeline, on April 27 the portal will be up and running. If one were to apply on April 27, could they count on the money being deposited by May 4?

Mr. Frank Vermaeten: It would be a little later than that. By May 4, we should be able to process those applications that don't need additional review. We're hoping that is around 90% of them. Then they get sent to PSPC. It takes a couple of days to issue those payments with respect to direct deposit, but certainly our plan would be that during that week, that money would be available.

Mr. Michael Cooper: Again, just to clarify the timeline, on April 27 the portal is opened, and one applies. On May 4 the application is processed, and then money is deposited. Is the process timeline about a week between the application, processing, and then delivery?

Mr. Frank Vermaeten: For the first application, it will be about a week. For subsequent applications, it will be more like a couple of days.

Mr. Michael Cooper: Thank you for that.

This question has been asked, but there hasn't been an answer provided. I'm hopeful that perhaps one of the finance officials will be able to shed some light, because it is an issue of importance in my riding and throughout the provinces of Alberta and Saskatchewan. It's with respect to our energy sector. The minister stated on March 25 that relief would come in a matter of days or weeks. We're now almost a month since that statement.

Can any officials shed light on when relief can be anticipated to be delivered?

● (1900)

The Chair: Who wants to try that one, folks?

Ms. Evelyn Dancey (Associate Assistant Deputy Minister, Economic Development and Corporate Finance Branch, Department of Finance): I'll take that question.

The Chair: Go ahead.

Ms. Evelyn Dancey: As both the Prime Minister and the Minister of Finance have said, and you rightly quote, the government is very much aware of the extremely challenging circumstances in Canada's energy sector from the double whammy of the OPEC+ supply glut and the demand depression resulting from the physical distancing requirements of COVID-19. This is something that I and my team are working on, so I'm happy to say what I can about it.

We've been working really hard at understanding the situation and giving thought to options that will make a difference and that will meet the needs of a range of companies in the sector in different regions of Canada. I'm not able to [*Technical difficulty—Editor*] right now, as the government will need to move forward with [*Technical difficulty—Editor*], but I assure you—

Mr. Michael Cooper: I appreciate that, and I don't want to cut you off, but my question was with respect to the timeline. The minister was initially pretty specific about weeks, even days, and it's now almost a month.

You may not have an answer. If you don't have an answer, maybe that is the answer. Again, I would like to know, and my constituents would like to know, what the timeline is, because the clock is ticking and people out here are hurting.

The Chair: I think, Michael, it would be the minister's decision to make that point.

Evelyn, I'll let you finish your comment. Then we'll go to Ms. Dzerowicz.

You've made your point, Michael. I think it's been heard loud and clear.

Mr. Michael Cooper: Yes.

Ms. Evelyn Dancey: I just want to say that it continues to be the case that this is a pressing and recognized challenge. I know it's not what you would like to hear, but it really is a “stay tuned”. We're very near.

The Chair: Thank you, both.

Thank you for making the point, Michael.

We'll turn to Ms. Dzerowicz, and then Mr. Ste-Marie.

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

I think Mr. Cooper has triggered me to ask another question first, before the real question I was going to ask, and that is about speed.

I want to follow up where Minister Morneau ended. I want to say a huge thank you to every single one of you at the Department of Finance, at the Department of Employment and Social Development, and at the Canada Revenue Agency. It has been unbelievable what you have been able to help produce and what we have been able to launch since this whole pandemic got under way just over a month to five weeks ago.

We know that there are many people out there who are still waiting for a number of programs, but I can tell you that I am so enormously proud of our Canadian bureaucracy. I talk about all of you all the time, to say that it was nothing short of a miracle for us to introduce the Canada emergency response benefit in such a short period of time; to bring out the GST credit a month in advance, before we even thought about it, before we had originally planned to; and to have the Canada business emergency plan that the banks are putting into effect and that over 220,000 businesses have already applied for, according to the minister today.

So I want to start by saying thank you. Thanks to all of you. Thanks for stepping up. Thanks for your creativity. Thank you for your hard work. We are so blessed to have such an unbelievable civil service here in Canada.

What I want to ask you is this. There must have been a lot of discussions going on in terms of how we actually deliver these programs and what the best way is to do that. Can someone talk about what your key objective was? What was the key thing you were thinking about that led you to introduce these programs? What was it that helped you make a decision about how to introduce these? If someone could talk a bit about that, that would be great.

I hope to have another minute left to ask one more question.

● (1905)

Mr. Andrew Marsland: Perhaps I will begin, Mr. Chair—unless you want to go first, Cliff.

Mr. Cliff C. Groen (Assistant Deputy Minister, Service Canada - Benefit Delivery Services Branch , Department of Employment and Social Development): Go ahead, Andrew.

The Chair: Go ahead, Andrew.

Mr. Andrew Marsland: I was going to begin by saying that, of course, speed and effectiveness are the key criteria.

When you look at these things, we're lucky in that we have a system in the Canada Revenue Agency and Service Canada that is equipped to deal with these programs and that has the nimbleness to adapt: for example, to stand up the Canada emergency response benefit and, shortly, to put in place the wage subsidy.

I think it's also important to leverage the private sector through the loan system and to work with them. I think it's important to look at the tool kit and its adaptability, and also to understand that while we're in a crisis, it's in a broader context that we need to think about having a system that has the checks and balances in place and is equipped to look at these things beyond the immediate challenge.

The Chair: Does somebody else want in on that one as well?

Cliff?

Mr. Cliff C. Groen: I'll just add to Andrew's comments that when we were designing the CERB, there were three main criteria that we had. It needed to be speedy. We knew it was absolutely critical that we deliver it on a very quick basis. It needed to be simple, because if it weren't simple, there was no way we'd be able to deliver it. And it needed to be delivered safely, as well. We knew that if we were to make a commitment to deliver the program, it would have to be done—and we didn't fail on that. That's why it was important that both we and the CRA joined together to be able to deliver it in that time frame.

The Chair: Thank you.

Go ahead, Julie.

Ms. Julie Dzerowicz: Thank you.

I have just one other quick question, about one of the things that Governor Poloz, in the last session, said in answer to a question by my colleague Ms. Koutrakis. She asked whether we could make up the 4% to 6% GDP loss that we're anticipating happening over the course of this next year. He said, absolutely. He said that there will probably be some structural things that will have to change, but he said there are also going to be some positive structural changes and some innovation happening.

My question is really about the data that we're gathering. I think we're probably starting to learn a lot about our workforce right now. I would love to know, from anyone from the Department of Employment and Social Development, what data we are collecting in terms of the jobs that were lost or the age of the people who are applying for the Canada emergency relief benefit. What data are we collecting so that maybe we can pivot to create a better platform for our social welfare system moving forward?

I'm particularly interested in the universal basic income, but I would love to know what data we might be collecting right now that might actually inform some of our decisions moving forward.

The Chair: Who wants to take that? Does anybody have an answer?

Ms. Julie Dzerowicz: Is there no one from the Department of Employment and Social Development...?

The Chair: Go ahead, Andrew.

Mr. Andrew Brown (Director General, Employment Insurance Policy, Skills and Employment, Department of Employment and Social Development): I'd just say that, at this stage, we are very much in the early days. We're collecting a lot of volume metrics right now, in terms of the number of claims we're seeing for the CERB, and CRA is collecting similar data. It will take us a little bit of time to start the analysis of that data so that we can understand better the people it is helping. We are very keen to understand more about those who are qualifying among the employed, but also among the self-employed, which is something that is new with this approach. It's very much on our list, but it's too soon to report results at this stage.

Ms. Julie Dzerowicz: Thank you so much.

Thank you, Mr. Chair.

The Chair: Thank you, all.

We'll go to Mr. Ste-Marie, then Mr. Julian and then Mr. Morantz. I may have put Mr. Morantz and Mr. Cumming in opposite order, but Mr. Morantz will be after Mr. Julian.

Go ahead, Gabriel.

● (1910)

[*Translation*]

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

I'd like to join Ms. Dzerowicz in thanking you, the officials, for all your work. In times of crisis, the needs are great. I'd like to tip my hat to you and thank you.

I want to share two specific cases to hear your interpretation of the programs in place.

The first concerns a salaried worker who applied for the Canada emergency response benefit. The worker's employer chose to apply for the Canada emergency wage subsidy. However, 75% of the worker's salary amounts to less than $1,000 per month. Would the worker be entitled to receive both the emergency benefit and the wage subsidy? I also want to point out that this person can't afford to repay the emergency benefit that they've received to date.

[*English*]

The Chair: I would expect, Andrew, that it probably goes to you, or is somebody else coming in?

I guess I would put it this way: Is it seen as double-dipping?

Mr. Andrew Marsland: If I understood the question, Mr. Chair, it's whether an employee....

I wasn't sure about the assumptions behind the question. Is this the situation where an employee is rehired by an employer who is accessing the wage subsidy?

[*Translation*]

Mr. Gabriel Ste-Marie: Yes, that's it.

[*English*]

Mr. Andrew Marsland: Of course, if an employee was in a situation where accepting a job with the wage subsidy would provide them less, then I guess they wouldn't necessarily have to accept that job if they were in a worse position. If they did accept that job—say they were better off with the wage subsidy so they got up to $847 a week—and there was a period where they had received both the Canada emergency response benefit and a salary, then I think the government said, when it released the backgrounder on the wage subsidy, that it would consider an approach to avoid duplication and to allow that employee to pay back the CERB if there was indeed duplication. That's something we're looking at.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you. It's clear.

The second case that I want to share concerns a start-up that seems to be falling through the cracks. The person invested $1.6 million to launch their restaurant, which was scheduled to open in mid-March. To date, the business has incurred major expenses, including the lease, the cost of hiring a number of employees, and the perishable food supply, which constitutes a total loss. I believe that the full $1.6 million was spent. However, there don't seem to be any measures in place to help that business. It can't obtain the $40,000 loan because there were no wages to compare for the months in question, or even in January and February of this year. This also prevents the business from receiving the Canada emergency wage subsidy.

Does a program exist for this person, who is launching their business? Again, they invested $1.6 million in their business. The person doesn't seem entitled to any type of support measure.

Thank you.

[*English*]

The Chair: Go ahead, Soren.

Mr. Soren Halverson (Associate Assistant Deputy Minister, Financial Sector Policy Branch, Department of Finance): The programs I would point to would be the loan guarantee from Export Development Canada and the BCAP co-lend facility from the Business Development Bank of Canada. Each of those facilities provides pretty much 80% coverage on credit that a financial institution would extend to an operation such as that one.

In the case of the EDC program, that takes the form of a guarantee on 80% of incremental credit that a financial institution would extend. In the case of the BDC program, it is 80¢ that BDC will lend for every 20¢ that the financial institution lends.

The way to get those programs is to go through the existing financial institution with which the business has a business banking relationship. Those facilities make it easier for the financial institutions to continue to extend credit to businesses in situations such as the one you describe.

● (1915)

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thanks, all of you.

We'll turn to Mr. Julian, and then Mr. Morantz and Mr. Fraser.

Peter.

[*Translation*]

Mr. Peter Julian: Thank you.

I have three questions for the officials. I also want to thank them for their work.

My first question concerns the Canada emergency response benefit. Take the case of a student who works each summer. The end of the school year is coming up, and the student was supposed to start working again starting on April 20. Is this student eligible for the Canada emergency response benefit?

My second question concerns the Canada emergency wage subsidy and not-for-profit and charitable organizations. Will the regulatory framework be more flexible for them? In my constituency, I'm being told in no uncertain terms that these people will face a loss of revenue over the next few months, but not necessarily right away.

Will the regulatory framework have some flexibility?

[*English*]

My third and final question is about the wage subsidy for first nations-owned corporations on reserve. This comes from a colleague of mine. Do first nations-owned corporations on reserve have the right to access the wage subsidy?

[*Translation*]

Thank you for your responses.

[*English*]

Mr. Andrew Brown: Perhaps I can take the first question, which related to the eligibility for the Canada emergency response benefit with respect to students. You gave the example of a student who has been regularly working for their summers and who would have been starting to work on April 20, I believe you said. In that case, we're talking about a student or a worker who has not yet started to work.

The rule for the Canada emergency response benefit is that it's available to those who stop working due to the COVID-19 situation, so unfortunately in this case that student would not be able to benefit, because they were not working and then did not cease working as a result of COVID-19.

The Chair: Andrew, I'll just come in there, if I could, and I know Peter will, as well. With seasonal workers, it is a little different. They're not working either, but they've lost their opportunity for a job as a result of COVID-19, and they are going to be allowed in.

You probably can't answer this, but the Prime Minister has said that we would be looking at students. We're all very happy that seasonal workers who have actually run out of EI and who are going back to a seasonal job will be allowed in CERB now, but something similar has to be done for students. I think that's where Peter is coming from. Do you have any response on that?

Mr. Andrew Brown: I can't say that where we'll be going for students.... I can certainly say that the government has been working on other sorts of supports for students and for young people. In terms of the extension that was announced yesterday for seasonal workers who have recently exhausted their EI claims, it's a different group of workers, who have established claims in the past and whom we would have been expecting to be returning to their usual seasonal employment. In this case, that group that's been identified would be able to benefit, because they're not able to return to their work due to COVID-19.

The difference would be.... It depends on each person's situation, in one sense. For example, students who have been working throughout the year—they've been doing a part-time job and they had to stop that part-time job because of COVID-19—would be able to benefit. We expect that there are many students who would be able to benefit. However, those who may have been more focused on their academics, who were not working at the time and therefore haven't stopped, are not eligible for the benefit.

● (1920)

The Chair: Thank you, Andrew.

What about the wage subsidy? There are two questions there. Who can take them?

Mr. Andrew Marsland: Perhaps I can.

The Chair: Andrew Marsland, go ahead.

Mr. Andrew Marsland: The first question related to non-profit organizations and charities. In designing the wage subsidy over a short period of time, we did engage with the charitable sector to understand the particular challenges they face. I'll briefly point out two areas of flexibility there. One is with respect to government funding. There is election in the legislation that allows a charity or a non-profit organization to either include or exclude that, and depending on how it's funded, that might be to its advantage, or not. For example, if it has funding that is permanent, it would probably want to exclude it. If it has funding that is based on a service fee from government, then it would probably want to include it in the calculation. The second area of flexibility relates to the reference period in terms of either comparing, for example, March 2020 to March 2019, or, alternatively, looking at February and March of this year and seeing how revenues have been affected. There is some flexibility in there to accommodate the particular needs of non-profits and charities.

The third question related to first nations corporations. A first nation corporation that is owned by a first nation individual would qualify for the wage subsidy. The legislation excludes corporations owned by governments, corporations that are exempt on that basis. That issue has been brought to our attention, that there may be circumstances that are somewhat different with respect to first nations corporations, and we're looking at those submissions.

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

Just to understand, at this point they are excluded, but you are looking for ways in which a first nations-owned, a first nations community-owned corporation could receive the wage subsidy.

Mr. Andrew Marsland: Yes. I could explain the general principle of excluding government-owned corporations that are exempt. In many contexts, they have other means of support, for example provincially owned corporations, federally owned corporations, and so on. That would cover corporations owned by first nations, so they are excluded presently.

The Chair: Does that give you clarity, Peter?

We'll move on to Mr. Morantz, and then Mr. Fraser.

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

My question is directed to CRA officials. I want to go back over some recent history. Before this crisis happened, there were two recent reports highlighting significant difficulties with CRA, particularly around the accuracy of service and call centres. There was a CFIB report showing that only 51% of callers received an answer to their inquiry regardless of wait times. Only 60% of callers received complete or above and beyond guidance information, with 41% receiving incomplete or incorrect information. The CFIB gave the agency a grade of D minus. Of completed calls, only 51% were rated as good, 28% as acceptable, and 21% as poor.

That was the CFIB report, but what I find even more interesting is that there was another report, called “Serving Canadians Better”, which was actually retained by CRA. They hired Stantec Consulting to do a report on their call centre service. That report said that 83% of respondents felt that they had service that did not meet their needs, and 71% of respondents felt that they haven't yet reached their service improvement goal. Only 28% were confident in CRA's future direction, and some of the words they associated with CRA were “slow”, “incompetent”, “bureaucratic”, “difficult”, “complicated”, "inefficient” and “frustrating”. That was from a report that CRA actually requisitioned for its own information.

My question is this. Given this massive amount of resources and new programs required because of the crisis and dedicated to the COVID-19 response, and given these historical difficulties with the agency that I've talked about, how are Canadians to have confidence in CRA that they will receive timely and accurate information in this time of need and, more importantly, that they will receive their refunds and benefits, including the late-coming wage subsidy, on a timely basis?

● (1925)

The Chair: Are we going to Mr. Vermaeten or somebody else from CRA?

Mr. Frank Vermaeten: I'm happy to answer that question.

I think you're right, in that there have been a number of programs, a number of reports, and they've been quite critical of our call centres. I think we've done a lot to try to respond to that.

One of the challenges we had in the past was the technology. We didn't have the technology to do some of the basic things that are needed to ensure high quality. That issue has been resolved. We now have call recording and a centralized listening team. That allows our centralized listening team to listen to these recordings, find out where the information is inaccurate and address those problems, so we've been able to provide better answers. As a result, now we're consistently hitting a target of 88% to 90% in terms of accuracy, which is a significant improvement, so we feel very confident about that.

Certainly, call centres remain a challenge, particularly now. We have extremely high volumes. We're dealing with the high volumes of the regular tax season that's going on, and on top of that the challenges of the financial pressures that people are facing—they're calling us on that—and then on top of that, of course, the new programs that have been launched.

I'd say that with respect to our ability to provide funding and refunds and do that accurately, I think we are doing a very good job.

I think it has been mentioned that the GST credits are additional significant amounts that were announced by the government. We delivered that roughly a month ahead of schedule. Those payments went out on April 9. It was the single biggest payment in history in terms of the Canadian government providing those payments.

We're providing the Canada child benefit enhancement. That will be delivered on schedule, probably slightly ahead of time, and everything is on track with that.

With CERB, I think we were able to deliver exactly on schedule. We said that it would take us approximately three weeks after the parameters were locked down. As a matter of fact, the parameters weren't locked down completely until shortly before the release, and we managed to do that. In addition to that, we've managed to adjust the program to reflect the latest changes to the program—for example, the $1,000 exemption of earnings. I think we've responded quite well.

Are we on track for the wage subsidy? I believe we are very much on track. Again, the legislation passed only a very short time ago, which did lock down the parameters. Even then, throughout that process—a very short process, which Parliament responded to very quickly—there were some changes made, and that required changes from our side, but I think we are certainly on track. We said three to six weeks after the parameters were locked down, so we're certainly on track for that. As I said previously, our plan is to launch—

Mr. Marty Morantz: I have—

The Chair: I'll give you time for another question, Marty. Go ahead.

Mr. Marty Morantz: I appreciate that.

I did receive a response to my OP question, which did confirm that your internal estimate is that 12% of Canadians were getting incomplete and incorrect information still. I want to point out that this is not the past; this is recent for these two reports, particularly the CFIB report that came out in January and the “Serving Canadians Better” report, which you retained Stantec Consulting for, in November.

Do I have time for one other quick question, Mr. Chair? I wanted to turn to Ms. McDonald if she's still on the call.

The Chair: She is.

● (1930)

Mr. Marty Morantz: Thank you.

There's a question that I asked of the governor of the Bank of Canada a few minutes ago, and he said I should be asking the Minister of Finance. He's not here, so I'll ask you.

In my home province of Manitoba, my premier, Premier Pallister, proposed the idea of having a central hub for lending. Provinces as well are borrowing a lot now in order to deal with this crisis. I think every premier liked this idea, but for some reason it didn't get past the Department of Finance. I wonder if the Department of Finance is open to Mr. Pallister's proposition of having the federal government coordinate lending so that the provinces can have the benefit of the lower interest rates.

The Chair: Ms. McDonald, you're on.

Ms. Suzy McDonald (Associate Assistant Deputy Minister, Federal-Provincial Relations and Social Policy Branch, Department of Finance): While I'm responsible for FP relations in the area of provincial lending, my colleagues in FSP also have something to do with that. I don't know if Soren has anything he wants to add, but I will say that we can bring that back and take a look at it within the department. I don't have an answer I can provide to you today on whether or not that's something we'll move forward with.

Soren, I don't know if you have anything else on this file.

Mr. Soren Halverson: Thanks, Suzy.

I would maybe just point out that the Bank of Canada now has facilities in place that serve the purpose of supporting funding markets for provinces. It would appear that those facilities are in fact doing a very good job in that regard. What I believe we're seeing is that the spreads that provinces are looking at in funding markets are actually pretty reasonable at the moment, and they've come down quite considerably. Those funding markets are open for provinces to access as a general feature, so it seems—

Mr. Marty Morantz: The spreads that the provinces are paying would be larger than what the federal government is paying, still, so I'm not sure what the reticence would be in doing this at this point in time.

Maybe we can have another conversation about that sometime.

The Chair: Yes. I think the point's been made, Marty.

We'll turn to Mr. Fraser and then Mr. Cumming.

Sean.

Mr. Sean Fraser: Thank you very much, Mr. Chair.

To all of our witnesses, I appreciate your taking the time to be with us. More importantly, I appreciate the work you've been sinking in over the last number of weeks. It's monumental, the effort that you've put together.

I would like to dig in a little bit on the notion that my colleague Mr. Julian has raised at the last number of meetings around the proposed universal income of $2,000 per month. It's an intriguing idea. I agree with the principle that we don't want to see anyone left behind. But when I started thinking about it, I realized that were quite a few big holes. I have a few questions that will hopefully let us examine this a little more closely.

Does anyone here have the median household income in Canada? I don't mean to put you on the spot. We can get into it later, perhaps. I'll follow up. What I'm trying to figure out is how much this program would actually cost if you expended that. There are about 30 million adults in Canada. My back-of-the-napkin math pegs the cost of this annually as being somewhere in the ballpark of $750 billion.

I don't know, Mr. Marsland, if you have this on hand, or if there's someone else better positioned, but I'm curious to know whether anyone has handy the total spending of the federal government from last year.

The Chair: Andrew, do you have it?

Mr. Andrew Marsland: I don't have it, but my sense is that it's somewhere around $320 billion. Don't quote me on that.

Mr. Sean Fraser: Okay. If you're within a rounding error of even double digits here, I think it will illustrate the point.

I think what we're talking about is a program that could certainly more than double the total expenditures of the Government of Canada when you look at everything we've spent money on, every program or project or income support, if we move forward with the path. It doesn't seem to be the most elegantly targeted model. As the minister pointed out, there are a number of people on this call whose income has not been interrupted and don't necessarily need it. The point could be made that some of that income could be clawed back.

One of the things I have a sincere fear about is setting taxpayers up for a real surprise come tax time. Even if you wanted to pull this back from individuals—let's say the median income is somewhere around $40,000 for an individual in Canada—I'd have real concerns about requiring people, even if it's only the 16-week period...from having to be surprised with a requirement that they pay back $8,000 come tax time.

I'm curious to know if, when we were developing the CERB, there was thought given to a basic income and how this particular kind of policy may be superior in terms of value for money.

• (1935)

The Chair: Mr. Marsland I believe we'll go to you. If others want to step in, raise your hand.

Mr. Andrew Marsland: Others may be better positioned to respond to that. After all, I'm the tax guy. However, let me raise some considerations around that.

The idea of the universal basic income has been around for a long time and there have been debates around it and one or two small pilot studies. I think the issue is really around balancing the replacement of the supports in place now through provincial efforts, through the employment insurance system and so on, with a system that replaces all of those. The questions one might have are around affordability, labour market effects and so on. We didn't get into those discussions in designing the Canada emergency response benefit. Really the question there was how to support Canadians in as fast a way as possible, in a simple way, in the way that was responsive to the extraordinary situation at hand.

Mr. Sean Fraser: Can I just dig in on that speed issue for a moment, Mr. Marsland?

One of the things that might be a common misconception is this. I've been to the finance department's offices a number of times and I've never seen a “send money now” button, and I worry that we don't necessarily have a database that gives us access to make direct deposits into Canadians' accounts, or necessarily a home address that we could send a cheque to. Given the statement you just made, is it your view that the CERB, from a time saving point of view, is the quickest delivery method to get available money into the hands of people, save and except for the pre-existing mechanisms like the GST rebate or child Canada benefit enhancements?

Mr. Andrew Marsland: In fact, Mr. Vermaeten might be in a better position to speak to this, but essentially we used the benefits system at the CRA, together with Service Canada's system. We used those systems that were already in place to, effectively, on the basis of attestation, on the basis of information that was already on file, such as direct deposit and so on, to deliver it as quickly as possible. If there is a faster system, I can't imagine what it is.

The Chair: Okay. Unless Mr. Vermaeten has something to add, we will move on to Mr. Cumming and then Mr. McLeod.

I might point out, Jonathan Wallace, you have a nice cat that jumps across your desk there every once in awhile.

Go ahead Mr. Cumming.

Mr. James Cumming: Thank you to the witnesses for appearing. No cats on my desk here.

I know how busy all of your are and I'm going to save the Department of Employment and Social Development some work. You do not need to study employment patterns right now. Businesses are closed, people are looking for income and you're flooded with applications. The issue is let's get people back to work.

I want to focus my questions on CEBA and the Department of Finance. Do have any statistics on how many applications have been rejected and what they've been rejected for?

• (1940)

The Chair: Go ahead, Soren.

Mr. Soren Halverson: Thank you.

We have some preliminary information from the financial institutions. I just want to put in parentheses here that this program was launched last Thursday. We are now at day five, I suppose, in terms of the program window being open.

We've had conversations with the financial institutions about what they're seeing in this regard. We've heard that the percentage of those getting rejected is not very high overall. If I were going to put a number to it, it would be somewhat below 10%. In part I think it reflects the simplicity of the selection criteria.

Why are they getting rejected? About half of them are getting rejected because of fraud. There may be a flag against a party who is seeking an application, which causes it to be rejected. Others may not have met other parameters that are part of the application.

It is an area where we are going to drill in and make sure we understand it as best we can.

Mr. James Cumming: Given that the parameters have now changed, which I think is a good move because some applicants had been rejected based on the fact they didn't fit under the old parameters, will you be going back to those applicants? What will be the process for that?

Mr. Soren Halverson: Again, this is a program that's run through the financial institutions at the front end. From our conversations with those institutions today, I think what we're hearing is that they will communicate broadly to their business clients, so there will be no shortage of information, including outreach from the banks and other financial institutions, that this is available so that those who perhaps had taken a first look at it and found themselves not eligible will be able to go in and reapply.

Mr. James Cumming: Another issue I've heard about from thousands of business relates to sources of income. T4 income is a problem for some smaller operations that are taking dividend income. I've heard from chiropractors who are independent contractors. A variety of things count as employment income in today's modern world.

Is there any reason why the department wouldn't look at either independent contractors or dividend income earners under both the CEBA program and wage subsidy program?

Mr. Soren Halverson: I'm going to make a couple of comments. They're maybe not going to answer your question directly, but they will give you a bit of context.

First, the purpose of the CEBA program is to meet non-deferrable costs that a small business might have. It fits into a scheme of other programs the government has available, including the other credit programs offered by BDC and EDC. It also includes the CERB, which would be available, for example, to a sole proprietor, so it's part of the broader framework of programs.

When it comes to this specific program, we were looking for criteria that could be adjudicated rapidly. As Andrew suggested with regard to other programs that have been put up, we needed very simple criteria that could allow the program to be deployed quickly, to be scaled very, very rapidly, and that would provide an indication of the physical platform a business has. The operative idea here is to get at those businesses that are actually going to have costs. It's a place where those costs aren't otherwise met through other forms of support the government has.

The Chair: Did you get enough clarity on that, James?

Mr. James Cumming: I just want to go back to this. How difficult would it be to recognize dividend income as employment income on a temporary basis, because this is what we're really talking about? There are thousands of small businesses that don't operate on the basis of T4s.

● (1945)

Mr. Soren Halverson: What I would say in response is that it would add complexity to the process, when simplicity, really, was one of the primary factors that allowed us to move quickly. It would cause us to have to introduce other tests procedurally.

Right now, we are what we are, having opened a program that is making credit available to something in excess of a million small businesses in Canada because we were able to do things in a simple and streamlined way.

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

Turning to you, Michael McLeod, and then to Mr. Poilievre.

Mr. McLeod.

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

I want to say, first of all, that the north was very glad to see the package of support announced earlier this week, specifically the health, transportation and business supports. I've heard quite a bit of feedback from the chambers of commerce and the chambers of mines in my riding, as well as the northern senators, who had expressed some concerns about the flexibility of some of the programs, like the wage subsidy.

First, could somebody could talk about the response to assist the territories and a little about further steps to address our unique needs?

Second, the Government of the Northwest Territories has been waiting quite a while now for a response to its request for an increased borrowing limit. That limit is set by the federal government. It's kind of time. The Government of the Northwest Territories plans to do a number of initiatives.

I'm just wondering if somebody could respond to those two issues.

The Chair: I would expect it would be Mr. Marsland, but I'm not sure.

Can anybody go to that one?

Ms. Suzy McDonald: Yes.

The Chair: Go ahead, Suzy.

Ms. Suzy McDonald: On the issue of territorial borrowing limits, thank you for raising this. We certainly understand the situation of the north and the specific needs there. There have been—I think I may have mentioned this last time—a number of conversations around borrowing limits. We continue to look at the issue.

With regard to recent support for the north, indeed, we announced $72.6 million for the Governments of Yukon, Northwest Territories and Nunavut. That's just for health and social services. Certainly in response to the current crisis, we looked at providing an additional $17.3 million to territorial governments on northern carriers. My colleague Evelyn might have more she'd like to add on that.

Also, $15 million of existing resources were made available through the Canadian Northern Economic Development Agency, CanNor, to provide non-repayable support to businesses in the territories to help address the impacts of COVID-19, again, understanding the particular needs of the north and what could happen there.

Then, of course, there is $25 million for Nutrition North Canada to increase subsidies to families, so that families can afford nutritious food and personal hygiene products. We also expanded that program so that it included a wider range of things that could be covered, including personal hygiene but also cleaning products, to make those more affordable to people in the north.

Of course, as you know, through the territorial funding formula, the north receives a fair amount of money from the federal government on a regular basis, and that money goes toward a wide range of needs.

I don't know if you wanted additional information on those announcements.

The Chair: Michael, do you have another question?

Mr. Michael McLeod: Yes. Some of the feedback I'm getting I will bring forward, but we're looking for some flexibility on some of the existing programs that have been announced.

My final question is in regard to the airlines. We have some serious concerns.

We have 22 communities that are fly-in only. We have a number of airlines, especially on the Beaufort Sea and the coast, that are talking about not being able to operate and that may shut down entirely. If that happens, there will be no service that will be able to go in there unless there's a charter service from the south or we get the military. Is there a backup plan in the event that we have some communities in Canada that could become totally isolated? What do we do?

● (1950)

The Chair: Ms. McDonald, do you want to take that one or is it a point of information to take up the line?

Ms. Suzy McDonald: No. My colleague Evelyn can respond, I think.

The Chair: Okay. Go ahead.

Ms. Evelyn Dancey: Certainly. As shown earlier this week by the announcement of the $17.3 million in respect of northern airlines and airlines support, the government is following very closely—and it's my colleagues at Transport Canada as well as ISC—these developments and impacts of COVID-19 in respect of what they mean for essential services, including transportation services in the north and for remote communities.

The discussions with airlines are extensive and frequent through those two departments as well as the eligibility of those businesses under the special programming available through the financial crown corporations. There are various windows open and very sustained dialogue and ongoing assessment taking place.

This concept of essential services and the vulnerability of certain communities is very much on the government's radar, and I would presume that there would be an ability to stand ready to support, as we saw this week.

The Chair: Thanks, all of you.

Thank you, Mr. McLeod and those who answered.

I do have Mr. Poilievre next on my list. I don't see him.

Are you there, Pierre?

Mr. Michael Cooper: I'm going to—

The Chair: Okay, Mr. Cooper. Go ahead.

Hon. Pierre Poilievre: I'll let Michael go first.

Mr. Michael Cooper: Pierre has some issues with his phone so I'll take his time. Thank you for that.

I will direct my questions to the finance officials. I want to follow up on an issue that I have been raising over the last couple of meetings, and that is with respect to credit unions. I know that there is an expedited process in place to get credit unions on board in terms of being able to provide the CEBA to their clients. Last week it was stated that there was an anticipated timeline that, by the end of the weekend, a number of credit unions would be on board. I looked at the EDC list of approved lenders today and I don't see that the list has been expanded. I was wondering if any of the officials could provide an update in that regard.

It's a critical issue because right now in Alberta literally 40,000 small businesses are shut out.

Mr. Soren Halverson: I can take that question.

What I can tell you is that EDC has a list of financial institutions that are participating in delivering the CEBA. Today there are 43 institutions on that list. That list is growing every day.

Mr. Michael Cooper: That clarifies it. I went onto the website and it looked to me like that list had not expanded, or at least it didn't appear to with respect to credit unions. Am I mistaken?

Mr. Soren Halverson: Let me speculate. There's a list on the EDC website that has to do with its export guarantee program. That isn't the same list as the list of eligible institutions for the CEBA. With respect to CEBA, there's a list. For example, just from Alberta, Servus would be on that list. Connect First would be on that list.

In addition to that, there's a two-pronged approach that EDC is taking. First of all, they're working literally around the clock to add additional credit unions to the list one by one, but the other thing that they're doing is that they're now working with the centrals, and that includes the Alberta Central, to essentially get everybody who is a credit union in those particular places on.

Mr. Michael Cooper: Good. I appreciate that update. I guess I didn't see the complete up-to-date list. I was looking at an old list, so thank you for that clarification.

I don't have a question, but I do want to put on the record, in terms of CEBA and the wage subsidy, the serious gaps that exist, by providing some examples of businesses that have been shut out in my riding. For example, one business owner has no employees but works 10 to 15 hours a day in their business with the help of their spouse and kids. In 2019, on the advice of their accountant, they decided to take a dividend rather than a salary. They are shut out of CEBA, and they're shut out of the wage subsidy. Another business owner in my riding set up a start-up tech company. Over the last two years they've been working hard to build up their business. They haven't taken any salary or income out of the business. They haven't paid themselves at all because they have chosen to keep the money in the company to grow. Quite frankly, right now they're being penalized for working to grow their business. They're shut out of CEBA and shut out of the wage subsidy.

I appreciate that the government and officials are working in an unprecedented time as expeditiously as possible, but there are many practical examples that I'm hearing in my riding, and in cases across Canada, where small businesses are not getting the supports that they need and it's making a difference in whether they can survive or stay afloat. I hope the government will take that and move as speedily as possible to rectify some of these gaps.

Thank you, Mr. Chair.

● (1955)

The Chair: Thank you, Michael.

I don't know if anybody wants to answer that or if that's just a point to take back. If not, I will go to Mr. Fragiskatos.

Ms. Gaudreau, we'll have time for one question from you as well.

Mr. Fragiskatos.

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

Thank you to the officials for all of the work they've obviously been doing tirelessly on behalf of Canadians.

It's actually a very specific question I'm asking on behalf of a constituent, a constituent organization, but there are a number of health-based research institutes throughout Canada as well. We've seen the importance of health research throughout this experience of COVID-19. Health-based research happens certainly on university campuses, but it also happens at hospitals. The question that I've been asked was from a hospital-based health research institute, the one in London and that's Lawson. I'll give a huge shout-out to them. The Lawson Health Research Institute is doing incredible work and always has.

The question that they have put, and others have put as well, is this: If they're registered as a not-for-profit, are they eligible for the Canada wage subsidy and other supports?

The Chair: Who wants to take that, folks?

Mr. Andrew Marsland: Perhaps I'll begin with the rules. I don't want to give a kind of ruling with respect to any institution [*Technical difficulty—Editor*]

Mr. Peter Fragiskatos: No, and I don't want to put you in that position, Mr. Marsland. I'm just seeking clarification so that I can communicate it to them.

Mr. Andrew Marsland: Non-profit organizations and registered charities are eligible for the wage subsidy. Hospitals are not.

Mr. Peter Fragiskatos: Okay. They are hospital-based, but what happens when a health research institute, that's based at a hospital, is registered as a not-for-profit? Are they in that case counted as a not-for-profit and therefore eligible for the Canada wage subsidy, and in addition perhaps even the Canada emergency business account, since that is open to not-for-profits?

Mr. Andrew Marsland: I think I'd prefer it if the organization could contact either the Department of Finance or the CRA and we could look at the particular structure. As I say, the basic construct of the rule is that a hospital wouldn't be eligible but a non-profit organization would be. It's very fact-dependent. I would hesitate to express a view on a particular organization, but we'd be happy to engage with the organization.

Mr. Peter Fragiskatos: It's a unique situation. Obviously hospitals are not eligible, but they're based at a hospital, are registered as not-for-profit and carry out their work through donations and the like on the part of the community.

Mr. Andrew Marsland: Yes.

Mr. Peter Fragiskatos: In any case, I know it's a very specific question.

Mr. Andrew Marsland: We would be happy to look at the particular circumstance.

Mr. Peter Fragiskatos: Since we have the officials here, I thought it would be a good opportunity to put it to you. The organization has reached out, and I'll continue to engage with them and liaise with the Department of Finance so that we can get them an answer.

Mr. Chair, I take it that I still have some time.

The Chair: Yes, you have time for one more question. Then we'll go to Marie-Hélène.

Mr. Peter Fragiskatos: My colleague Mr. Fraser raised earlier the whole idea of universal basic income. The economist Kevin Milligan has said that if we did proceed to put in place a basic income in response to COVID-19, the total cost would be $240 billion for four months. The math is pretty simple. The amount of $2,000 per adult for four months leads to $8,000 per adult. If you multiply that by 30, you end up with $240 billion as a direct support.

Has there been an analysis done on whether or not, if we had proceeded in that direction, there would have been enough left over to introduce all the other measures that we've seen to support businesses and Canadians? What would that have done to our balance sheet if indeed we had proceeded down the path that the NDP and some others have called for?

● (2000)

Mr. Andrew Marsland: Perhaps, Mr. Chair, I can respond to that.

The Chair: Go ahead.

Mr. Andrew Marsland: I can't fault the math. It sounds right to me. In terms of $240 billion, that is a significant expenditure when our revenues are somewhere in the region of $300 billion a year. I think what the government tried to do, as the minister indicated, was to quickly make funds available to those who were in need and to do so in a very streamlined way to ensure that all people who had lost their income because of COVID-19 were able to source an emergency benefit.

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

I'll give the last question to Ms. Gaudreau, and then we'll have to wrap it up.

Marie-Hélène, go ahead.

[*Translation*]

Ms. Marie-Hélène Gaudreau: Thank you. I'll be brief.

I want to raise two issues that people are very concerned about. We'll still need to maintain a social distance for quite some time. Can we expect a postponement of the deadline for tax returns? Many people who handle business accounting are asking me whether there will be a further postponement.

My other question is simple. When can we obtain information on the commercial rental assistance? In my constituency, the tourism sector is heavily affected.

Thank you.

[*English*]

The Chair: Thank you, Marie-Hélène.

We'll go to CRA on the tax returns and then to someone else.

Go ahead.

Mr. Frank Vermaeten: I'm sorry. I didn't hear that question on tax returns. The volume wasn't working. Could you please repeat it?

The Chair: Go ahead, Marie-Hélène.

[*Translation*]

Ms. Marie-Hélène Gaudreau: Can we expect a postponement or extension of the deadline for tax returns?

[*English*]

The Chair: Did you get that, Mr. Vermaeten? It's on further delaying the tax returns.

Mr. Frank Vermaeten: Yes, I did.

Thank you for the question. Right now, we have delayed the filing deadline to June 1 and payment until August, so I think we've made a significant accommodation. The reason why we're reluctant to push the filing date past June 1 is that the information we receive from taxpayers is important for calculating benefits.

For example, the information we receive is used for the Canada child benefit calculation and the GSTC calculation, and we provide that information to other departments such as ESDC for the delivery of old age security and the guaranteed income supplement.

We really are reluctant to shift out the date even further so that we wouldn't have updated information to provide for all these really important programs.

● (2005)

The Chair: Does anyone want to answer the questions on rental assistance? I think it's a discussion in the mill.

Go ahead, Soren.

Mr. Soren Halverson: I have a two-part answer. The first is that the minister I think was pretty clear that he wasn't ready at this point in time to communicate beyond what had been communicated, so I don't know that we can provide precision beyond what you've heard from him.

Having said that, I would just point your constituents towards the availability of other credit measures, including the Canada emergency business account as well as the credit that is available from EDC and BDC, because all of those things are there to deal with the non-deferrable expenses that businesses have, and that includes rent. That's a very valid use of those programs.

The Chair: Okay. With that, I want to thank all of the members and certainly all of the officials for sticking with us a little over the time, and also the technicians who make this system work. It's our first attempt at this. We appreciate everyone's efforts very much.

Thank you, officials, for all the work you've done in trying to roll out these programs and putting them together at what I would say is warp speed. We appreciate that very much.

We also appreciate the ideas that coming forward from members. With that, we will adjourn. We will see everyone on the committee again tomorrow at two o'clock, Ottawa time.

The meeting is adjourned.