HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

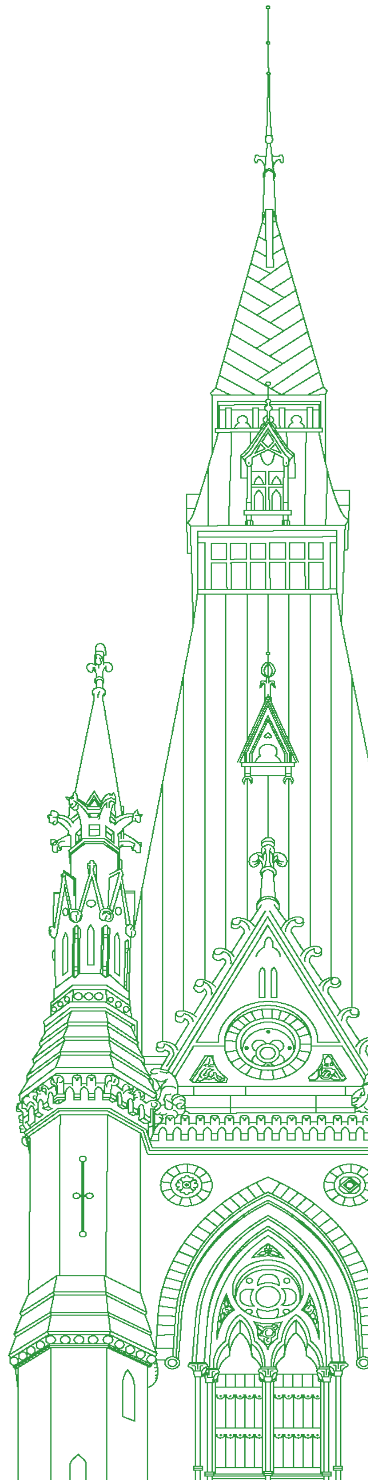
43rd PARLIAMENT, 1st SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 021

Thursday, April 23, 2020



Chair: The Honourable Wayne Easter

Standing Committee on Finance

Thursday, April 23, 2020

● (1405)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): For the purposes of formality and proper procedure, I'll call this meeting to order.

Welcome to meeting number 21 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.

Before we start, I want to inform members that pursuant to this order of reference, the committee is meeting for two reasons. One is for the purpose of receiving evidence concerning matters related to COVID-19 and the other is to consider the biweekly report by the Minister of Finance, which we will get next week again.

Today's meeting is taking place by video conference and proceedings will be made available via the House of Commons website. Just so you are aware, the website will always show the person speaking rather than the entirety of the committee, and that goes for the witnesses as well.

We went through most of the procedures for participating, so mute your microphone when you're not speaking, if you can, and speak as slowly and as clearly as possible. That will make it easier for the interpreters to hear you and then translate into the second language.

I'll start with the witnesses now.

I would ask witnesses to try to keep their comments to about five minutes if they can. We will then be able to have a good series of questions.

Starting with Javaroma Gourmet Coffee and Tea, we have Rami Kassem, president.

Mr. Kassem, go ahead, please.

Mr. Rami Kassem (President, Javaroma Gourmet Coffee and Tea): Thank you so much for inviting me to this meeting. I really appreciate being here.

I appreciate so much what the government is doing for us as owners of small businesses. It's a big support. In the last month and a half, we have been in a big depression on both the personal side and the business side. When you go home, you don't want to talk to anyone. When you go to work, there is no job, there is no work and there are no customers and no money. Slowly the federal government started coming up with a plan to help small businesses, starting with paying a percentage for the employees working for us, up from 10% to 75%, and with grants, and the territorial government as well is giving us loans, along with the federal government.

What we need is to be afloat, and to be afloat until this pandemic is over. With the support of the federal government and the [*Technical difficulty—Editor*] here in the Northwest Territories, everybody is doing their job. Thank you as well to our MP, Michael McLeod, for his hard work and dedication.

Thank you, everyone. We'll keep going.

The Clerk of the Committee (Mr. David Gagnon): I'm sorry, Mr. Chair, but you have to unmute your mike. We cannot hear you.

The Chair: I gave a great speech there, and nobody heard it.

Thank you very much, Rami.

We will turn now to the Manitoba Restaurant and Food Services Association and Shaun Jeffrey, executive director.

Shaun, the floor is yours. Welcome.

Mr. Shaun Jeffrey (Executive Director, Manitoba Restaurant and Food Services Association): Thank you very much for allowing me to join you all today.

I would like to thank you for the opportunity to speak on behalf of the restaurant and hospitality industries here in Manitoba.

As a meeting place for enjoyable nights out with family and friends, our industry has been reduced to a meek and unpredictable takeout and delivery business, with 75% of our industry operating on only 20% of its revenue stream to sustain their businesses. Our average profit margin of only 4.5% is not sustainable for any length of time. We've seen about an 80% reduction in the workforce, and dedicated operators have been turned into cooks, delivery drivers and grocery store clerks to keep us sustainable during this destructive time. With no current federal or provincial programs for fixed costs or for rent assistance and loan application processes that are very convoluted and time-consuming, we're actually seeing a lot of operators unable to create enough hours in the day to remain operationally effective and also remain up to speed on delayed or unavailable programs.

For the approximately 25% of restaurants that are not operational, federal assistance programs available on the basis of wage subsidy are moot. Each day these operations come closer to joining the list of restaurants that will never open their doors again.

A recent conversation I had with an operator of five local fine dining restaurants resulted in a tear-filled plea for more industry-specific assistance, including a federal rebate program for the approximately $75,000 in third-party delivery commissions that he's been forced to pay due to the mandated closure of his dining rooms.

As an industry that struggles to attract high-quality and dedicated employees, each day our industry loses more and more of these existing employees to government programs like CERB. Every day we see another brick in that structure that supports our future removed. Uncertainty about the status of our industry and the future poses significant challenges on retaining post-COVID-19 profitable business. Reality shows that our industry will retain significant losses due to social distancing guidelines for months and possibly years to come.

The reliance on delivery will probably change the structure of a restaurant experience. Federal relief in maybe the form of a CRA adjustment to deductions for claimable business meals would assist in fostering beneficial growth in business revenue, in the form of both dine-in and takeout options.

As one of the first industries to self-close to ensure both patron and staff safety in Manitoba, our industry has been driven to devise operational protocols to ensure that our future patrons can enjoy a dining experience in a responsible and safe manner. We're looking to our federal government to institute a social distancing subsidy program to be available for operators who require changes to their restaurant operational schematic and to ensure that their future business is conducted within the guidelines of social distancing in the dining room, the lobby and in the kitchen.

As we continue to provide feedback at our provincial and federal levels, we continue to see a lack of a unified approach to a national strategy on recovery within our restaurant industry. We're looking to the federal government to initiate a national committee of underlying layers to bring leaders in contact with each other within the restaurant industry to compile a unified strategy on recovery processes, with an ultimate goal of returning our industry to pre-COVID-19 success.

With one week remaining before May 2020's remittance date for commercial rent, operators continue to search for unique ways to meet rent costs with no significant rent relief options in sight. Our industry cannot sustain these consistent drawbacks to the already deteriorated morale that accompanies the uncertainty of a viable future. We're looking to our federal government to initiate these collaborative rental assistance programs that will provide immediate and time-sensitive relief to our operators.

As operators create new and innovative operational processes like grocery delivery to remain viable, we're looking to our federal government to utilize these same principles to initialize programs that will ensure our industry will continue to grow and provide essential services to people and ensure that it's a safe environment in which to enjoy the fellowship of family and friends for years to come.

Thank you for allowing us to discuss the challenge with you today. We're confident that our federal government will do the right thing to preserve our industry for generations to come.

● (1410)

Cheers.

The Chair: Thank you very much, Shaun.

I am now turning to Oliver and Bonacini Hospitality, with Andrew Oliver, president and CEO.

Mr. Oliver, you are on.

[*Translation*]

Mr. Andrew Oliver (President and Chief Executive Officer, Oliver and Bonacini Hospitality): Good afternoon.

[*English*]

Good afternoon, everyone. I am Andrew Oliver, restaurant operator and president of Oliver and Bonacini Hospitality. Thank you for allowing me to address the committee today.

Oliver and Bonacini manages a number of restaurants and venues with operations in Quebec, Ontario, Saskatchewan and Alberta. Our portfolio ranges from quick service to fine dining.

Our industry urgently requires specifically tailored financial solutions for most of our industry to survive this crisis. We are high-labour job creators, the fourth-largest employer in Canada, and we account for 4% of GDP, representing 1.3 million jobs. The numbers are significant, right up there with oil and gas and airlines, but we get there bit by bit, as we are normally made up mostly of small to medium-sized independent businesses.

A crisis of this magnitude in the hospitality sector is going to have a massive negative impact on the Canadian economy, and the damage is already well under way. Over one million of our workers are currently laid off. According to Restaurants Canada, as of the end of March, 10% of restaurants have already closed their doors permanently, with an additional 18% expected to close their doors by the end of this month. Survey results released today indicate that one in every two independent restaurants—that's 50%—do not expect to survive this crisis, and most multi-unit food service businesses will have to permanently shut down at least one of their locations.

More than 95% of restaurant revenue is redistributed right back into the Canadian economy, and an estimated 30% of our revenue is redirected right into government coffers through taxation. That was over $30 billion last year. Any amount of failure in our industry will have broad-ranging economic repercussions, with massive amounts of contagion.

For instance, restaurants represent one of the largest and highest-paying tenant groups in Canada, spending an estimated $9 billion annually in rent. This represents approximately $150 billion of real estate value. An additional 300,000 jobs in direct supply chains are supported by the hospitality industry. Canadian wineries, local breweries and distilleries, purveyors, farmers and artisans are all part of the Canadian small business network.

To give you just one example, the majority of Canadian farmed shellfish is consumed in restaurants. Closures have now caused the demand for oysters to collapse, and for shellfish like clams and mussels, it's down 70% to 80%, according to the Canadian Aquaculture Industry Alliance.

Bobby MacMillan is a mussels supplier at Atlantic Aqua Farms in the Malpeque region of P.E.I. He tells me that 50% of his sales go to restaurants and that the permanent closures are going to have a devastating impact, not only on his business but on his local community.

In fact, there are billions of dollars in unpaid invoices still owing to suppliers, invoices that are at risk of never being paid.

When this crisis hit, our government's first and urgent priority was getting money into the hands of individuals who were out of work. We applaud and support that decision, but our next priority must be the preservation of jobs. We are concerned that the current emergency support programs will not solve the immediate cash crisis that many restaurants face. It will lead to permanent closures and permanent job losses.

Fixed costs and working capital are our top issues. The majority of all Canadian restaurants are currently drawing next to zero revenue, but the fixed costs of rent, loan payments, insurance, and WSIB and employee benefits for laid-off workers must all be paid.

The $40,000 interest-free loan program, recently expanded, was a step in the right direction; however, many restaurants with many employees are excluded from the program. Moreover, if you are included and you are at the higher end of payroll, the amount of capital provided is simply not enough. Our costs are way too high.

Another step in the right direction is CECRA, the rent relief program for small businesses. It's not yet approved, nor do we have enough details, but for restaurants that are drawing little or no income or revenue, it's unlikely that anything short of 100% rent coverage will do enough for many to survive, which will cause a second wave of closures and permanent job losses. Rents are 10% to 12% of sales. The math is extremely straightforward. A 75% wage subsidy is not, by and large, a viable solution for restaurants that are closed and have zero revenue. If subsidies were made available to us at the time of restart, it would be quite helpful; however, most owners will not have enough working capital to bankroll full payroll for the weeks and months until government reimbursements arrive.

Mindful of these unique challenges, I've been working with a coalition of my peers through savehospitality.ca and representing over 75,000 laid-off workers from coast to coast. We've been very active in working with municipal, provincial and federal governments. We are actively lobbying for rent relief and have been credited with helping get it on the agenda, and we are also providing some solution-driven recommendations.

As an example, on the wage subsidy, we are recommending low-interest to no-interest government-backed loans to bridge the period before government reimbursement begins to flow.

To address the fixed costs and working capital issues, we are recommending a forgivable loan program, which would provide a percentage of an operator's prior year net revenue as a means of support through the mandated closure and give operators enough capital for a restart.

● (1415)

Having recently renovated and reopened a restaurant, only to be forced to shut down some two weeks later due to COVID, we know what it costs, and it's very expensive.

In conclusion, there are solutions that can help us get back on our feet. They just need to make sense for our industry and our unique set of circumstances. For this to be affordable for the government, we need industry-specific solutions tailored to resolve our hospitality issues.

We are here as an industry, and I am here with our government, to find solutions that will work to stop the next wave of closures and ensure a strong industry once this is over, but we need your help. At Oliver and Bonacini, we closed our restaurants across the country before it was mandated, as did so many of our peers. We did the right thing, and we likely slowed the spread and saved lives. Now we need you to save us. We're not lobbying to reopen before it is safe, but we need support to bridge us through, to ensure that there is a business left to reopen when it is safe to do so.

● (1420)

[*Translation*]

I am here because I love my industry. I love my business, and I'm fighting with every fibre of my being to keep my 3,000 employees, employees who have families to feed and rent to pay. Those with the heavy burden of finding solutions must take the same approach in supporting the members of my team, whose talent, work ethic and passionate dedication make them just as deserving.

I am tremendously grateful to you for everything you are doing and your time today.

Thank you.

[*English*]

The Chair: Thank you very much, Andrew. The passion for your industry certainly comes through. I can vouch for those on the oysters and mussels side, because a lot of those producers are in my riding. Their product is being lost in storage right now, and they're trying to figure out how to manage the new crop.

Turning to Restaurants Canada, we are joined by David Lefebvre, vice-president, federal and Quebec affairs.

Mr. David Lefebvre (Vice-President, Federal and Québec Affairs, Restaurants Canada): Good afternoon.

[*Translation*]

Mr. Chair, distinguished members of the committee, thank you for inviting me.

[*English*]

My name is David Lefebvre. I am vice-president of federal affairs and Quebec at Restaurants Canada. We are the national restaurant association, representing over 30,000 members, including full-service restaurants, quick-service restaurants, catering services, bars or drinking places.

In normal times, our industry employs 1.2 million people, generates $93 billion in economic activity and serves 22 million Canadians every single day.

As you all know, these are not normal times. Since mid-March, the COVID-19 outbreak in this country has wreaked havoc on restaurant operators, with 800,000 jobs lost and close to a quarter of restaurants either permanently closed or thinking about shutting down forever over the next few weeks. More than half of our industry does not have any sales. Dreams are broken. Retirement hopes are broken. Careers are broken. Lives are in shambles.

Our people are ingenious in Canada through many circumstances, but right now some have both knees on the ground, and they need a friend. It is not a situation they like, and they did not choose to be in it. Our association fully accepts public health measures and our continued role, but we also request proper support. This is a time for action.

[*Translation*]

The federal government has implemented some terrific programs in the past month, ranging from the Canada emergency response benefit for workers and the wage subsidy to a series of loans for businesses and even support for young workers and students.

As we transition slowly from a time of emergency measures to a period of greater sustainability, Restaurants Canada would like to share its recommendations.

Without your help, the carnage in our sector will continue. According to a survey made public yesterday, 75% of our members describe their debt situation as serious or critical.

Canadian restaurateurs need sector-specific support.

[*English*]

Rent payment is by far the highest fixed cost in our industry. As the next step to ensure business continuity, it is essential that this be addressed by the federal government and its provincial counterparts. Without action, you will not be able to drive two blocks in a few months without witnessing tons of closed stores and massive desolation. It's going to be true in the 338 ridings across the country. Nobody wished that to happen.

Restaurants are different from other stores. Closing down seven weeks ago meant a massive loss in inventory. Fresh food was donated or lost. There's no inventory anymore. I mean no disrespect, but we're not a candle store or a clothing store that will not have lost most of their inventory. Even when reopening, it's going to be like rebuilding from scratch. It's just not possible to simply flip on the light switch.

Our members face a triple whammy of closure—often total—lost inventories and mounting bills. On top of that, operators have lost excellent employees who might not come back to the business after the crisis.

● (1425)

[*Translation*]

Today, we are sounding the alarm: help restaurants, the establishments that play a central role in our lives.

First, we recommend an immediate moratorium on evictions for commercial tenants, which would relieve pressure while stakeholders continue to develop solutions for the long term.

Second, we recommend rent assistance at a percentage in line with decreased revenue. Deferrals and loans are very helpful in the short term but, if not combined with relief mechanisms for the longer term, will contribute to more permanent closures.

Last, we recommend ongoing measures while the economy is still in recovery. That means maintaining rent relief measures until consumer confidence rebounds, the time it takes for business revenues to return to 70% of what they were before the crisis.

[*English*]

We also ask for tax relief, not only deferrals, which often just punt the problem to a later date. Granting waiver on GST and HST for a quarter would be a sound economic measure. Providing some form of subsidy based on a percentage of 2019 revenues is also a path that might be chosen to help restaurants. An extension of the wage subsidy qualifying periods would also truly make a difference.

Restaurants Canada is grateful for the steps taken by the government so far to help, but more is needed as we move into this transition period. Our sole purpose is for as many restaurants as possible to survive, so that our industry can fully contribute to this great country of ours.

We appreciate being able to share with you the experience from the front line of our industry. We would be more than happy to answer whatever questions the committee has, and we remain available to answer your questions for the benefit of all Canadians.

[*Translation*]

Thank you, ladies and gentlemen.

[*English*]

The Chair: Thank you very much, Mr. Lefebvre, and for your suggestions.

We'll turn next to Superior Lodging Corporation, with Marc Staniloff, owner.

Go ahead, Marc.

Mr. Marc Staniloff (Owner, Superior Lodging Corp): Thank you, Mr. Chairman, for the opportunity to appear before you.

My name is Marc Staniloff. I live in Calgary and I own Superior Lodging Corp.

My company owns the franchise rights in Canada for the following brands: Super 8 hotels, Travelodge Hotels, and Microtel Inns and Suites.

All of these brands are part of the Wyndham Hotel Group. There are a total of about 525 Wyndham hotels in Canada, of which 255 are under my franchise.

I want to point out that all the Super 8, Travelodge and Microtel hotels are all individually owned by local operators and are all Canadian owned. My company owns interest in about 30 of these different hotels.

Currently there are 100 Wyndham hotels closed in Canada, of which 20 are Super 8, 21 are Travelodge and two are Microtel. About 20% of the hotels under my brand are closed right now. The other brands—Marriott, Hilton, and all the other brands—have similar numbers.

About 20%-25% of hotels in Canada are currently closed.

Currently occupancy in the hotels that are open is running at about 9%. That gives you the context of the current state of the industry in Canada.

In addition to the COVID crisis, we are also getting slammed by the oil and gas markets in the resource-rich communities where we have hotels.

We have several big issues today.

The first is that we need to get businesses open as soon as possible. I know this cannot happen all at once, and I think it needs to be on a measured basis, both in regions and in sectors, depending on the different companies and businesses.

As well, we need to get people travelling again, both by car and by plane.

Then the next big issue is what this recovery will look like. This is going to be a very long haul, and many of our businesses might not make it through.

We think we need to ensure that our sectors can fully benefit from the wage subsidy program and we need to recognize that the recovery of our sector will likely be slow. Thus, we need to extend the duration of the wage subsidy for businesses that will take longer to recover. For example, until revenue losses are below 30%, the subsidies should stay in effect. This will ensure that we rehire our staff and keep them.

We also need to make adjustments to the loan criteria so that banks actually approve us. Right now it's way too risky and the process is way too cumbersome.

First, we need to find a way to have the loans based on the property rather than at the level of a corporate entity. A number of corporate entities own a number of hotels, and as a result of the way the loan process is set up, if they own 10 hotels, they are only entitled to one loan.

Second, the loan process is such that the borrowers have to qualify for the loan. Hotels today are not going to be able to qualify, and as this goes along, they will be less and less likely to be able to do so. We need these loans to be simple and based on a simple checklist and verification of solvency as of March 15.

We need relief, and by that I mean interest forgiveness. I know a couple of the other witnesses have mentioned the same thing. We cannot just pile on more debt and kick the can down the road. This is a recipe for disaster, so for the loans I just mentioned, there has to be a forgivable portion and there has to be a formula for that.

For us to have a solid recovery package, we feel we need the government to provide marketing funds for Destination Canada to fully advertise Canada. We want people who live in Canada to travel in Canada.

In addition, we need a subsidy to support low room rates to incentivize travel. The GST could be eliminated for an interim period, and the deductibility of entertainment expenses could be considered.

Thank you.

● (1430)

The Chair: Thank you very much.

We will test Mr. Cooper and Ms. May later, but the first one up on the six-minute round of questions will be Marty Morantz, followed by Annie Koutrakis.

I will turn now to fellow islander Rose Dennis, second vice-president of the Tourist Industry Association of Prince Edward Island.

Go ahead, Rose.

Ms. Rose Dennis (Second Vice-President and Executive Director of Explore Summerside, Tourism Industry Association of Prince Edward Island): Thank you, everybody, for this opportunity to represent Prince Edward Island and the Tourism Industry Association of Prince Edward Island. I am also the executive director of Explore Summerside, which is the second-largest city within Prince Edward Island.

As all of you may be aware, tourism is a vital industry in Prince Edward Island. It provides over 8,600 full-time jobs for islanders. It accounts for over $500 million in economic activity each year and 6.3% of GDP, which is the highest percentage for any Canadian province.

One of our greatest concerns is seasonal operators and their need for support. We are pleased to see that many federal and provincial business support programs have been rolled out in the last few days and weeks, but it is important that we not lose sight of the seasonal operators at this time.

Our island's seasonal operators are currently weighing decisions related to whether they will open for the 2020 tourism season. In our latest COVID-19 impact survey from April 6, 2020, operators were asked a series of questions about how COVID-19 is impacting their businesses. In terms of the impacts, there were two really dominant statements within the survey. When we asked them about looking ahead to the next three months and what risks their businesses were facing, 75% said that closing their businesses temporarily was an option, 55% are facing employee layoffs and over 50% are unable to pay staff wages.

When we followed up with a question about what kind of financial assistance or stimulus their business operations require, over 60% favoured having government taxes, dues, and financial demands waived for the next 12 months, starting immediately. Over 54% asked for wage subsidies for employees with reduced hours and 43% talked about credit and incentives to continue or start capital expenditures.

With these concerns of operators top of mind, the following are the main areas of concern for these seasonal businesses. Currently, the wage subsidy is only offered retroactive from March 15 and available until June 6, 2020. The limited timeline of the subsidy will not be of great assistance to our seasonal operators in their planning and hiring. We would like the subsidy extended to September of 2020 to help operators plan for opening their operations and for proper staffing. If it is not extended, we feel that operators may not open, or ultimately may open but will only hire skeleton crews, resulting in a reduced experience being offered because of understaffing.

When we also consider seasonal staffing, we are aware that there are now concerns around what happens to people on EI who may not be able to get their insurable weeks this summer. We would like to see EI extended or a program offered to support them in either getting their weeks or covering what would have been their EI in the fall and winter. Having the wage subsidy would also assist in giving them a better opportunity to work their full 12 weeks.

Top of mind are loan options and availability. While loan options will benefit some tourism operators, and we welcome loan options, many operators do not want to add to their current debt load. Operators would like to see government working with lending agencies and financial institutions to encourage multi-month deferrals of 12 to 18 months. While some financial institutions are currently promoting three-month deferrals, these are of little benefit. Operators need time to achieve revenue in the 2020 and early 2021 season to be used to pay back existing loans.

In addition to hoping for longer deferrals for loans, several have expressed concern about the interest that will be accruing on top of the original principal and interest during the deferral period. Having no additional interest would be of greater assistance to the operators.

Additionally, government, working with suppliers of electricity, telephone, Internet and other services, could encourage deferred payments and rollbacks on rates for these services.

We feel the window is closing on our tourism operators' ability to make decisions about operating within the 2020 tourism season landscape. We call on the government to take these issues very seriously and to offer support that will provide seasonal tourism operators with some level of confidence moving into the ever-important summer operating season. This will provide continuity to our tourism industry's ability to contribute significantly to the economy of Prince Edward Island if we see the government support them with these resources.

● (1435)

Thank you so much for this opportunity to provide some testimony on behalf of the industry. We look forward to helping Canada's hospitality industry recoup and recover post COVID-19.

The Chair: Thank you very much, Rose.

Thank you to all the witnesses for their heartfelt presentations on this pandemic that we're going through and on solutions to try to assist the industries.

Could we do a quick test on your microphone, Michael Cooper?

● (1440)

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Sure.

I'm just here in my office on Parliament Hill. It's a beautiful sunny day here in Ottawa.

Does that work?

The Chair: Yes.

Michael, do you have a headset?

Mr. Michael Cooper: We've been having some technical issues. The headset that I have doesn't work with this phone.

I apologize for this. We're having a few wrinkles here, as I'm set up in my Ottawa office as opposed to my constituency office. Can you hear me well enough?

The Chair: I can, but I don't think translation can, from what I hear.

Mr. Michael Cooper: Okay.

We're working to get this rectified as we speak. Hopefully, in the next 15 or 20 minutes I will have the right phone with the right headset.

The Chair: Thank you, Michael. You have about 20 or 25 minutes before you're on.

Elizabeth May, do you want to give us a quick line, please?

Ms. Elizabeth May (Saanich—Gulf Islands, GP): Absolutely.

I don't know if I'll get a question in, but I want to say that my parents ran a place at Margaree Harbour on the Cabot Trail. I waitressed and cooked in the Schooner Village restaurant for many years, and this testimony we're hearing goes right to my heart. Thank you all.

The Chair: Okay, we will now turn to the six-minute round of questions, starting with Mr. Morantz.

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

I want to thank the committee for taking me up on my suggestion last week of hearing from the hospitality industry, because what we've heard today is the stark and frightening reality of the restaurant and hotel business in Canada today.

My questions will be for Mr. Jeffrey.

Mr. Marty Morantz: Hi, Shaun. It's always nice to have a fellow Manitoban on the line. I want to thank you for your excellent presentation.

Mr. Shaun Jeffrey: Thank you.

Mr. Marty Morantz: One thing I've been hearing through my office is that there are many people falling through the cracks when it comes to the general programs. CEBA is a good example. We've had people saying that they opened their business or restaurant in December. CEBA needs 2019 payroll, so they're falling through the cracks. Sole proprietors, many of whom have family-owned restaurant businesses, are paying themselves in dividends. They'll fall through the cracks because they don't have the payroll.

You commented about the federal government adopting a national strategy and working with other levels of government. I'm wondering if you can comment on what specific types of economic measures your association would like to see.

Mr. Shaun Jeffrey: We feel that collaboration is key for the success of our industry post-COVID-19. We need to get together and have a unified approach.

Obviously, there is a lot of municipal, federal and provincial collaboration happening, and it's evident today that you have a lot of knowledgeable levels of our industry available to you at this time. Having that availability of multiple levels of information, feedback and knowledge and being able to bring them together to collaborate to find the best solutions would be best. Having a national strategy and having regular feedback and regular collaboration from leaders in our industry would be significant, whether it's here in Manitoba, nationally with Restaurants Canada, with local operators or with national operators. Being able to collaborate with the best of our industry would have the end result of a unified approach on what is required as a whole from the federal government.

● (1445)

Mr. Marty Morantz: As we see ourselves coming out of this, I think the restaurant industry is going to look different. There will probably be a number of different measures imposed by different levels of government in terms of operations.

Do you have some thoughts on what a safe dining experience will look like post-COVID and how the industry will adapt?

Mr. Shaun Jeffrey: We have worked on collaborating and composing a post-COVID structure and what restaurants will look like. The reality is that post-COVID-19, patrons and staff are going to be well aware of social distancing guidelines far into the future, for years to come. The restaurant industry as we know it will have to change the way we interact daily, whether in the restaurant, at the front counter, in the kitchen or with our suppliers. It's all going to have to change, because that awareness is there, and we need to respect that awareness and those guidelines.

Our industry has been working with our local provincial government and with our health protection units to create a program whereby restaurants can open in a socially distanced situation and can operate in an effective manner while respecting those guidelines and having a unified approach to what those guidelines look like. The significant fact is that we will be operating at anywhere between 40% and 60% of our dining room capability. Based on revenues drawn during COVID-19, it's key to realize that this is going to be a significant deterioration of our industry as a whole.

Mr. Marty Morantz: You have mentioned some specifics, though, such as the deduction of restaurant expenses for business purposes. As well, an interesting concept that I don't think I had heard before was around social distancing in restaurants and a subsidy program for that kind of thing.

Around industry-specific assistance, can you touch on what types of specific measures you have in mind?

Mr. Shaun Jeffrey: Yes. There are three large components we're looking for.

The first is the federal rebate program for the commissions we pay out to third parties. We have had to endure significant commissions from third party delivery services because of the closure of dining rooms. The result is that restaurants that already have a very low return on investment will see it even lower. Now we're having to pay those commissions out, and that's because we are unable to foster revenue inside our restaurants, which usually accounts for about 80% in full service.

The next would be business meals. We want to activate people's ability to go out and feel comfortable in a dine-in experience, because that's where the majority of our revenue is situated. Because of that, we want to be able to entice people into coming out. I feel that by working with the Canada Revenue Agency to change the deductions you can currently get for business meals to 100% deductible instead of just the 50% you get for dining with somebody, we'll be able to activate people to come out. The reality is that everybody's sitting at home, and they will want to get out. We're wanting to meet with people we haven't talked to for some time, and that will really activate a large influx of revenue into our industry.

The last one is the change within our industry. We were the first to self-close through this process and we know what we need to do to keep our staff and patrons safe in the future, but those measures come with costs. We need to be able to look to our government to help us implement benefit programs, federal rebates or stimulus packages to assist with the cost of taking a pre-COVID-19 restaurant to post-COVID-19 while factoring in social distancing guidelines and respecting our customers' and our staff's ability to participate.

Mr. Marty Morantz: I have one last quick question—

The Chair: Thank you both. We're quite a bit over time.

I would like to ask for a point of clarification, Shaun. I don't quite understand the commissions you pay to a third party. Can you give me an example?

Mr. Shaun Jeffrey: Sure. For every dollar earned through a restaurant's use of a third party delivery service, the restaurant pays anywhere from 20% to 30% of that dollar to the third party delivery service.

The Chair: Okay, now I understand it. I'm glad I asked the question.

We'll turn to Ms. Koutrakis and then on to Mr. Ste-Marie.

● (1450)

Ms. Annie Koutrakis (Vimy, Lib.): I wanted to begin by thanking all the witnesses who presented so passionately and eloquently the challenges that the hospitality and restaurant industry is facing right now.

I grew up as a daughter of a restaurateur. In fact, my father ran his business for many years in the riding of Vimy in Laval, which I am now fortunate enough to represent, and I know first-hand the challenges for a small business owner in the restaurant industry in years that are really great, so I can't even begin to imagine what it must be like to be in this situation today.

Having said that, I have two questions, and they're for anyone on the panel who would like to answer. I'm asking about what we're going through in the short term and then focusing on the future.

I would like to begin by discussing access to supports that are included in the COVID-19 economic response plan. Can you give us a sense of how your members and your employees are or will be benefiting from the various programs, including the CEWS, the CEBA, the CERB and the CECRA that is soon to be rolled out?

The second part of my question deals with looking into the future, because as you eloquently explained, Mr. Jeffrey, after the recovery, the business is not going to look the same, and different choices and set-ups will be needed. With that in mind, what is your industry doing to adapt in the short and medium term to the new reality we are in and create a safe environment to bring back employees and clients as we restart the economy in phases? Also, how are you innovating to bring out new and different products and services to meet the new demand?

The Chair: Could we start with Restaurants Canada? That group really represents the broad industry as a whole.

Mr. David Lefebvre: Yes, I have no problem with that.

Ms. Koutrakis, I think you nailed it. You really understand very well the fact that we're moving from a phase of emergency measures into something that is more medium or long term.

Right now, unfortunately, you have a lot of laid-off employees. They have access now to the CERB and they're able to take that. Some people will also be able to have the wage subsidy. Some companies and even some people will be able to work a few hours and still have the subsidy and make sure they remain on the payroll.

This is a way whereby industry benefits from the programs put in place by the federal government. There are some problems here and there in eligibility, of course, and we've mentioned a few during our presentation, but they are definitely steps in the right direction.

Moving forward, this is why the rent program is so important as a tailored solution for the food service and restaurant establishments, because, to the point Andrew made, you have 80% of the independent operators operating on only 20% of revenues. I think we understand that there's a new phase, that the COVID and the self-confinement situation is moving into a multiple-month process, and definitely help is going to be needed.

To the point of my colleague in Prince Edward Island, definitely June 3, in terms of the wage subsidy, is probably a little too short a time for it to be fully effective, but everything done so far has been positive and are steps in the right direction. We just need to tweak things here and there, and of course create a 100% program for rent subsidies.

That would be my outreach to the federal government. It would be to make sure that the work on rent relief is also done with the provinces, because after all, a lot of those contracts are under provincial jurisdiction. However, federal leadership would definitely be appreciated here.

The Chair: Could we go to one of the folks from the hotel industry, such as Mr. Staniloff or Mr. Oliver? I think their solution is a little different from what the restaurant industry wants.

Mr. Andrew Oliver: I'd love to go. I'm actually in the restaurant industry, but I'd love to speak on this if you would permit me.

The Chair: Sure, go ahead.

Mr. Andrew Oliver: I think you guys did a great job with respect to getting money to our employees who had been laid off, and I think that we heard overwhelmingly that it went well. On reopening, we might have issues if tipped employees are going to be better off staying on that program than coming back to work, and we're hearing that. We'll address that in the coming weeks and months as reopening happens.

With respect to the CEBA program, the $40,000 program, fundamentally, math doesn't lie. To think that a program that represents.... As an example, you now qualify with a $20,000 payroll, all the way up to $1.5 million. To think that a one-size-fits-all option can work is nonsensical to me. On the one side, the $20,000 minimum threshold if you're on the lowest end is two years' worth of payroll. On the flip side, at the high end of $1.5 million, you get less than two weeks' worth of payroll, which is a 7,500% delta and catch-all net. It is absolutely mind-boggling to me to think that a company of a larger size that is 75 times higher in payroll would only qualify for the same loan program as someone with a $20,000 payroll, and then, on the back end, there are all the companies that don't qualify.

With respect to the rent relief, as Restaurants Canada mentioned, it is the number one problem facing our industry. Our industry pays super-high rent. It's 10% to 12% of our sales, and given that there are huge numbers of people who have zero sales or 75% less in sales and because we have all these other fixed costs, anything short of a plan like the one in Denmark, where they covered 100% of rent and fixed costs for the following three months....

As much as I think again it's a step in the right direction for the government, you might actually have an unintended consequence. If you don't have a catastrophic category for those whose sales are down 90%-plus, whereby they don't pay any rent but are asked to pay, let's say, 25% rent, you might actually have a wave of restaurants saying, “I'm out. The government doesn't understand my business, and I cannot hold on any longer, considering we're only only a week away from May 1."

If you look at the numbers that Restaurants Canada put forward, you see that by the end of April, we're looking at potentially close to 30% destruction and permanent job losses. I'm highly hopeful that the governments are working and really thinking two or three steps ahead at this point to ensure that we don't try to change this plan in two or three weeks, because once these businesses close, they are closed for good. Those payables that they owe—the oyster farmers and the mussel and clam farmers—are never getting paid. Instead of putting out a fire by just dousing the fire and having it limited, you're allowing that fire to continue to spread and the contagion to spread.

My hope here is that we can come and work together, as Shaun has suggested. My hope is that industry and government can sit there and frame something that is the most economical solution for the government. We realize that there are limited resources, but how do we spend that money appropriately? There are those who are actually winning because of COVID financially, so how do we ensure that those who need the money can survive and create those jobs?

● (1455)

The Chair: Sorry, Andy, but we're going to have to end it there.

I will say to witnesses that if you have a point you want to make, you aren't all up on my screen. I have to flip back and forth, but if you have a point that you really have to make, wave your hand. I can't guarantee I will see you, but I might see you and I'll let you in.

We'll turn to Mr. Gabriel Ste-Marie and then to Mr. Julian.

[*Translation*]

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

Welcome to all the witnesses. I'd like to thank them for their presentations.

To start, I'd like to comment quickly on what the witness just said. I believe it was the second witness who answered Ms. Koutrakis's question.

Indeed, a $40,000 loan isn't much for a larger business, but loans of up to $6.25 million are also available through the Business Development Bank of Canada and Export Development Canada. The loans aren't interest-free, but the rates are low. Although the loans are repayable, businesses who need more help have access to additional liquidity.

Mr. Lefebvre, thank you for your remarks. One of the measures you recommended was rent assistance commensurate with decreased revenue. You said the loans wouldn't be enough.

This is my first question, then. Percentage-wise, how much do you think would be enough for the restaurants you represent?

I'll throw out my second question, while I'm at it.

The government announced that it would be introducing a rent assistance program soon. If that assistance came in the form of a loan that was only partially repayable—similar to the $40,000 emergency loan, which allows for $10,000 in loan forgiveness—would it be enough to help your members, or would they need more than that?

Mr. David Lefebvre: Mr. Ste-Marie, thank you for your questions.

Under the model we are envisioning, businesses could pay a portion of their rent in line with a percentage of revenue. A program like that would address some of the needs Mr. Oliver talked about. Those in more trouble who need more help would be eligible for more assistance. For example, a 50% decrease in revenue would give rise to a 50% rent subsidy. Various models would need to be considered.

Also important is the point at which the business's situation is considered to be normal again. We think the return to normal point should be when the business reaches 70% of its revenues. That would be consistent with the basic rate for the wage subsidy, in other words a 30% loss in revenues.

A loan guarantee program, where a portion is forgivable once the loan is repaid, is better than nothing. When it comes to rent, though, we are looking for subsidy-type assistance, something that would not be repayable. We want to make sure as many restaurants and food service operators as possible remain viable. Obviously, that means businesses that were viable before the COVID-19 crisis, because there has to be some fairness across the various restaurants and service providers. It's important to understand something: if federal support is limited to payment deferrals and loans, watch out.

When it comes to rent, reaching agreements with the provinces is essential. Many of these private contracts are under provincial jurisdiction. Saskatchewan and Quebec are two provinces that are already working on the issue, and we encourage everyone to do so.

● (1500)

Mr. Gabriel Ste-Marie: Thank you.

The Minister of Finance has highlighted how many meetings he's had with his provincial counterparts to come up with a proposal as quickly as possible.

I fully understand that it would be better to have direct support in the form of a rent subsidy, since rent is the highest fixed cost for your industry. It would be better than a credit, even if that credit were only partially repayable. Your point is well taken.

You talked about how important it was to keep the measures going until the economy recovered, and you proposed a threshold of 70% of revenues.

How long might that take for a restaurant? Can you give us an example to illustrate it for us?

Mr. David Lefebvre: Let's say I own a restaurant called David Lefebvre Pizza. If I had $200,000 in sales before the crisis, as shown by my tax returns and accounting statements, my business would be eligible for the wage subsidy until my level of revenue had returned to $140,000.

The government considers businesses that have lost 30% or more of their revenue to be in a difficult situation; at that point, they qualify for the wage subsidy. Similarly, we feel that a return to 70% of pre-crisis revenues represents somewhat of a return to normal, although it does not mean that the crisis is completely behind us. We think it's a reasonable threshold when you compare the 70% we are proposing with the 30% provided for under another federal program. Throughout the situation, the business owner would receive support until things returned to normal. It could be a percentage based on losses. A system like that could be put in place.

Keep in mind that, not that long ago in the industry, some business owners had lease agreements where rent payments were pegged to revenues. It worked. It's not completely new to the industry. It's just a practice that was dropped along the way.

We have to start working on certain things again to be sure that the recovery does happen and that as many restaurants as possible survive.

Mr. Gabriel Ste-Marie: If I'm not mistaken, the hotel industry—

[*English*]

The Chair: Be very quick, if you can, Gabriel. I believe Mr. Staniloff wanted in on the first exchange. We'll finish Gabriel's question and then go to Marc.

Go ahead, Gabriel.

[*Translation*]

Mr. Gabriel Ste-Marie: I'll end with this comment, then.

I think we heard from hotel industry representatives who made a similar suggestion, in other words, supporting the industry until it returned to 70% of its revenues before the COVID-19 crisis.

Thank you, Mr. Lefebvre. That was very clear.

● (1505)

Mr. David Lefebvre: Thank you, Mr. Ste-Marie.

[*English*]

The Chair: Mr. Staniloff, earlier you wanted to make a point, I think.

Mr. Marc Staniloff: Yes. I won't be too long. Thank you, Mr. Chair.

I have just two things. I know that there was a discussion about the BDC loan, the $6.25-million loan. The problem with that process is that it's impossible, or very, very tough, to get it. You have to qualify with a financial institution. From a hotel point of view, we're not going to qualify today. We don't have the income. The value of our hotel, which is tied directly to income, has dropped sufficiently enough. The hotels usually have a first mortgage anyway, so to be able to top that up is extremely tough. There has to be a forgivable portion on it.

The other issue is the guarantees. What they've been asking for is personal guarantees, both on that loan and also on the COVID working capital loan that BDC has been offering. We are in the process right now of trying to get them, but it's extremely difficult. It's not an easy thing to do. I know that a lot of my fellow hoteliers are just giving up. They've actually been turned down. They did the application and they got turned down right away. It has been a real challenge.

The other thing I want to add is with respect to the 70% that Mr. Lefebvre was talking about. That's similar to what I was talking about on the hotel side. We need to get back to some level before this wage subsidy program is terminated.

Thank you.

The Chair: Thanks to all of you for that information.

We'll turn to Peter Julian. I see that Michael Cooper has a mike on, so we'll go to him after that.

Peter, you're on for six minutes.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thank you very much, Mr. Chair, and thanks to our witnesses for being here today. We hope your families are safe and healthy.

These are very important issues that you're raising. We cannot have a catastrophic impact on the hospitality industry, on restaurants and hotels, that will mean we will go deeper into the economic difficulties caused by COVID-19.

My first questions for Mr. Jeffrey and Mr. Oliver are around the issue of rent abatement. Other countries—France, Denmark and Australia—have provided really effective rent abatement policies. All of you have pointed out in your testimony that the system of loans just does not work. The idea that businesses should go deeper into debt isn't one that is going to mean long-term viability for the hospitality industry.

What I and Gord Johns, who is the NDP small business critic, have proposed to the government is a rent abatement program based on what is done in some of the other countries, whereby the federal government would underwrite 66% of the rent abatement. In other words, the property owner provides a rent moratorium for the small businesses in the hospitality industry, and as a result of that, the federal government underwrites two-thirds of it. There's a shared sacrifice that allows for the longer-term viability of the industry.

It means, of course, that the property owner continues to have a tenant after the crisis, and it means that the hospitality industry, the restaurant, can actually continue on. What do you think of that idea of rent abatement, with the federal government underwriting two-thirds of the cost in order to get us over this crisis and to allow restaurants to continue building their market and their businesses?

That is for Mr. Jeffrey and Mr. Oliver.

The Chair: Mr. Jeffrey, do you want to go first?

Mr. Shaun Jeffrey: Yes. Thank you very much.

Thank you for the question. I appreciate it.

I think it really gets down to what Andrew said. At this point, we are not able to take on more debt and we are looking for immediate and 100% relief. Twenty-five per cent of restaurants are operating at zero revenue. The other 75% of them are operating at 20% of their revenue. A 66% abatement would still require a pretty significant amount of impact from the restaurant itself.

We are looking at a tough time. Restaurants are going day to day and operators are mortgaging their own homes to pay fixed costs. We need something that's going to cover at least 100% of the cost itself, I would say, and it needs to be significantly quick, because, again, May 1 is a week away.

I have the benefit of being a landlord myself, with five rental properties, and I can tell you from a landlord's perspective that we are also suffering. It comes to a point where we need immediate, significant and fast relief.

The Chair: Go ahead, Mr. Oliver.

Mr. Andrew Oliver: Mr. Julian, is the other 33% the sacrifice that landlords would be asked to make so that operators would have zero rent? Is that correct?

● (1510)

Mr. Peter Julian: Yes.

Mr. Andrew Oliver: Then that's probably the best idea I've heard so far, quite frankly, because it does allow.... To Shaun's point, the math doesn't lie. If your revenues are zero or 20% and you have other fixed costs, there is absolutely no money to pay rent, but at the same time, rent has to be paid. If we think about what rent does, we not only pay our landlords, individuals such as Shaun, but we also support millions of pensioners and large government service pension plans, which are our largest landowners. They need to get paid. We need the ecosystem to survive.

You also have another massive problem, and we've seen it in Vancouver. Some are asking for emergency loans from the province. We pay outsized amounts of property tax in those rents, and without those being paid, you're going to create fires in every single municipality because of shortfalls in revenues.

You as government, with leadership, can impose a plan like that so that you're protecting landlords for themselves, because alternatively you'll have an utter collapse of the commercial real estate market and rents will plummet. Mortgages will not get paid and pensioners will not get their incomes, just as investors like Shaun will not. At the end of the day, that plan would work.

Paying 100% of the rent for people who have had a catastrophic loss in sales of 60%, 70%, 80% or 100% is absolutely necessary if you want to protect jobs in our industry. If you leave a portion of the rent payable by people who have no funds.... To Gabriel's point, the $6.2-million loan is not an option. I don't believe any of those loans have actually been approved or gone out, compared to those in the CEBA program. It's going to take far too long, and many people in our industry will be bankrupt before that happens. Without direct government intervention, the stats are there: More than 50% of us will not survive.

Mr. Peter Julian: That's—

The Chair: Peter, your question will have to be quick. You can have one quick question.

Mr. Peter Julian: Thanks very much, Mr. Chair. Thanks, Mr. Jeffrey, and thanks, Mr. Oliver. It's 100% rent abatement, and I'm glad that you appreciate that proposal.

[*Translation*]

Mr. Lefebvre, bank interest rates haven't gone down. The credit unions have dropped their interest rates to zero, but the banks have not. People are still paying a lot of interest on their mortgages, credit cards and loans.

If the federal government exercised its right to force banks to drop their interest rates, would it make a difference?

Mr. David Lefebvre: I am very glad you asked that, Mr. Julian.

Restaurants Canada has been working for years to bring down credit card interest rates and interchange fees. We think we've made some strides with the government in the past few years, but now is certainly the time to do more about credit card fees, which are very costly.

More and more purchases are being made with credit cards and cash is not accepted at many establishments. It's too bad for the banks, but they have nothing to complain about. The ones who need help now are food service operators and small businesses. At Restaurants Canada, we've always had credit card fees in our crosshairs, so we are ready to tackle the issue any time.

[*English*]

The Chair: Thank you all for that round.

Turning to the five-minute round, I'll give you the lineup. Mr. Cooper will be first, then Mr. McLeod, Mr. Cumming and Ms. Dzerowicz.

Mr. Cooper, go ahead.

Mr. Michael Cooper: Thank you, Mr. Chair.

I'll ask my questions to whoever among Mr. Jeffrey, Mr. Oliver and Mr. Lefebvre wishes to chime in.

Obviously liquidity is a major issue for restaurants in dealing with fixed costs. One recommendation the Conservatives put forward was a refund of GST remittances that have been collected over the past 12 months, which would, it seems, put a lot of cash back into small businesses, including restaurants. It would also seem to be fairly easy to administer and deliver.

Would any of you care to comment on that policy proposal and how it might be beneficial to restaurants in Canada?

● (1515)

Mr. Andrew Oliver: At www.savehospitality.ca, my partners Eric and John and I originally came up with a plan, before some of these other announcements like the rent relief program, in which we were asking for 10% of last year's sales. We did it specifically, Mr. Cooper, because it would be very easy for the banks to underwrite those forgivable loans that we asked for.

At this point, not knowing what the rental program is, and depending on how much it is and what it is, I don't know what the forgivable loan amount should be anymore until we have those details.

All of that being said, 100%, what we do need is liquidity. Our solution is a little different from yours, in that, instead of it being tied directly to what you pay in HST, which can be a little challenging given the differences among all the provinces and territories, we went out and did intensive modelling, from businesses that do under a million dollars in sales up to restaurants that do $10 million-plus in sales, and said, “Look, we're a fixed cost. The industry is the industry, and the numbers are quite similar.”

We 100% support having a forgivable loan program tied to your sales to allow you to have confidence that the government will be there to allow you to bring back every single one of your employees and give you the capital and the support you need to ensure that those jobs continue, that those people come off of government assistance, and that they continue to then become one of the largest tax bases in the country.

The Chair: Mr. Lefebvre.

Mr. David Lefebvre: Thanks for your question, Mr. Cooper.

It is definitely something that Restaurants Canada is looking at in terms of tax relief, the GST and the HST. Our understanding of the tax laws is that this would be easier moving forward because, technically, as soon as a sale is done the tax is owed to government. They allow you to keep it for a month, a quarter or a year, just to remove the administrative burden. However, a mechanism that would give a subsidy or something to operators based on sales, which could be the equivalent of something like GST and HST, is definitely something that would provide some relief.

The cash flow question that you mentioned is absolutely critical and will make a difference in terms of whether some people stay in business or not. It is critical, and I think you understand very well the cash flow implication of this, not only during emergency measures but also moving forward in a transition to a full recovery.

The Chair: Mr. Jeffrey, did you want to add anything to that, or are you okay?

Mr. Shaun Jeffrey: Again, to reiterate what Mr. Oliver just said, any assistance is obviously very beneficial, but this assistance needs to come in a timely manner.

I think it's very key to say “timely manner” because when you talk about the liquid and fixed costs of the restaurant industry, we're hurting now. To have a program implemented in a four- to six-week period means we're not going to make it to that point. We need these programs to be implemented in a timely manner and for those funds to be flowing to operators as soon as possible.

The Chair: Mr. Cooper, you have a limited time. Go ahead.

Mr. Michael Cooper: I'll just ask in general terms, to the same witnesses or whoever wishes to answer, how they envision a rollout of getting restaurants up and running, and the timeline they see for that to happen.

As we see in the United States, many states, and the restaurants in those states, are starting to reopen, with a number of measures to protect public safety. Obviously, restaurants can't stay shut down forever, and every day that this goes on more and more restaurants are shutting down as we speak.

Maybe you could speak to that with some ideas and perhaps a timeline.

The Chair: Who wants to take it?

We'll go to Mr. Lefebvre, then Mr. Jeffrey, and we'll have to end there.

Mr. David Lefebvre: That's an excellent question because as much as we work right now with programs with government and rethinking the industry, the goal is to get to something resembling normal.

What we expect at Restaurants Canada is that it's probably going to be different from province to province, and even sometimes between cities and other places, which makes the need for a specific program for food services even more important, because it's not going to be the same recovery in all parts of the country. Some places have fewer COVID cases. Some have more COVID cases, and public health authorities will probably make different kinds of decisions.

Of course we'd like to have a national program in terms of safety and hygiene and these kinds of conditions, but there's going to be a point when nobody is going to be able to wait on everybody, and we know that some people will want to start up with the proper social distancing measures as soon as it is safe to do so.

The Chair: Okay. Thank you all on that one.

I would note, Mr. Kassem and Ms. Dennis, that you haven't gotten in on any of the questions yet. If you have a point you want to raise, please raise your hand and we'll get to you.

We'll turn then to Mr. McLeod, and then it's on to Mr. Cumming.

Go ahead, Michael.

● (1520)

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

Thank you to the presenters today. It was very interesting to hear everybody's presentations.

I am very happy to see Rami Kassem from Javaroma joining us here today, somebody from the north. It's good to hear that northern perspective. The north, of course, has different challenges. Our costs are higher and the issues that the pandemic is causing us are different in every jurisdiction.

Rami, the government has introduced a number of programs over the last while, programs to help businesses of all different sizes. They've tried to make them flexible and available to as many people and as many businesses as possible.

Could you tell me from your point of view what aspects of the federal emergency response plan are helpful to you, helpful to other businesses in Yellowknife, and how and where the federal response can be improved?

Mr. Rami Kassem: Thank you, Michael.

First of all, as you know, I have three locations in Yellowknife, two at the airport and one in downtown Yellowknife. Because the airport shut down, we were obligated to shut down our stores at the airport locations.

At the downtown location, we depend on traffic for sales. With everybody working from home, our sales went down 90%. We were looking to actually shut down even the downtown location, but when we started hearing about the funds coming from the government and the Ontario government loans, the loan from the federal government and the wage subsidy, we started looking to manage ourselves in a way where we could keep fewer employees, lay off the others and implement different ways to generate sales, through ordering online and delivery. We never, ever thought of delivering coffee to homes, a cup of coffee to your home, or anywhere. Now we're doing online orders with delivery or pickup in the stores. People seem scared to come to the store, even though we have social distancing signs and lines and a sneeze guard installed, which cost us $1,000. That $1,000 is one day of sales at that location, so it's very difficult.

I am working more than usual, way more than before. My wife works from home. I have three kids, and as you know, they are studying from home. My wife can't take care of them and review their studies, go log onto the computer and iPads and everything, and I'm spending my time at work, so we are way behind even with our kids' studies just to keep afloat.

I keep hearing from the government about funding, the loans and everything, and everything for June and July. We keep feeling that there's something coming up after June or July, but for the short term, I really appreciate what the government is doing. I know the 75% is not enough. Maybe the government could make it 100% for the subsidy.

The rent is our major problem. I sent an email and I've talked to the landlord. They promised they would get back to me and I haven't heard anything. I just see the withdrawal from my account for the whole rent. They're looking for support and we're looking support. It's stressful for everyone.

In terms of what keeps peace of mind for us here in the north, I applied for the grant from CanNor. Hopefully it's going to be approved. That would keep me afloat. I applied for a BDIC loan to keep me going because the wage subsidy didn't go through yet, because as you know, we need funds. I applied also for the federal government loan, but I haven't received the money yet.

We are afloat right now, but we have a lot of stress about the future, because since the pandemic, customers' habits have changed. They've started cooking at home. They're scared to go outside, even to go shopping. You see the stores are different. There are fewer people there. Once a week they make a big shopping trip. It's way different. Even after the pandemic we're going to get hit big time, because with six feet or two metres of distance between customers, we'll have four customers in a place for which we pay more than $10,000 in rent, just for one place. It's going to be a hassle even with the regulations and the safety procedures for the pandemic.

I'm also looking the other way. I come from Lebanon, where my brothers are not working, everything is expensive and there are no funds from the government, no support or help from the government. I feel fortunate that I live in this country. I'm working very hard with my family to make it through. I wish everybody success.

● (1525)

I am very appreciative that I've been invited to this meeting to share my feedback. I also greatly appreciate Restaurants Canada and CFIB for keeping in touch with us and keeping on top of things. Thank you so much.

The Chair: I'm sorry, Michael. We'll have to end it there.

We will now turn to Mr. Cumming and then Ms. Dzerowicz.

Go ahead, James.

Mr. James Cumming (Edmonton Centre, CPC): First, thank you to all the witnesses. There's no question that this sector has been hit harder than probably any other sector we've heard from in these meetings so far. It is quite distressing, and we all get the calls.

I want to start with Mr. Staniloff. I want to hear from you about how the banking industry has been behaving. We've heard from both the finance minister and the Governor of the Bank of Canada that they've been buying bonds and creating greater liquidity in the banking sector.

I would like to hear if, either through your franchisees or through those hotels you own, you are seeing banks stepping up to the plate, negotiating on the terms of those loans and trying to help out these assets, which are at—whatever you said—10% occupancy and are really struggling.

Mr. Marc Staniloff: Thank you, James.

I guess it's twofold. As soon as this started to happen, as soon we got into this, we went very aggressively to every one of our banks—we have mortgages on all of our properties—and they did give us a deferral. They gave us somewhere between a three-month to a six-month deferral. The problem with this part of it is that for the deferral you're going to have to pay for it. As for what they didn't do, they haven't set up the terms of what we have to pay and when we have to pay.

I talked to one of my franchisees yesterday and he said it's great. His mortgage payments are $150,000 a month on a very big property in Montreal. After three months, that's $450,000. He got the deferral. What he hasn't got from the bank is when they are going to start asking for it back. He says that if they start in October, giving him the six months, his mortgage payments are going to be $150,000. The deferral part, which they only wanted to say is for a year, adds $40,000 a month. He says, “I'm going to be so under water at that point that it doesn't matter.”

Banks aren't talking about any kind of abatement. They're only talking about deferral, which is really causing stress for my franchisees. If they had sat down and said.... I have some retail tenants, and some tenants as well, that I'm giving deferrals to, where I say, “Here's the deferral and, starting January 1, 2021, if the balance of the term of your lease is five years, I'll take that deferral and amortize it over the balance of the five years.” It doesn't hit them as hard. I'm trying to see if the banks are going to do the same thing. I haven't seen that yet. They really haven't come up with a program on that side of it.

With respect to the government assistance, it's threefold. The $40,000 assistance, which is great, I have to tell you.... You get $40,000 and it helps you pay for rent and some staffing and whatnot, and you only pay back $30,000. That seems to be coming very quickly. I'm talking to different guys. They do the application and it's a very quick turnaround, which is great.

The problem is that for the two other loans, one being the COVID working capital loan, which EDC has capped at $2 million, as I said before, it's a very tough process to qualify. It is based on need, but they're looking to tack it on to the existing mortgage you have. It just makes it too tough. We're kicking the can down the road, which I've said. On the $6.25-million loan, I'm hoping—and I know that Susie Grynol from HAC was very passionate about this—to get it set up so that it's on a per property basis versus a corporate need basis. I have franchisees who own 10 hotels. With $6.25 million as a cap, it doesn't go a long way. Again, the problem is qualifying for that. We feel that has to be 100% guaranteed.

That's my issue with the banks, James.

● (1530)

Mr. James Cumming: Thank you.

The Chair: This will have to be a fairly quick one, James.

Mr. James Cumming: I'll go to Mr. Oliver.

It's along the same lines, Andrew, on the rent abatement or the discussion around these commercial terms with landlords. Landlords are a bit hooped, because they can't afford to see you guys go under. They need the tenancy, so they need an active, busy restaurant. They should be negotiating with the banks on extensions.

Have you seen any of the flow-through when a landlord comes to you and says, “Listen, Mr. Oliver, we'd like to do a blend-and-extend and give you three months, four months or five months, but we want to extend your term by six months or a year or whatever the case may be”? It strikes me that we're all in this together, and that includes landlords, banks and restaurants.

Mr. Andrew Oliver: Just quickly on the banking side, we bank with one of the large guys and from my conversation with them, they've stepped up hugely. I think their number one reason for not doing more right now is that until they see a path for success for our industry, they're literally handcuffed from doing more. Again echoing, the BDC and EDC loans are just too prohibitive.

With respect to landlords, we were very fortunate to get deferrals from almost everyone. I talked to the largest landlords and the biggest pension funds down to a mom-and-pop shop owner, and all have a different ability to do something. We had some bad apples. We had landlords who were trying to take advantage of us, and unfortunately for us in Ontario, there's no freeze on eviction, which I know is a provincial-level issue that I'm lobbying hard on, but every landlord I talked to said they just wish the government would impose rules so it's an even playing field. One pension fund doesn't want to give a better deal to everyone than another pension fund, because they'll look bad to everyone else.

We need leadership in government that understands that a total collapse of the real estate market will happen if 30%, 40% or 50% of us don't survive. It is in their best interests to have a plan like what was suggested, which is a complete end of payments until we get back to some sort of normalcy, backstopped by the government, because paying rent is extremely important. A lot of those landlords are going to be willing to take a 25% or 33% haircut as long as it's backed by the federal government, because that is the best credit you can get right now. Everyone, all of our communities, will be better off if we get leadership from the government with a plan like that.

The Chair: Thank you all.

We'll try to get the last four in. We'll go to one question from Mr. Ste-Marie, one from Mr. Julian, one from Mr. Poilievre and one from Mr. Fraser.

Gabriel, go ahead.

Ms. Julie Dzerowicz (Davenport, Lib.): Mr. Chair, am I not speaking next?

The Chair: Sorry, I skipped over you, Julie. I'll be in trouble.

You're next, go ahead. My apologies.

Ms. Julie Dzerowicz: How could you forget me?

Anyway, I want to say a huge thanks to everyone. This has been an absolutely excellent presentation, and I really appreciate hearing from each one of you.

I think all of you have alluded to this: We're going through an unprecedented time here in Canadian history. You've all also alluded to the fact that the federal government has acted fairly quickly. We've introduced a whole bunch of support programs. We've tried to get money into the hands of as many people as possible as quickly as possible, and we took the motto of “perfect can't be the enemy of the good”. Obviously, we have a lot more to do, and I think we're starting to get a much better sense of how things may unfold.

I call it three phases. First is that we're still trying to get past the surge phase, so we're still in the immediacy of the whole situation. The next phase is what I call the interim phase. It's the phase right before we get to the vaccine. We can't go back to the new normal until we get some sort of vaccine, so how are we going to operate in this interim period, which most see as around a year to a year and a half?

A number of you have mentioned a number of really great ideas: the 100% rent abatement; the easier to access loans, more of them forgivable; imposing more unanimous rules, particularly around rents and getting money to grow as fast as possible; and a number of changes that we need to make with our banks. I think that's been heard loud and clear, so I wanted to mention that to you.

I wonder if I can get some advice or some input into how we start looking at this interim phase. As a number of people have mentioned, restaurants might be able to go back 40% to 60%, but it's going to have to be under strict public health rules. Even once we get into the vaccine, it's going to be a new normal. The world will change there as well. Food prices will be different. How we staff will be different. Behaviour in society will change, and I think one of the panellists mentioned something about travelling far more in Canada and how we can promote that.

We're trying to get to the immediacies. You've made some great recommendations, now I'm trying to ask how we get through the next phase. What's the group of people? Do we need to form a panel, a committee? Do we need to have the developers come or the bankers come together? Do we need to bring all the restaurants together, or federal and provincial governments? What's the right grouping of people to help set a plan for what happens over the interim period? How can we craft some new plan moving forward, once we have a vaccine in place?

I'm not sure who wants to take that. I'd love to hear from someone from the restaurants, someone from the hotel industry and maybe someone from tourism, if someone wants to take that.

● (1535)

The Chair: We'll start with Mr. Oliver, then if somebody else wants to raise their hand, we'll go to them.

Mr. Andrew Oliver: Yes, just quickly, I think you guys have done a lot in the last 40 to 45 days. Now getting into that very industry-specific part to save the capital that we have, which you guys have to dole out, is super important.

I genuinely believe that we don't have a crisis just in hospitality right now. Let's face it: We have a crisis that you guys have to deal with. I do not envy you whatsoever. You have to deal with and become experts in every single industry all at exactly the same time. I do not think that is feasible for you to do in a timely manner.

My recommendation to you as far as how we do this, whether it be in the short term, in the ending of the short term right now, to the medium and long term, is to bring in operators and groups like the guys you're talking to here. Set up specific committees to determine how we talk to industry experts as opposed to making assumptions of what might be needed for specific industries.

You can go from the broad-based approach that we're looking at right now, to getting sector specific to look at what is going to be needed. Whether we find a cure or a vaccine at the end of the day, I think that needs to be paramount to the success of any plan.

Mr. David Lefebvre: I think the question is very interesting because it's been the thing we've been presenting in the few webinars to our members: We're right now in between phases. We're in between the phase of emergency measures, and moving to what the industry's going to be in terms of the confinement measures and those kinds of things.

Definitely, Restaurants Canada will raise our hands to be on any kind of panel to think about how things are going to move forward. We have contacts with a lot of operators, so it's definitely something we're willing to work on.

We also started, I would say the second week of March, even before most of the restaurants were closed or forced to close, to think about what the situation would be. It's going to be one thing to be able to reopen and to have some kind of social distancing. It's going to be another thing to build back the consumer confidence. Those two different things might require different kinds of involvement from governments but also from the industry. It's so much better if we can work together.

The Chair: Julie, you have time for one more quick one, because I near stole your time.

Ms. Julie Dzerowicz: No, it's okay. That was my main question. I don't know if someone from tourism wanted to come in as well or if anyone else wants to respond to that.

The Chair: Does anybody else want in on that? Do I see anybody? I don't.

Ms. Julie Dzerowicz: I think we're good.

The Chair: We'll go on then to Mr. Ste-Marie.

If we could have four fairly quick questions, we could get everybody in.

[*Translation*]

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

Mr. Lefebvre, you mentioned in your statement that your organization recently conducted a survey of its members. You said that three-quarters of respondents were very, if not extremely, concerned about their level of debt.

Can you share some of the other key findings from that survey?

Mr. David Lefebvre: Thank you very much for your question, Mr. Ste-Marie. I appreciate the opportunity to highlight the survey results.

I would say three key findings emerged.

First, 10% of restaurant and food service operators have turned off the lights for good. It's over.

Second, 50% of respondents—so 40% more—indicated that, without significant help to address fixed costs or transition to recovery, they'll have a very tough time staying in business over the next three months.

The last finding provides important information about the health of the industry overall. Of course, some of our members offer delivery. Some are in a stronger financial position and are able to stay open. However, 96% of restaurants experienced a drop in sales from April 15 to 21, 2020 over the same period last year. That doesn't hold a candle to prior worst-case situations, whether in 2000, 2002 or 2008-09. That means 96% of all establishments, including bars and restaurants, have had a decrease in revenue. Across the industry, that amounts to carnage.

The reason we are before you today is to appeal to you for help.

Thank you.

● (1540)

[*English*]

The Chair: Thank you, Gabriel.

We'll go to Mr. Julian and then Mr. Poilievre.

Mr. Peter Julian: Thanks again to our witnesses.

I wanted to follow up on the comments by Mr. Lefebvre and ask Mr. Staniloff and Ms. Dennis the same question on interest rates. They haven't calmed down from our big banks. We're seeing mortgage deferrals, but they come with interest, penalties and all sorts of fees. All this does for restaurant owners is basically increase the pain by increasing the debt load.

Should the federal government be exercising the powers that it has to push the banks—and they've admitted they'll follow the law if the government does use the tools—to reduce these interest rates and reduce the interchange fees so that we have that shared sacrifice and restaurants don't go under because the banking industry isn't willing to play its part?

Mr. Marc Staniloff: There's no question. With interest rates, the Bank of Canada rate has come down to 0.25%. Long-term rates have not come down. I will tell you, though, that we have a couple of mortgages with BDC, and they did reduce their rate from, I think, 5.25% down to 3.05%, which was interesting. The problem is that they've been one of the toughest banks to deal with in terms of getting an interest rate deferral, which has been interesting.

Again, as I said, this deferral is great for the short term. It's just going to kill us in the long term. We need to figure out some type of abatement or some type of forgiveness on this. It has to be a long-term situation. We're all in this together, as I hear from everybody. Everybody always says that, and I don't disagree, because everybody on this panel is certainly feeling the pain. But we need to understand how the banks are going to step up and take a haircut. That's basically what it is. I don't know what that looks like, but it keeps me up at night knowing that we're deferring this stuff but it's not going away. It's interest on interest. That's what they're doing right now.

Ms. Rose Dennis: I echo the statements by Mr. Staniloff. Really, having these debts mount up and not be forgiven or worked through in an abatement process of some sort doesn't help the industry to be successful, let alone sustainable. When you have those things in mind, you also have a number of things that ripple out from that effect. It's not only sustainability in business. There are then health issues in regard to operators and owners, which lead to mental health issues that will put extra pressure on our health care system. A number of things ripple out besides business. That's something I wanted to address here as well, something that we really haven't talked much about today.

Really, we do see that it's desperate. It does need to happen. We need to see something so that these interest rates are gone, forgiven or worked through. I think it's quite critical.

The Chair: Perhaps I could tag on here before I go to Mr. Poilievre.

One thing I'm hearing from the seasonal tourism industry here is that the wage subsidies end too soon. They have to spend a lot of capital to get in business, but the wage subsidy is going to end just before their season starts to roll, if it rolls at all.

What are your thoughts on that?

● (1545)

Ms. Rose Dennis: Yes, that's absolutely true. Tourism operators don't even know if they can open the doors if that wage subsidy isn't extended into the fall. There's a lot of capital invested, as you mentioned, Mr. Easter, just in opening the doors and getting things rolling, let alone hiring and knowing how many they can hire and how many they can support. This affects our unemployment rates. This affects our ability to provide good service and experiences. We do believe it's absolutely crucial that the wage subsidy is extended, especially with seasonal operators in mind.

Prince Edward Island doesn't have as much of the luxury that other provinces across Canada do in terms of having a really robust four-season situation. Especially when it comes to tourism and hospitality, we really rely on those summer months. As much as we've been trying to build out the other seasons, going into fall and winter experiences and spring, we're still not there yet. With this, it really does put an extra setback onto those goals that we had as a province.

Thank you for the opportunity to speak to that. We believe it is crucial to bring that forward into at least September.

The Chair: We'll go to one question each from Mr. Poilievre and Mr. Fraser.

The floor is yours, Pierre. You're on.

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

The government is likely to run a deficit of around $200 billion this year. Canada is the second most-indebted country in the G7, if you take into account public and private debt combined. Unlike many countries in the OECD that were paying off debt in the last four years, Canada was adding to it. Eventually, the bill is going to come due for all of this. We'll be even more indebted than we were going in.

Do any of the witnesses want to comment on how they are forecasting their future tax bills to pay for the enormous government deficits that are not only happening now but that preceded this crisis itself?

The Chair: Who wants to take that one on? It is an issue.

David, you're on.

Mr. David Lefebvre: I can give a quick answer to your question, Member of Parliament Poilievre.

It's an excellent question, because of course there's going to be a bill with this, but right now, in terms of emergency measures and making sure businesses stay on, it also makes sure that some taxes are going to be paid and that some things are going to be contributed by our industry, which is something that is important. We represent something like 4% of the GDP, which is also a massive amount of taxes, both at the corporate level and also at the personal level, which our employees and our owners pay.

Restaurants Canada definitely has been an advocate for progrowth measures, both budgetary and in terms of investments, and those measures definitely will need to accompany any kind of recovery that will need to be put forward. We recognize that. One way we think we can do it is to make sure that as many of us survive....

The Chair: With that, we will go for the wrap-up to a basement in New Glasgow and Mr. Fraser.

Go ahead, Sean.

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

First, I'll begin with a comment for Ms. Dennis, who made the point about insurable hours for seasonal workers and said that they may not be able to build up to qualify for EI. I want her to know that I've spent the morning on the phone with fishermen in Nova Scotia. They've made this point very clear. There are people who have an emergency benefit who typically rely on the income they earn over the course of the summer to build up their access to EI to carry them through to the next season. I wanted to acknowledge the point and let you know, Ms. Dennis, that I am working on it.

My question is for you, Mr. Staniloff. You mentioned that there might be some room for a subsidy to encourage travel or other measures to incentivize the tourism industry to bounce back. One of the things I'm hearing in conversations with people in my own community is that they are going to be more inclined to travel locally when conditions allow, because they are quite worried about travelling to another jurisdiction where they've not been paying attention to the success of the health and safety measures.

I'm curious to know if you think there's an opportunity for us to create some sort of incentive to have Canadians travel in their own province, in their own community, while we wait for the global tourism and travel industry to really get back to what normal used to be.

● (1550)

Mr. Marc Staniloff: Absolutely. I did mention that I think we have to look at Destination Canada and really promote travel in Canada and spending money in Canada. There's no question about it. A lot of my hotels are in tertiary markets. I really cater to the rubber tire traffic, and I'm going to, hopefully, benefit quite a bit from that, as opposed to the larger hotels, the group business and airport-located hotels.

I certainly think we need to really focus on just how to get people travelling in Canada and spending dollars in Canada. To me, it's a no-brainer. I think we really need to focus on that right across the whole country. My hotels are located shore to shore. I have hotels on Vancouver Island. I have hotels out in St. John's, Newfoundland. I'm a big promoter of staying in Canada.

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

The Chair: I believe, Mr. Staniloff, that it was you who mentioned earlier that there's a double whammy, if I could put it that way, with the oil and gas industry where it is now. I used to work a fair bit in Alberta and Saskatchewan. Pretty nearly all of those smaller hotels in those smaller towns, right up to Fort St. John, Dawson Creek and everywhere, depend on the oil and gas industry, not the hospitality industry as such.

Mr. Marc Staniloff: It's amazing. A large number of my hotels, certainly in Alberta and Saskatchewan, are in resource-rich communities. We've been having issues since 2014. At some of my hotels, I've seen my revenues drop by 66% from 2014 to 2016, with zero recovery, and now we're at today and adding to that the COVID. It's going to be impossible to recover. Some of these hotels I don't think can ever recover. A bunch of these hotels are going to be demolished. There's going to be a lot of fallout from this.

The Chair: Yes. The government did make an oil and gas announcement the other day. It will go some distance, but there's a long distance to go. We recognize that.

With that, I want to thank everyone for their presentations and for responding to our questions. Thank you for taking the time. Your information, I can tell you, is being heard and will be put up the line by members of all parties.

Thank you, Elizabeth. I'm sorry that we didn't get to you with a question. Maybe in the next round we will.

With that, we will have to suspend for a couple of minutes while we test the speaker connections for the next panel.

Again, thank you.

● (1550)

_____________________(Pause)_____________________

● (1600)

The Chair: We're now in panel number two of meeting number 21 of the House of Commons Standing Committee on Finance, and we're operating under the order of reference of Tuesday, March 24, on the government's response to the COVID-19 crisis and pandemic. We are continuing to look at constructive criticism, I guess you could say, in areas where there needs to be greater solutions as we move ahead to try get through the pandemic and get the economy back to near normal again, hopefully, at some point.

With that, we'll start with the witnesses. I would ask witnesses to try to hold their presentations to about five minutes. That will give us more time to delve into the issues from the members' perspectives.

Starting us off, as an individual and a business owner, we have Mr. Elsaadi.

Mr. Elsaadi, the floor is yours.

Mr. Salah Elsaadi (Business Owner, As an Individual): First of all, thank you for giving me this great opportunity to speak in the committee today. My name is Salah Elsaadi. I own three businesses in the city of Ottawa, two of them on Sparks Street downtown, a hair salon and a crêperie, and another one, a construction business in the south end. I live in Nepean—Carleton. I support all these communities through taxes and businesses.

On the point I've been discussing with my friends and a lot of businesses, I know that the government is helping them with their costs, with loans of $40,000, for businesses of $20,000 up to $1.5 million. It's still a loan, you know, whether people get it or not. I talked to the bank. It's more like you're applying for credit in terms of whether you're able to get it or not, but I talked to the bank, and I said that it's sponsored by the government and they should get it.

But there's a big issue here. A lot of small businesses get their money as dividends at the end of the year. A husband and wife or two partners pull a cheque every month from their corporation, and this money goes every month toward their salaries. At the end of the year, their accountant writes it for them as a dividend to save taxes, because they've already paid high property taxes, higher end.... Those people are not able to get the help of this $40,000 loan. Again, as I said, it's a loan. It's not giving away money. They have to give it. I see that the government is talking about giving a few months for the commercial property to help the landlords for their tenants. It's great, but it's always in the short term.

As I said, I have two businesses in the city of Ottawa, and I live in the city. One of my businesses on Sparks Street is the crêperie that we opened last May. I will give some history for what businesses I think will survive. Visitors come from Mexico, United States and China and all over the world. I believe that all the Canadian cities from coast to coast will be suffering because there will be no visitors. The long term for this business will be suffering. I believe the government has to work toward the long term. All of this is for short-term businesses all the time. It is not talking about how to help businesses over the long term.

This is one of my points. It is to help those people who get dividends and to think about how we are going to survive. In Ottawa and Montreal, businesses run due to visitors. All the hotels are shutting down. I'll give you some history. I was the chairman of the Sparks Street BIA, if you are familiar with it. I ran the festival from 2005 to almost 2015. I created all these festivals and brought a lot of visitors to the city. With 2020, this business is not able to survive. I'm not talking just about Ottawa. I would also say that about Quebec City and Montreal.

On the Canadian economy, I know the government is doing a good job, but we still have to think about how to push toward help. Hotels and the streets downtown are empty. Businesses are empty. The government now, as you all know, is working from home. What happens after we go back to business? Social distancing...? Also, maybe 50% or more are going to stay home, and there will be no visitors and nothing coming out to push the economy. This is one of the main issues that I think businesses are facing now and will face in the long term.

I've run my businesses since 1994. I've worked with different businesses, especially one of them I would call a tourism and event business. Two of my businesses were in that area. My third business, which is in construction, caters to locals, and I think it will keep going.

People now are fearful. I've talked to customers outside who don't want to talk to us. They don't know what will happen next. I know it's something that we are all suffering with, so what I think I would like from the government is to see it consider the businesses that get their salaries as a dividend, not as a T4. Not everybody gets a T4.

The second point is on the cities, the big cities like Montreal, Ottawa, Toronto, Vancouver and Halifax. Every city in Canada depends on visitors, and now we're not going to be able to have them. That's what we have to focus on for the next year, I would say.

● (1605)

I sent a letter to our landlord. I said we have to focus on business, not for the next four months or six months but from now until next May, to see how we can survive.

The Chair: Thank you. Mr. Elsaadi.

We'll turn now to the Canadian Cattlemen's Association, president Bob Lowe and executive vice-president Dennis Laycraft.

Go ahead.

Mr. Bob Lowe (President, Canadian Cattlemen's Association): We'd like to thank you for allowing us to appear before this committee.

My name is Bob Lowe, and I'm a rancher and feedlot operator in southern Alberta. I am also the current president of the Canadian Cattlemen's Association, the national voice of Canada's 60,000 beef operations. With me is Dennis Laycraft, the executive vice-president of the CCA.

To start I would like to stress that we strongly believe that if current challenges are strategically addressed, the Canadian beef industry will emerge as a key recovery sector post-COVID-19. However, we cannot take the current challenges lightly, and they must be addressed urgently, as the beef industry is the foundation of jobs for 228,000 Canadians and it contributes $17 billion to the Canadian economy.

As you've likely seen in the news, challenges brought forward by COVID-19 have resulted in a number of Canadian and American meat processing facilities significantly reducing their processing capacity. The scale of the impact is daunting. The Cargill plant in High River alone slaughters just under 40% of the total Canadian production. Every day they are not operating about 4,500 head of cattle are being backed up in the beef supply system. Prices are falling and costs of keeping cattle for longer than intended are mounting. To further compound the problem, other facilities have also had to reduce their processing capacity to adapt to COVID-19, and these challenges are in addition to the shortages we were already facing in eastern Canada. For beef producers, this has resulted in limited options on when and where cattle can be marketed, increasing costs of keeping cattle on farm for longer periods of time and severe market volatility.

We have already seen the value of a single market ready beef animal drop 30%, or over $500, for the week of April 12, 2020. Without some intervention, we estimate that losses will grow by an additional $500 million by the end of June. With such stark losses, one cannot help but relate this to the hard times of BSE in the early 2000s, which resulted in fundamental changes to Canada's beef industry, including the loss of 27,000 beef operations and the related loss of five million acres of Canada's endangered northern great plains.

It's not only processing capacity that has become a challenge, but the main risk management tool that we use in the beef industry, price insurance, has seen the premiums jump from what used to be $10 to $15 per animal to over $70 per animal. This is especially difficult for our young producers, who carry higher debt loads and need this insurance to be able to access loans from banks.

We have put forward to the federal government a set of policy solutions that support market stability and enable sound business decisions to continue to be made across our sector. The time to implement these policies is now, before it's too late.

Our first recommendation is to establish a set-aside program that will address the severe processing shortage by putting a set number of cattle on a maintenance diet rather than the growth diet they would normally be on. This will help better match the number of cattle ready to market with the amount of processing capacity available. This flexible policy tool was used successfully during the BSE years. It brings market stability and avoids a potential market crash.

We also recommend addressing the sky-high premiums that have made our main risk management tool, price insurance, unusable, as well as making the tool available in the Atlantic provinces. As I mentioned previously, this is very important to our young and new producers.

We also recommend adapting the advance payments program, similar to what was done for canola producers last year, to provide added liquidity and flexibility. This will enable cattle producers to market their commodity at the best time and actually make reinvestments in their herd. This three-legged stool approach of set-aside, livestock price insurance and adaptations to the advance payments program is a proactive set of tools that together will address the challenges being faced by different parts of our industry.

I would like to stress that our recommended approach will help avoid costly payouts from the AgriStability program, which is helpful for addressing losses but is more reactive in nature. Our recommendations will save government money and get the beef industry back to growth faster.

● (1610)

I would also emphasize that the current funding programs announced in CERB, wage subsidies, loan programs or otherwise are almost entirely unusable by our industry. Furthermore, the existing suite of business risk management programs come nowhere near being able to address the current challenges we are facing. We need smart policies implemented that are proactive and address the unique nature of agriculture and the pandemic.

We would emphasize that the beef industry can be a growth industry for the Canadian economy as we emerge from the COVID-19 pandemic. We have robust international access and our Canadian product is in high demand. However, if beef producers aren't able to make sound business decisions due to market volatility, the beef industry will emerge from COVID-19 in difficult shape, just as many other Canadian businesses.

Thanks.

The Chair: Thank you very much, Bob.

Before I go to Dan Kelly, I'll just say that I've seen some letters from the Canadian Cattlemen's Association that went to various ministers. I assume you sent those three proposals to the clerk of the finance committee as well, just to give the full explanation.

● (1615)

Mr. Bob Lowe: Okay. If we haven't done that, we will.

The Chair: Thank you.

John Barlow, you're the first questioner. Do you want to give your microphone a little test? Give us a little comment on where you're from and what the weather is like.

Mr. John Barlow (Foothills, CPC): Hello, everyone. Thanks for having me.

Bob and Dennis, it's good to see a couple of constituents.

I am in High River, Alberta. The weather is sunny, but it's a little stressful down here.

The Chair: We'll turn now to the Canadian Federation of Canadian Business.

Dan Kelly, go ahead. The floor is yours.

Mr. Daniel Kelly (President and Chief Executive Officer, Canadian Federation of Independent Business): Thank you, everyone. It's great to be back with the finance committee this afternoon.

The situation for small and medium-sized firms across Canada continues to be incredibly rough, some of the most challenging things I've ever heard from entrepreneurs. Our helpline at CFIB is getting 800 calls a day from our members—

The Chair: Dan, I hate to interrupt but I'm getting spotty remarks. Do you want to try it again and speak as close to your microphone and as slowly as you can? Otherwise we'll get the technicians to fix it and go to the next witness for the time being.

Mr. Daniel Kelly: Let me speak a little slower and louder. It seems to be a bit better. I see some nodding heads. That's good news.

The situation for small companies across Canada continues to be incredibly challenging. We are now up to about 800 to 1,000 calls per day from our members across the country. Many of them are business owners who just don't know where to turn. Some of them, fortunately, are in a position of being helped by some of the programs that government has announced and I'm bringing some recommendations on how those programs can be improved.

I sent a deck that you should all have in front of you of some new data from CFIB. We have done a survey of our members every weekend, and we're going to do it again this weekend. On each survey we have between 10,000 and 12,000 respondents who outline the impact that COVID-19 and the economic emergency is having on them and [*Technical difficulty—Editor*] recommendations on the various support programs that are out there.

Right now, only 21% of businesses across Canada are open, and 80% of small and medium-sized firms across Canada are closed either completely or partially closed. Of course, in some provinces, it's even well below 20% today, which is very worrisome news, as restrictions from [*Technical difficulty—Editor*] continue.

When we talk to our members about what's happening from a sales perspective, over half of our members, 55%, have seen their sales drop by 50% or more. That's incredibly alarming, in our view, because many of them are just not able to keep their doors open even if they are technically allowed to open.

One of the most worrisome statistics that we should all be thinking of is that half of small businesses have said to us that if current—

The Clerk: I'm sorry, Mr. Chair, but the interpreters in the room cannot translate at the moment. We have some technical issues.

It may be better to have an IT ambassador call you, Mr. Kelly, and then maybe we could have you speak once more.

● (1620)

The Chair: We'll suspend where you are, Dan, on your presentation. We'll come back to you. Technicians will talk to you in the meantime to see if we can sort that out.

We'll turn then to the Canadian Pork Council, Rick Bergmann and René Roy.

Go ahead.

Mr. Rick Bergmann (President of the Board, Canadian Pork Council): Good afternoon. My name is Rick Bergmann. I'd like to thank you for the opportunity to appear before the standing committee and provide the perspectives of the Canadian Pork Council and producers on the government's response to the COVID-19 pandemic.

As I mentioned, my name is Rick Bergmann. I'm a pork producer in Manitoba and the chair of the Canadian Pork Council. I'm joined here by René Roy, first vice-chair and pork producer from Quebec.

The Canadian Pork Council represents the views of Canada's 7,000 hog farmers, hog producers. Before I get too far into this, I want to let you know that there's a significant amount of hurt happening right now in our sector, and COVID-19 has made a bad situation worse for all of the producers here.

I'd like to remind the group this afternoon that the direct farm gate sales of Canadian pork in 2016 totalled over $4.1 billion and created over 100,000 jobs. COVID-19 has put the pork sector in a free fall by disrupting supply chains and driving down the prices of hogs. The risk of major market failure increases as the pandemic drags on, and that's a huge, dark cloud over our heads.

COVID-19 has quickly pushed many farms into a cash crisis from which they won't be able to cover the costs of operating their businesses. It's important to remember what our business really is. We're feeding people, plain and simple. We raise pigs to create a safe, high-quality protein Canadians can rely on to feed their families. That's what we are all about.

As a result of this price decline, hog farmers are now losing money on every animal they market. On average, producers stand to lose $30 to $50 per pig they sell in 2020. That doesn't maybe sound like a lot, but once you add the numbers up, it's overwhelming. The impact of this scenario on the farmers' financial and mental health really cannot be understated.

I certainly appreciate the magnitude of this crisis and the number of issues the government has to deal with. It's enormous; it's daunting. On numerous occasions our government has talked about support to farmers and the food sector, but really, little has been done to help us weather the storm, and that's why we're here this afternoon. Our producers need government to take immediate action so that they can continue to pay their bills, feed their animals, keep their family businesses alive and continue producing food. We now need our government to help us in this very significant crisis. We cannot let the industry fall by the wayside because of federal and provincial governments' inaction. We all deserve better.

On some farms right now, they're very distraught with the things going on. In the Maritimes we had a farm that needed to euthanize animals that were ready for slaughter, so animals that were 270 pounds were euthanized, and they would be found to be put in a landfill. It's a tragic, horrific event that producers are going through.

In other parts of the region, they're struggling to find homes for them, as you know what has happened with some processing plants because of the COVID virus. In the province where I'm from, we have producers aborting sows. We have producers euthanizing little piglets, and that's of grave concern. At this very point in time, it's a significant crisis. Again, without our government's help, the future of the pork family farm is looking very bleak. I'll stop there.

I'd like to thank the committee for the invitation to appear before you today and for your attention, and I look forward to answering any questions that René and I could answer.

● (1625)

The Chair: Thank you very much, Rick. I'm well aware of those euthanized hogs. They're in my riding.

We'll now go to Sentiom Incorporated, with Mathieu Lachaîne, chief technical officer.

Mathieu.

[*Translation*]

Mr. Mathieu Lachaîne (Chief Technical Officer, Sentiom Inc.): Good afternoon. Thank you for inviting me.

I've always been an entrepreneur. I started my first business before I turned 18, and I'm now on my seventh. I've had my share of success, selling two companies that continue to operate. They created dozens of jobs. One of the companies did pandemic planning and provided relevant training. It even prepared a plan for the health department after the SARS outbreak. I've also experienced failure, losing millions of dollars.

Throughout my career, I've had the privilege of participating in a number of venture accelerators, including a program delivered by FounderFuel and the TECH program at the École d'Entrepreneurship de Beauce. I've also been part of a number of entrepreneurial groups. I consulted those stakeholders in preparing for my appearance here today in order to share with you the reality on the ground.

Last year, I started a new tech company. We are growing fast. After being in business for a few months, we've put nine people to work and placed orders with around 10 other companies. In 2019, we had $375,000 in revenues, just to give you an idea. This year, after just three months, we will hit $1.2 million if we're able to deliver on the contracts already signed and complete those sales.

We have two divisions. One is focused on professional services. Since we saw the crisis coming, we worked very hard to diversify our services and increase sales on that end. Consequently, our revenues have gone up every month. Our other division is product-based. We developed a technology for smart multi-dwelling buildings to minimize their environmental impact. In terms of research and development, the division is working on a solution to help seniors remain independent so that they can stay at home longer. The crisis has brought the division to a complete halt.

It was working on its first sale, the most significant for the entire company. We can't manufacture or install our equipment for clients. We have tens of thousands of dollars in inventory that we can't use up. We have to double our working capital because we were supposed to carry out the first phase, receive payment and, then, place orders in order to carry out the second phase. We have to do it all at the same time.

What's worse is that we can't make any sales. The seasonal nature of our meetings with industry clients has delayed product deployment by months. The technology was tailor-made for the export market. New York alone accounts for more than 10% of our North American market. The technology could make emerging from the crisis easier by making it possible for maintenance staff to work remotely.

An average sale of this technology represents hundreds of thousands of dollars. Our supply chain is wholly based in Quebec. We anticipate creating a dozen or so direct jobs within the next 18 months, not to mention indirect manufacturing jobs, if we are allowed to move forward with our activities. However, the wage subsidy program isn't accessible to us because our professional services division, which employs just three people, increased its billing. We aren't the only ones. A number of my colleagues are in the same boat: they have two divisions and aren't eligible for the subsidy.

In the technology sector, employees need such specialized skills that they can't usually move from one division to another, given how different the skills are. What's more, many of us start-ups don't qualify for the other programs, including the work-sharing measure or the Business Development Bank of Canada loans, because we haven't been around for two years.

According to the start-up barometer, more than 37% of start-ups don't qualify for the programs that were introduced. That amounts to thousands of businesses. We also have an experimental development tax credit of $150,000, but we haven't heard anything about it for months. The only measure we are eligible for is the $40,000 loan.

Our product division employs six people, and of those, we had to lay off two full-time employees and cut the hours of our part-time employees. We know that, after any recession, the introduction of computer systems and automation will carry on as the economy recovers. Our fear is that we will lose these employees and miss our window of opportunity.

[*English*]

In my humble opinion, the wage subsidy program announced but not yet in effect is corporate welfare, since it pays people to change nothing and penalizes them if they pivot their businesses with success. Any business that makes more than 70% will lose all the subsidy. It is counterproductive to economic recovery.

Programs don't work. They're not deploying capital effectively or efficiently. They are lengthy. In the last month, instead of working on pivoting their businesses, entrepreneurs have been working nonstop trying to understand, fit into and apply to all the different programs, with a lot of paperwork and much time wasted that could have been invested in growth, not to mention the mental health issues and incredible stress because we feel responsible for our employees' incomes.

● (1630)

What we need is a simple solution. It is beyond me why we haven't used the existing mechanisms, like our payroll remittances, GST reports and the direct deposit system with the CRA, and let everyone apply a 75% credit on their next payroll by themselves, a credit that would go down predictively every month to give us time and an incentive to pivot our businesses. Those who do not really need it would simply be taxed retroactively at the end of the year.

As a country, we must accept change. We have entered a new, low-touch economy for up to two years, and two years means that habits are going to stick. As a country, we must collectively accept this worst-case scenario and pivot toward it now.

Right now, the businesses that can help us the most toward a quick recovery and future growth, information technology and clean tech, are suffering the most because of their start-up or quick growth status. I often hear politicians talking about how they created jobs. This is not the reality. Small and medium businesses make the backbone of our economy, 90%. Entrepreneurs create the jobs.

The role of the government is to reduce uncertainty in the market. Right now, it's doing a terrible job. The plethora of programs, their inadequacies and loopholes are just creating more uncertainty over COVID-19.

The second simple measure for recovery that you should put in place immediately is a universal basic income. Right now, the $2,000-a-month program is also welfare. If you work, you're penalized. The solution is to reduce the risk for every Canadian to become an entrepreneur. This measure would also apply to start-up founders and solopreneurs. It would also cover gig workers. It would enable all of us to focus not on paperwork, nor on trying to fit into the system.

As entrepreneurs, we need fundamental government action now, and we need much more certainty about what we can work with in the upcoming years. What we want to focus on is what we do best, putting citizens back to work and growing our economy.

[*Translation*]

Thank you.

[*English*]

The Chair: Thank you very much.

Before I turn back to see if Dan Kelly can finish his presentation, I'll go through the list of MPs for the first round.

John Barlow will be up for a six-minute round, and then Mr. Fragiskatos, Mr. Ste-Marie, and Mr. Julian.

Dan, are you available? I don't see you on my screen, but do you want to come on again and finish where you left off?

Mr. Daniel Kelly: Sure. Can you hear me, Chair?

The Chair: Yes, we can hear you. Go ahead.

Mr. Daniel Kelly: Good. I grabbed my son's gaming headset. Let me give this a try.

Thanks again, everyone. I'll pick up where I left off.

The most worrisome statistic in all the research we have been collecting weekly at CFIB is about how long businesses have before they are facing bankruptcy or before the COVID-19 disaster will take them out.

What we've shown is that over 50% of small firms are telling us that if the current level of restrictions lasts until the end of May, their business will not survive. That's how dire the situation is for many small companies as they look forward.

There are some signs that over the month of May some provinces may begin to lift some of the restrictions, but unfortunately, right now, they are few and far between. Some of the issues of course *[Technical difficulty—Editor]*.

The Chair: We're losing you, Dan. Your mike is on mute right now, I see. Do you want to try again?

Mr. Daniel Kelly: Are you able to hear me, Chair?

The Chair: We can hear you now again.

Mr. Daniel Kelly: My apologies.

All right. Let me continue until we give up here.

Of course, we are encouraged by some of the programs the government has put in place. The number one concern of our members, of course, is their wage bill, the top expense for small business owners. We are, of course, encouraged that as of Monday businesses can start to apply for the Canada emergency wage subsidy. That is good news. Also, the bank accounts, the emergency business accounts, have added a second positive tool.

We are most encouraged that there are ongoing discussions between the federal government and the provinces for a substantive subsidy to help pay for commercial rent.

On slide 6, I share with you that 70% of small firms rent their locations and pay rent each month, but many are worried about their ability to pay. Fifty-five per cent have said they do not have the funds to pay their rent for the month of May, but they are encouraged that government is looking to step in and help them with these costs. Remember, businesses have been ordered to shut down to protect society, and it is deeply unfair that they would have to pick up the costs of keeping real estate open and paying those bills while they are essentially unable to earn an income. Many of our members are saying that the government really does need to make sure the rent relief would provide forgiveness, not just loans or deferrals, for their rent.

Moving to CEBA, the changes the government recently made to allow businesses between $20,000 and $1.5 million are positive steps, but 20% of businesses remain ineligible for the CEBA in several categories. I'll share more about that in just a second.

In terms of the recommendations we are making about the major programs right now, with respect to the wage subsidy we want to make sure there is flexibility for firms that fall short of the revenue test—that 15% or 30% revenue test—to make sure they don't lose the full 75% subsidy. I agree strongly with the earlier speaker that a universal subsidy would not cause business owners to be worried about whether or not they're going to hit the subsidy and would help them focus on keeping their employees rather than trying to artificially find ways to ensure they get the subsidy, or perhaps focus their attention on that rather than on growing their businesses as much as they possibly can.

The government has put in place a payroll tax rebate for staff, which is welcome news, so if you're using the wage subsidy for staff who [*Technical difficulty—Editor*], you will no longer have to pay EI and CPP or you can get a rebate on those dollars. We're asking for that to be expanded to all firms, not just those that have staff on furlough.

We also believe that government should be considering extending the wage subsidy beyond June 2. There are so many businesses in tourism and other key sectors that will be able to use this if it continues during what might be a rocky summer season ahead.

We also want to make sure the government clarifies that it won't be the responsibility of employers to go after employees who are using CERB or employment insurance, and that the government will take that responsibility and not require employers to do it.

With respect to CEBA, the loan program, the groups that are excluded right now include family businesses that pay dividends only. We had a speaker earlier talk about just that. Most of those who use contract workers, for example gyms, or those businesses that rent chairs to other parties, like hair salons, are excluded from benefiting from the CEBA program—a very positive one.

We also want to make sure that this program allows access to new firms. There was an extension made to the wage subsidy for newer firms that has not been provided for CEBA. We're suggesting that if you can demonstrate $1,700 in payroll for January or February, you should be allowed access to the program. For those other sectors that I mentioned, we should allow businesses paying dividends or contract wages or having rental chair income to use that to satisfy the payroll test, to allow them access.

We're asking government to [*Technical Difficulty—Editor*] into May, or potentially June, God forbid, and that governments look to ensure they expand the amount of the CEBA loan and expand the amount of the loan forgiveness that comes along with it.

● (1640)

Finally, as we look forward to a successful rent subsidy, we are urging the federal government and the provinces to ensure that something is in place before May 1 [*Technical difficulty—Editor*].

The Chair: We lost you, Dan. You were just about to conclude.

Mr. Daniel Kelly: Yes. I need 30 seconds.

The Chair: Okay.

Mr. Daniel Kelly: We want to make sure that the program is substantive and doesn't just defer rent but eliminates rent or covers at least 75% of it. It should broadly cover all SMEs, with no exceptions based on their structure or their payroll, and cover the full COVID-19 emergency phase to help them with the reopening.

Those are some of our recommendations on the rent side of the equation. I'm happy to take questions about any of our suggestions.

The Chair: Thank you, all, for your presentations.

We will quickly get into the rounds. The first round is six minutes, and we'll start with John Barlow.

Go ahead, John.

Mr. John Barlow: Thank you very much, Mr. Chair.

It's a pleasure to be here with this great panel of witnesses.

Bob, Dennis, Rick and René, I appreciate your insight on the impact COVID is having on your sectors.

The thing I am hearing most from producers is that they do not qualify for any of the existing programs, whether that's CEBA or the wage subsidy. What we are missing is a program geared specifically to the unique financial structures and timeliness of agriculture. That has not been placed on the table, and even with Farm Credit Canada credit, unless you are a Farm Credit Canada client, you do not qualify for those programs. One pork producer in my riding named Rick said that even if he could qualify for the $40,000, that's about two days of feed for him at the most.

Bob and Rick, I only have six minutes, so try to keep your answers concise. Are we missing programs that are geared specifically to agriculture?

Mr. Bob Lowe: John, it's good to see you here.

That would help. If they took out the thresholds and eliminated the narrow little guidelines, some of these programs would work, CEBA being one. The payroll requirement is between $20,000 and $1.5 million, and if you're at the $1.5-million mark, $40,000 is almost zero.

You talked about a pig producer and said that's two days of feed. That would be about 0.4% of the feed that we use in a day, so it's kind of silly. If you're at the $20,000 end of the wage limit, it's still not that big a deal; it just doesn't help. Actually, it's $10,000 and not $40,000, because you have to pay back $30,000 of it.

It just doesn't really amount to anything with the scale of agriculture today.

Mr. John Barlow: Rick, did you want to add anything?

Mr. Rick Bergmann: Absolutely. Bob said it well. Guess what? Agriculture has changed from 50 years ago, folks.

At the little farm I'm involved with, we produce 800 little piglets a week, and this last week—the week we're in right now—we've had to give them away. We gave away 800 piglets because nobody was willing to buy them, and they personally cost me $40 each to produce. If you do the math and apply that to some of the programs being offered right now, very quickly you'll understand that the problem is way bigger than the solutions being provided.

Mr. John Barlow: Thanks, guys. I appreciate that the scope of what we're talking about with agriculture is much larger than I think was being accounted for.

On the programs you're asking for, Bob and Rick, what would the cost savings be to the government if they were to implement these programs? We've talked about protecting our food supply chain. What could potentially be the cost compared to what you are proposing here?

● (1645)

Mr. René Roy (First Vice-Chair, Canadian Pork Council): I will step in here—

Mr. Bob Lowe: I will move this to Dennis. He's more the numbers guy than I am.

Dennis.

Mr. Dennis Laycraft (Executive Vice-President, Canadian Cattlemen's Association): That's a great question, John. Our industry always wants to bring solutions forward. If we can intervene quickly, we can always manage a problem when we grab onto it sooner. We're looking at when we work with price insurance. Right now it's not affordable. If we can get markets to stabilize, there would be much lower payouts, so the types of savings I'm going to talk about are probably going to be far greater than the worst-case scenario. To work and help manage our inventory so we can do that and backstop our insurance programs is probably somewhere in the $200-million range to do that quickly. If we don't, we could lose half a billion dollars between now and the end of June.

You can imagine what that would mean in terms of AgriStability payments. Now the best thing for everybody is to avoid those losses and have a healthy business environment. Clearly, by moving quickly—and with AgriStability whether they keep it at a 70% reference margin or move to what the industry is asking for, which is an 85% margin—you would have a chance to save between $100 million and $200 million in payouts there just by acting quickly with these programs. What's more important is that when you don't act, it's after the fact with these programs.

For a young producer who goes to the bank to try to get operating credit to continue in business, that becomes very difficult. When they have their cattle insured, then that's a conversation they can have. That's the most vulnerable group in our industry, those young producers who have high debt loads. They are the ones we can protect the most by acting quickly.

The Chair: We're pretty well out of time, but I believe René wanted in.

René Roy, go ahead, please.

Mr. René Roy: We were talking about $4.1 billion in revenue last year from the pork producers, so you can imagine that if there is help now, we will be able to weather the storm and we will be the ones who will contribute to the economy tomorrow.

We are expecting a loss of a bit more than half a billion dollars at the moment. We are not asking for so much. We are asking for less and leveraging it to be able to weather the storm and go through and help the economy of tomorrow.

The Chair: I'm sorry, but we will have to end it there.

John Barlow, I would just refer you to last week's meeting of the finance committee. We had the UPA and the CFA, the Canadian Federation of Agriculture. You might want to refer back to what they said in that meeting as well.

Just from my own point of view, to CCA and the Canadian Pork Council, I really think this is also an issue—and nobody has mentioned it yet—of food security, and people have to understand the huge numbers. Just one week of piglets there was $32,000, and the huge number on farms is $40,000. It isn't even a drop in the bucket when you look at those numbers.

Next we will go to Mr. Fragiskatos, and then Gabriel Ste-Marie.

Peter.

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

Thank you to all the witnesses for their thoughtful presentations.

Mr. Kelly, my question is for you. Are there one or two policy approaches that have been pursued in other countries that you believe Canada ought to consider?

Mr. Daniel Kelly: Thank you. Yes, there are. Canada is getting there. It is starting to pick up some of the examples that have worked in other countries. Unfortunately, it's doing it really, really slowly.

I want to say, just for the record, that I recognize that civil servants have been working around the clock to put together programs that have never existed in Canada, and that's an incredibly difficult job. I give them credit, but the delay we had in launching the wage subsidy, for example, and on top of that the addition of all sorts of rules and regulations, meant that many are excluded from using the program.

Governments in Europe, for example, were admittedly a couple of weeks ahead of us, and when they took these measures, they put them in place quickly and, for the most part, cleanly, without a million different conditions and attestations that you're going to give your firstborn if something goes wrong. That, I think, is one of the struggles we're having. In England, for example, the program they launched was an 80% wage subsidy, full stop. Every employer, small, medium and large, whether they're ahead, behind or somewhere in between, can gain access to it.

I think we do need to reflect on that as we now design programs for rent, in that if we make them too cumbersome, business owners begin to give up. If we delay the launch of these programs, business owners give up.

The policy mix that the government is pursuing is a positive one. I think the wage subsidy was most important. Some lending was also important.

Rent has been the piece. With the May 1 rent coming around the corner, we just need to deliver something on that quickly. If we do that, I think we have a fighting chance of having the majority—not all, but the majority—of our small business community make it across the emergency phase of this.

● (1650)

Mr. Peter Fragiskatos: Mr. Kelly, I don't want to go back and forth on details, but a thousand applications per minute, when it comes to the Canada emergency response benefit, is what Canadian public servants have been processing. That's a thousand applications per minute. Prior to COVID-19, 45,000 applications per week were the norm. I understand that you want to see businesses supported. We all want to see businesses supported, but this is a monumental outcome and feat, really, that we have seen our public service carry out.

Have there been gaps? Can we respond even faster? Of course, we can do more, but let's look at ways forward and think about the best ways to proceed. There's been a lot that's been achieved.

As I said, I don't want to go into the details, but I'm straying in that direction myself.

Can you tell me your thoughts on rent and recommendations and what the CFIB would like to see? We just heard from restaurateurs. We heard from hospitality associations as well. What would be a good approach to rent, from the CFIB's perspective, to help small and medium-sized business owners?

Mr. Daniel Kelly: One thing we're hoping is that the government will pick up the tab for the majority of the rent bill from businesses that have essentially been shut down as a result of the pandemic. Of course, provincial governments have ordered many businesses to close, but the costs of rent have been borne by them to date.

We were encouraged when the Prime Minister announced that the rent subsidy would pick up April, May and June. That is good news, but it does need to be substantive. If it's a couple of thousand dollars, that would worry us, because business rents are all different shapes and sizes, of course, depending on the size, structure and location of the business in Canada. We're hoping that it will cover a minimum of 75% of the rent, if not all of the rental expense.

We want to make sure that the program doesn't have a bunch of exceptions to it based on business structure. For a lot of the programs, we talked about how the programs are fairly narrowly targeted. They're excluding some—like those in agriculture—that have big needs and big dollars attached. There are also a lot of programs that are excluding the very smallest of small businesses because they may be unincorporated, or they may not have a payroll of a certain threshold or they may pay with dividends or contract labour.

Ensuring that it's broadly applicable to renters would be super helpful. We're hoping to hear more about that, potentially as soon as tomorrow.

Mr. Peter Fragiskatos: I'm going to.... I thought I could, Mr. Chair, but I guess not.

The Chair: No, you're out of time. You can't.

Mr. Peter Fragiskatos: I tried to push my luck. No problem.

The Chair: I would remind witnesses as well—I don't have all of you on my screen—that if you want to intervene at some point and you have an extra point to add, you can raise your hand and I may see you.

We're going to Mr. Ste-Marie, and then Mr. Julian.

Gabriel.

[*Translation*]

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

I'd like to welcome the witnesses and thank them for their statements.

My questions are for Mr. Lachaîne.

The picture you painted makes it seem as though start-ups are falling through the cracks of the existing programs, at least, for the most part. I'd like you to describe the situation for us and tell us what you think should be done. I have four specific points I'd like you to comment on.

First, please explain what a pre-revenue start-up is and why a business like that doesn't qualify for the programs in place and probably won't qualify for the rent assistance measure that is forthcoming.

Second, I'm curious about the problems faced by businesses like yours, with several departments or divisions within a single company. What would you suggest as a solution?

Third, I'm interested in the delay in sales. Clearly, it depletes private capital and increases the risk of bankruptcy. Please talk about that as well.

Finally, I'd like you to comment on why it's hard for you to take advantage of work-sharing and to access supports through the Business Development Bank of Canada because of the requirement that you have to have been in business two years.

The floor is yours.

● (1655)

Mr. Mathieu Lachaîne: Thank you.

A pre-revenue start-up is a young company that has invested time and private capital but not yet made any revenue. Some may have had sales, as we did in our product division. We used our consulting service to fund research and development for our products.

Our product division is at a complete standstill. What's more, we used our private capital to kick-start production. We received the merchandise, but we can't deploy it, so we can't generate or take in revenue.

We aren't eligible for the wage subsidy. The same is true for other start-ups without revenue, not just those with two divisions. Businesses have to be able to show a drop in revenues, but without revenue, you can't show that you suffered a 15% loss in revenues.

Many of us aren't eligible for the emergency loan measure either, because you have to have a certain date at the beginning and you need to have paid a certain amount in payroll last year. In my case, I don't even qualify for the emergency benefit for individuals because I didn't pay myself last year.

As for the rent assistance program, I don't know what's coming, but most start-ups won't qualify because they're sublessees. It's similar to the WeWork shared workspace model for those who are familiar with it—it's a lease on a lease.

Actually, our competitors are all eligible for the wage subsidy. That puts us in a very unique situation, where the government is stepping in and changing the market rules.

In terms of the innovation assistance program, or IAP, announced yesterday morning, there is absolutely no information. We'll fill out the paperwork and submit an application. We know what the eligibility criteria are, we know there won't be enough funding available, and we know that it's a wage subsidy. We don't know how much it will be, we don't know who will get it, we don't know what the criteria are, and we have no idea why we are filling out the paperwork to apply.

Start-ups usually need about two years before they really start generating revenue and creating jobs. If all of those entrepreneurs no longer have any support and end up going under, the other problem is that they don't qualify for the Canada emergency response benefit, known as CERB, or they'll be penalized if they have some income.

How does that help entrepreneurship rebound and ensure start-ups are around for the recovery to rebuild and grow the economy?

Mr. Gabriel Ste-Marie: Thank you.

I'm not happy to hear your answer because it paints a bleak picture for start-ups, which really seem to be falling through the cracks of all the programming announced thus far, even though they're an extremely important part of the economy. It's often said that the greater Montreal area alone is home to 5,000 start-ups. Hopefully, the government will come through.

You mentioned the IAP. I'd like to know about your personal experience with granting agencies like the National Research Council of Canada.

Mr. Mathieu Lachaîne: The trouble is you have to apply for programs like the IAP, which means working with industry advisers, but there aren't suddenly way more industry advisers out there.

Last year, the National Research Council of Canada was given funding to dole out. Applicants competed and less than 10% of project applications were selected. The projects weren't 100% funded; rather, the support was in the form of a joint investment in partnership with private investors.

We met with our adviser on Monday. We thought we were going to apply for the traditional program, based on government funding for the current fiscal year—in other words, the year that began on April 1—but our adviser told us that all the funding had already been allocated in November and December. The projects and programs had already been chosen.

Even though the government has put $250 million into the IAP, we have no idea right now what we'll be able to rely on. We are trying to lessen the market uncertainty caused by COVID-19. No one knows when the lockdown is going to end, and we don't know the repercussions all of this is going to have. We have a good idea, so we can make some forecasts, but the programs add to the uncertainty. Our competitors are subsidized, but we aren't.

The simplest thing to do would be to give everyone the subsidy by leveraging payroll deductions, without making people apply for a whole slew of programs and fulfill all kinds of criteria. At the end of the year, the government could retroactively tax those who didn't need the support, so it doesn't add to their profits.

The important thing is to make sure that everyone is on equal footing for what comes next and that jobs aren't lost.

● (1700)

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thanks, both of you.

Following Mr. Julian, we'll start the second round with you, Mr. Cumming.

Mr. Julian.

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

Thank you to all of our witnesses. We hope your families are safe and healthy, and we appreciate your being here today.

My first questions will be for Mr. Kelly. I hope that the technology will co-operate and that you will be able to answer them.

As you mentioned, the issue of rent abatement is extremely important. Other countries—France, Denmark and Australia—have put in place programs to help support the small business sector. Gord Johns, the NDP small business critic, and I wrote to the Minister of Finance last week and urged him to put in place for May 1 a rent abatement program that would allow property owners to basically put rent in abatement for small business owners and get 66% of that back from the federal government.

How important is it to have that type of program? One hundred per cent of the rent abatement would be written off, the small business could survive and the property owner would get most of that reimbursed. It's that shared sacrifice that I think we're all looking for to make sure that we can weather this crisis. How effective would an approach like that be?

Mr. Daniel Kelly: I think it could be quite effective. We are of course looking for a program like that. The design that the federal government has announced so far is that there would be loans to landlords, with a portion of the loan being forgivable, and then the benefit could be conferred upon the tenant.

My worry, though, is that if the program is an option for landlords to take out, it may not work. We need to make sure that the rent reduction is actually passed on to the end tenant and that everyone can gain access to it. If it depends on the landlord taking an action, I'm not sure that the program will be as successful as otherwise.

The NDP has proposed, I think, a good approach. The provincial NDP here in Ontario has also proposed a similar approach, which is to have the provincial government fund a program of up to $10,000 in relief.

We're hoping to see some design principles, but we need to make sure that it is a fairly universal subsidy for renters and that all renters that are in need are going to gain access to it. My fear is that the way the design is shaping up this might not be the case.

Mr. Peter Julian: Thank you for that. We just did a panel with the hospitality industry. They also found that the proposal made a lot of sense. In fact, they thought that it was the best suggestion made so far. We continue to press the government to put that into place for May 1.

Another issue that has come up with small businesses, of course, is that of credit card fees, interest charges and lines of credit. Small businesses are going deeper and deeper into debt.

The credit union sector has stepped up. Many credit unions have brought their credit card and lines of credit rates down to zero. The big banks simply have not. There have been only cosmetic changes by them, though they seem to be running ads 24-7 on television. As a result, we're seeing mortgage deferrals with interest, fees and penalties. We're not seeing the big banks step up at all.

How important is it that the federal government take action and use the powers it has to ensure that we bring interest rates down to a level that allows small businesses to survive? The banks have said they'll follow federal direction. They've received none so far. How important is it for the federal government to act in this regard? My question is again for Mr. Kelly.

● (1705)

The Clerk: Mr. Chair, I hate to intervene here, but for you and members to know—I don't know if you've noticed—we're not providing interpretation services right now for Mr. Kelly. There's been a lot of distortion in the room when Mr. Kelly is speaking. I just want to put that out there so everyone knows.

The Chair: Okay. We'll just go with a quick answer there, Dan, and then we'll have to move on anyway.

Mr. Daniel Kelly: I've just killed my video signal, hoping that the audio will improve.

Look, there's a lot more that banks can do. We have suggested, for example, with respect to lines of credit, that we would like banks to simply expand lines of credit that they already have. It's difficult for businesses to switch banks right now, but if they can use their existing banks and get more access to some credit where possible, that would be very helpful.

Credit card fees remain a problem for many small merchants. Any relief on that front would be welcome news as well. The NDP has put forward a variety of practical approaches, including on the wage subsidy, and we've been happy to join with them in sharing and pushing for some of the solutions that have been suggested.

Mr. Peter Julian: Thank you, Mr. Kelly, and—

The Chair: Thank you, Dan and Peter. We are out of time—

Mr. Peter Julian: No, we're not, Mr. Chair. I still have a minute.

The Chair: Not according to my clock. Go with one quick question, then.

Mr. Peter Julian: Thank you.

The Chair: I think you were slow starting your button.

Mr. Peter Julian: No, I wasn't.

On the issue of universality—you've mentioned it, Mr. Kelly—other countries have put in place universal programs and universal wage subsidies.

[*Translation*]

Mr. Lachaîne also brought up the universality of the Canada emergency response benefit.

[*English*]

We have an emergency response benefit that is already set up and is universal in nature. The federal government just has to take off the penalties at the back end.

How important is universality in the approach to these programs, Mr. Kelly and Mr. Lachaîne?

Mr. Daniel Kelly: I'll keep my answer very short.

I get the desire on the part of the government to make sure that the benefit of these programs, which are incredibly costly, goes to those who are most in need. The challenge with designing that in these emergency days is that we end up delaying the programs, making them less usable for many of the participants. As a result, we end up having more people join the unemployment lines than would otherwise be necessary.

I do think that in these circumstances universality is pretty critical.

The Chair: Thanks to all of you for that.

The next round is a five-minute round, starting with Mr. Cumming and then going on to Ms. Dzerowicz.

James, go ahead.

Mr. James Cumming: Thank you, Chair, and thank you to all the witnesses today.

I want to direct my questions to Mr. Kelly. Hopefully, his technology will work.

Mr. Kelly, to start with, I want to talk a little about CEBA and its accessibility for people who are taking dividends. Those smaller businesses that don't necessarily pay themselves, other than through dividends, may use a personal chequing account to fund their businesses. Can you give me a quick thought on why those wouldn't be included? It strikes me that they should be included in this program.

Mr. Daniel Kelly: The government has had a problem with dividends since they've taken office, and I think we saw that in the 2017 tax hike.

I hate to say it, but we have to include businesses that have dividends. I've said to government on several occasions that we can resume the debate immediately after the crisis as to whether dividends are a good or a bad thing for small business, but let's include dividends right now, given that so many mom-and-pop shops pay themselves with dividends. Let's make sure that they are not excluded from the program. Right now, because they don't have formal salaries, we have the smallest of small businesses and family businesses excluded from many of the relief programs, most notably the CEBA loans.

We really do need to make sure that new firms that didn't have a payroll in 2019 are included, and that those that pay with dividends, those that have contract workers and the self-employed can gain access. The CEBA loans are helpful for those very small companies. It's a $10,000 grant. I have to admit that I had some hesitations about it in the early days, but I think the government has designed a good, appropriate tool for very small businesses. Unfortunately, it has excluded many very small businesses, and that should be changed. We've proposed solutions so that dividends that are paid just to the family members up to, say, the maximum insurable earnings for EI, could be used to satisfy the payroll test. We're pushing for that right now.

● (1710)

Mr. James Cumming: Okay—

The Chair: Just to interrupt for a second, James, the translation isn't coming through on my end in French.

Clerk, is it coming through on your end or are we just not getting on the translation on Mr. Kelly?

The Clerk: We're not getting the translation because there were too many distortions, so that's bit risky. I don't know if you want to continue with Mr. Kelly or if you want us to try to set up a test or invite him later, but it won't be possible for the interpreters to interpret.

The Chair: Okay. That's a problem.

People, when you're asking your questions, keep that in mind, because we really should be doing it in a bilingual nature. I'm sorry to say that, as I don't want to avoid Mr. Kelly, but....

Okay, James.

Mr. James Cumming: Unfortunately, I'm not going to avoid Mr. Kelly.

To go back to CEBA again, now that it's been open for a bit, Dan, are you collecting any data on why people have been rejected and what the level has been? Are you getting any kind of intelligence on what your members are telling you regarding the program?

Mr. Daniel Kelly: Yes, we are. We have data showing that about 60% of our members were qualified for CEBA with the original rules. It went up to about 70% to 75% of our members when the government expanded the payroll from $20,000 to $1.5 million, but there still remain about a quarter of small businesses that are excluded from the program, and probably even more if you include all of the self-employed in that mix.

One of the other tests that is causing problems, which I think you mentioned a second ago, is that you need to have a business bank account, not a personal bank account. Some very small businesses run the business essentially through their personal finances, and that has excluded some of them.

The Chair: You can have a quick one, James.

Mr. James Cumming: On rent abatement, there has been a phenomenal amount of money put in to create liquidity. My concern with the rent side is that one size fits all. Have you done any costing? It strikes me that it will be an incredibly expensive program. Hopefully, your members have already been negotiating with their landlords and the landlords have been negotiating with banks, because, of course, landlords cannot afford not to have these businesses as tenants.

Do you have any thoughts on that, Dan, short of rebate programs funded by the government?

Mr. Daniel Kelly: Yes. We are encouraging all of our members to try to negotiate with their landlords, and many have. Unfortunately, what that's doing, though, is just deferring bills. Very few have offered any actual reductions in their bills. I do worry that if all we're doing is deferring a lot of these expenses for Canadians or Canadian small business owners, when the economy begins to reopen and all of those bills start to come due, that's when the businesses will go bankrupt.

I get that these are expensive things to do, and I worry as a taxpayer about how long we're going to have to be paying for this, but it's very unfair for businesses to be asked to pick up the cost of the social distancing. They've basically had their businesses expropriated, and they're no longer able to earn an income. I do think it is appropriate for the state, for government in this case, to step in and pick up and relieve some of those bills. It is off brand for us at CFIB to make those kinds of recommendations, but there they are.

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

Look, if we can't get translation working, I know I'm in violation of the rules when we don't have translation, so we'll either have to get translation working or bring Mr. Kelly back again if there are other questions for him. We have to be able to have interpretation or somebody will be writing the Speaker about what I did at the finance committee. I'd like to avoid that, if at all possible.

We will turn, then, to Ms. Dzerowicz and then Mr. Cooper.

Julie, go ahead.

[*Technical difficulty—Editor*]

● (1715)

The Chair: You're not coming through, Julie. You can talk to the technicians. We'll come back to you. I'll put Mr. Fraser on first and then we'll come back to you, because we can't hear you at all.

Mr. Sean Fraser: Hello, Mr. Chair, can you hear me?

The Chair: Yes, we can, Sean. You're on.

Mr. Sean Fraser: Thank you very much.

Before I start my questions, are questions for Mr. Kelly now off the table?

The Chair: They are.

Mr. Sean Fraser: Okay. I will have to adjust on the fly, as the case may be, and perhaps follow up with him another time. I'll turn first to Mr. Lowe from the Cattlemen's Association.

I had a chance to meet with some of your members, who made the point about extending some sort of price insurance that exists elsewhere in the country to different regions and, as you mentioned, Atlantic Canada. One of the things I'm curious about is that the mechanism doesn't necessary contemplate the kind of disastrous scenario we're facing this season, with a complete drop in the market right across the board.

I'm curious. If it's a member-paid-for program, would it have the resources to self-finance any kind of payout on a massive scale, which we would be seeing this season?

Mr. Bob Lowe: No, not with the current premium structure, the reason being that nobody's going to take it out. Nobody's going to take out the insurance, because the premiums just cost too much money. It doesn't make sense.

The increase in the premiums is caused completely by the volatility in the marketplace caused by COVID. You see that the cattle market did exactly the same thing as the stock market. Futures prices in cattle markets collapsed.

Mr. Sean Fraser: Is this the kind of thing that you're suggesting might be a good measure to implement as we look at the medium-term recovery, rather than the emergency response?

Mr. Bob Lowe: If the emergency part of this is that cow-calf producers.... There are three parts to the price insurance. There's the fed, the feeder and the cow-calf. For cow-calf producers right now, calves are being born, and there's a deadline for when they can insure their calf crop as they wean next fall, and that's the end of May. If we can get the volatility out of the premiums and the cow-calf producers can insure their next year's calf crop, that puts a stability into the market.

After what we've seen happen in the last month, I would suspect that if the premium were a reasonable number, every cow-calf producer in the country would insure their calves, though you don't know and governments do backstop this, and that would make it a lot closer to being self-sufficient.

Mr. Sean Fraser: Okay. Thank you for that.

My next question is for Mr. Lachaîne. I have a question about the start-up community. I take your point that there are groups of people who can't demonstrate a loss of revenue that would qualify them for the wage subsidy if they had no revenue in the first place or, in many cases, did not even exist last year. I think the new businesses that can demonstrate revenue month over month have somewhat been taken care of, but you've quite rightly pointed to some of the highest-growth-potential firms that exist in Canada.

When I've reached out to members of the start-up community, one of the points they've made to me is that not all businesses are without money right now, because they've had a pre-existing angel investor from before crisis. The VC community, however, is looking forward in the short term with a lot less confidence than it had even just a couple of months ago.

For these firms that are not without cash but are looking for their next round of funding from a pool of investors who are just not there, I'm wondering whether the better approach might not be a revenue-based wage subsidy, but some sort of a program that would provide grants to companies in the innovation space. Or perhaps they could even look at BDC, which is fairly plugged into this network, in taking equity stakes in companies, maybe not with a view to hanging onto them forever, but to demonstrate to the community of investors that, hey, BDC has confidence that the start-up community can exist.

Would a program of that nature fill the gap more effectively than a wage subsidy if it's a market-based approach that would give an opportunity for start-ups with real viability and potential for success to get access to further working capital?

● (1720)

Mr. Mathieu Lachaîne: On your first question about how the private investors' rounds work, typically start-ups will raise money for 12 to 24 months but typically around 18 months. Any start-ups start to try to raise money about six months before they're out, because we typically aim for growth and not profitability in the first few years.

This means that the impact on the start-ups will be that they won't be able to start their rounds in the next six months. For anyone trying to close a round right now, it will be really, really tough. Especially in the early-stage companies that we call pre-seed and seed rounds, this will be very difficult. The other problem with all of those programs is that these companies are going to run out of money after the program ends, because the programs are available right now and the problem will come in many months.

The second part of your question was about the BDC. BDC was very helpful with my previous companies; I've worked with it. It has two parts, and one is the banking side. As I said, most of its programs are for companies with two years or more of revenues, companies that are profitable. The other side of its business is BDC Capital. It invests but it mostly invests in funds of investors. It sometimes co-invests with other investors, although keep in mind that 97% of start-ups do not have capital—outside of the moms and pops that have their own private capital—and fewer than 1% receive venture capital, VC.

Putting more money into BDC Capital would help the start-ups that already had some money, but as I said, the ones that are in the first two years of development are all out. They cannot get access to this money. The big problem with the programs is that there's a big delay in getting the programs out, the money in, etc., and all we're doing in the meantime is not working on growth but working on trying to fit in the different programs and figuring out how we're going to make this work.

What we would like to do right now is to work on growth and to have a fair playing space so that the incumbents, the existing companies, number one, would pay the same taxes that we do—if you read the news, you hear that Netflix and others are not necessarily paying all of their taxes here—and, number two, have a level playing field so that our competitors, who might have more than two years, are not subsidized when we are not.

The Chair: Thank you. We'll end that one there.

We'll turn to Mr. Cooper and then we'll try Julie Dzerowicz again.

Mr. Cooper, you're on.

Is Dan Kelly's translation working, Clerk?

The Clerk: No, Mr. Chair, the situation remains the same.

The Chair: All right, we'll have to leave Dan out of this round and perhaps invite him back another day.

Mr. Cooper, you're on.

Mr. Michael Cooper: It's unfortunate that Mr. Kelly isn't there because all of my questions were for him, but since he isn't yet available, I know that Mr. Elsaadi hasn't had a chance to chime in.

He talked about not just the immediate term but also some of the longer-term challenges for small businesses. I invite him to chime in if he has any specific policy recommendations on getting businesses through not only the short term but also the intermediate and longer term.

● (1725)

The Chair: Mr. Elsaadi, go ahead.

Mr. Salah Elsaadi: Thank you.

I believe that Dan was talking about rent deferral. We're always talking about big companies. For small businesses now in Canada, I wish that the Canada Revenue Agency would go through their T4s or their revenue. Not many of them make more than $50,000. In the short term, it's great that we're given the $2,000, but as a business owner, I can tell you that $2,000 does not pay for my insurance. I have businesses, insurance, cars. It doesn't help.

So I think the government should work directly with the landlords to give them subsidies for rent and work with them on a one-year proposal. If any business opens in Ottawa or anywhere in Canada and cannot pay its rent, it cannot survive. You're going to have 40% to 50% of those businesses closing their doors?

I'm talking now about small businesses. We're all afraid about what's going to happen when we open up again, with social distancing. What does that mean? I went to the bank yesterday. They made me stand six feet away. I was not able to get in. Most of these restaurants have 100 chairs. You're going to drop that to 50, or most of the services may not be able to survive, and there are the big things you have to think about, for the long term. Is the world going to open its borders? Is the United States going to open its border 100% for us? Is China going to open its border? Are the Mexicans going to visit? This is a big question the government has to consider, to help these people survive for the next year, at this specific point.

I talked earlier about businesses being able to survive. In Ottawa I know 20 to 30 businesses that pay rents of between $6,000 to and $7,000. They pay their rents and they get their salaries as dividends. This $40,000 program is not helping them.

Mr. Michael Cooper: Right.

Mr. Salah Elsaadi: And how are they going to survive if they continue like this? There are no visitors. I don't know if members of Parliament will be coming back to the city. I'm talking about my city, Ottawa. If they come back, will they be social distancing? Is a government worker going to go back to work? Usually, before, they would sit on the street; they would talk to people.

So we need to talk about the long term more than the short term. For the short term, maybe some businesses have the money to survive, but what's going to happen in the long term?

Mr. Michael Cooper: Right.

Do you as a small business person have any recommendations on the rent subsidy and its delivery?

Mr. Salah Elsaadi: I think the rent subsidy should go directly to the landlord. It should not go to the businesses, to the tenants.

Mr. Michael Cooper: Right.

Mr. Salah Elsaadi: It should go directly to the landlords. I've had this conversation with a few people. The government should work strictly with the landlords. Look at their payment—what's their mortgage payment? If they have a huge mortgage payment, at least cover their mortgage payment and give them a percentage until this crisis is over.

I know that some of the gentlemen mentioned that some rents are big and some are small, so to be fair with them, you have to really work on a policy, because nobody can survive. You should not work with individual businesses. You should work directly with the landlords about the rents and work with the businesses with another long-term plan for how they can survive.

With regard to giving the $2,000 for students or for workers—

Mr. Michael Cooper: Yes.

Mr. Salah Elsaadi: —I have a few part-time workers. They make $200 or $300 every week. Now they're getting $2,000. Do you think I'll be able to bring them back? It will not be easy to bring them back to work.

The Clerk: Sorry, Mr. Chair. I just want to say that I think we're okay right now to provide interpretation services for Mr. Kelly. We were able to connect with him differently.

The Chair: Okay. Mr. Cooper came on too soon there. That's okay. There's nothing we can do about it.

Ms. Dzerowicz, are you back on?

● (1730)

Ms. Julie Dzerowicz: [*Technical difficulty—Editor*]

The Chair: We still can't pick you up.

Ms. Julie Dzerowicz: [*Technical difficulty—Editor*]

The Chair: Am I the only one not hearing her? No, I see Peter shaking his head no.

We can't pick up your sound at all, Julie.

Ms. Julie Dzerowicz: [*Technical difficulty—Editor*]

The Chair: We'll have to come back to you, Julie, if there's time. Talk to David or the technicians.

Annie, you're on.

Ms. Annie Koutrakis: My question is directed to the meat producers. Canadian food security continues to be a priority during this pandemic. What are your facilities doing to ensure that production can continue while protecting the safety of your staff? What role can the federal government play in enhancing on-the-job safety for workers in the agriculture and agri-food industries?

The Chair: Who wants to start first, the cattlemen or pork producers?

Go ahead, Dennis.

Mr. Dennis Laycraft: Thank you, Wayne.

That's a great question. We're in daily contact with our processors. They have been introducing a plethora of enhancements to their operations. Obviously, you want to create distancing. Where you can't, you create barriers that, effectively, are similar to the distancing. Even on arrival, you ensure that you're able to bring in the shifts efficiently. Many of those workers travel distances to get to the plant, and that has to be done safely. There's a whole range of solutions constantly being evaluated and worked on. Ensuring that enough personal protective equipment is available is another piece of this.

Getting back to our own members, we've been trying to provide weekly guidance out there on everything they can do. We all view them as front-line food workers, though what they're doing is really essential to maintaining food security in our country and assisting around the world where there are food shortages developing. So it's a great question. We want to sit down every day and figure out how to get as much reliability as we can in our system, moving forward. Of course, we have to protect our workers. We can't run these operations unless we're able to do that.

Ms. Annie Koutrakis: I have one more question. It's for Dan Kelly, if I may.

The Chair: Dan is back on. Go ahead.

Ms. Annie Koutrakis: What changes in consumer behaviour are you expecting as a result of COVID-19, how should small businesses adapt to these changes, and what role can the federal government play in supporting the transition to new business models that address the needs of consumers in a post COVID-19 economy?

The Chair: That was a long single question, Dan, but go ahead.

Mr. Daniel Kelly: I was trying to switch to a telephone. I don't know if this is any better.

The Chair: Yes, it's good.

Mr. Daniel Kelly: Okay.

Look, many changes have already happened during the crisis. In any crisis there are some takeaways that will be beneficial for businesses to continue with afterward. Canada has been slow to adopt online commerce. I know that throughout the emergency, many firms have been moving quickly to try to ensure that they do have some online sales capacity available to them. Some have been looking at more take-out delivery and curbside pickup options. Some of that will stick. They will continue with that afterward, as they have the ball rolling now.

I would imagine that telecommuting will continue to grow even more significantly as a result of this. More and more firms will be looking to see what they can do by having staff work remotely, with all the positive, and some not-so-positive, implications of that. You would imagine also that automation in Canadian businesses will increase, because of course the firms that were earlier to automate may be a bit more insulated from some of the worst of this.

I think it will include a number of positive trends, but those trends also have implications for Canadian employers and for workers that we have to make sure we're careful to think about. It's one of the reasons I think it's so critical that we put in place some thinking around what we'll do to get us out of this situation. Of course, we're focused on the emergency phase right now, but keeping an eye on what measures we'll put in place to help guide and support businesses as they begin to reopen will be a critical element of this.

● (1735)

The Chair: Thank you.

We will try to go to a series of questions, if we can. We'll go to Gabriel Ste-Marie and Mr. Julian. Then we'll try Julie again. After that, we'll go to Mr. Poilievre and Elizabeth May.

Mr. Ste-Marie.

[*Translation*]

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

My question is for Mr. Roy, from the Canadian Pork Council.

What measures do you think are necessary to support your industry?

Mr. René Roy: We need swift and effective assistance. In the short term, we estimate that we'll need $20 per hog if we're going to survive this crisis. The demand for food is still there, and we are continuing to export, but the crisis could last months. We hope that will be enough. Beyond the crisis, it will help us to keep employing people and producing food for Canadians. Family-run farms are the ones doing this important work; they want to be farmers and are passionate about what they do.

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you.

It might have been the translation, René, but it came through that the help you require is $20 per share. Could you explain that a little more?

Mr. René Roy: Yes. What I was saying is that we are looking for financial support of $20 per hog.

The Chair: Okay.

Mr. René Roy: If I may add to that, the reason is that it's also a matter of mental health. Right now, people are desperate to find solutions for their business. They have invested not only in their time, but must also have help so they can get through this.

The Chair: Thank you for that. Just as my own thoughts on that, René, I used to be a hog producer, and I don't even know whether $20 per hog would cover the current need, but that's my opinion.

Mr. Julian.

[*Translation*]

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

I have two quick questions. The first is for Mr. Roy.

Mr. Roy, you said you needed $20 per hog, but how much is that industry-wide? The pork industry is extremely important. How much will it need to get through the crisis?

My other question is for Mr. Lachaîne. You talked about the importance of universality. I actually asked Mr. Kelly a question about that earlier. How important is it to adopt the principle of universality, as other countries have, when it comes to wage subsidies and emergency benefits?

Mr. René Roy: As far as support for the pork industry goes, the chair of the committee suggested that $20 per hog may not even be enough. As business owners, we are prepared to assume some of the risk. We are well aware that prices fluctuate.

According to our estimates, $20 per hog could help us get through the crisis in the next few weeks. We're not asking the government for a full support program. We just need help to get through the crisis.

[*English*]

We are producing about 27 million hogs per year, so that will give you the range of numbers. We hope that this help will be enough and that the market will pick up. That's the idea.

For how long? We believe, according to the futures markets, that the next six months will be really tough. That's what the futures contracts are saying, but we hope that we will get through this period. What we see are some business risk management programs that should be upgraded. That's work that is already on the table for the government. Hopefully, it will sort out some of these problems in the long term.

● (1740)

Mr. Rick Bergmann: Mr. Chair, if I may...?

The Chair: Yes, you may. Go ahead, Rick.

Mr. Rick Bergmann: I appreciate it.

Mr. Chair and others, just to finish the thoughts that René presented to you, we know that's actually a very low number. Today, for example, Tyson Foods in the U.S. closed its third American plant because of COVID. Right now in Canada, we know that we've had a flavour of some plant closures, and those were devastating in that region in Quebec and in Ontario and the Maritimes.

We are on the cusp, so although we make this request, our sector changes by the day and sometimes multiple times a day. If we have the misfortune of plants closing, as the people in the U.S. do, then we have bigger problems, and, to go to your point, $20 is nothing.

On Annie's question in regard to the things that are being done on the pork side as well, right now there are some super procedures that are in place and are being put in place. We've had the fortune of seeing others around the world with their misfortune, and that has prepared us.

We're fortunate and blessed to be in that position, but our guards are not down at the processing plants, and our guards are not down on our farms. We understand biosecurity on our farms, so COVID is not a scenario that's lost on farms or at the processor level in terms of all the due diligence that is required. As was mentioned earlier on, we are an essential service for Canadians, and food security is also very critical.

Thank you.

The Chair: Thank you.

The next lineup will be Mr. Fraser, who is coming back in, and then Mr. Poilievre and Ms. May.

Just to put this in perspective for committee members, that one Tyson plant in the U.S. kills 10,000 hogs a day. I believe it's one of those that shut down. That will put into perspective how serious a plant shutdown is.

Sean Fraser, go ahead.

Mr. Sean Fraser: Thank you very much, Mr. Chair. I appreciate it. I did want to go back to Mr. Kelly, who now has rejoined us, with translation.

Thank you very much for being with us.

First, you mentioned during one of your last responses that it might not be your usual reputation at the CFIB to be advocating for this kind of immense public spending to combat an emergency. I'm curious as to when the time will come when you live up to your pre-existing reputation.

You see, the challenge right now is a bit easier in some ways, I find, because everyone, more or less, is suffering from a particular common threat, with some obvious exceptions. There's going to come a time if these emergency temporary benefits remain in place for too long where the benefits may actually have a market-distorting effect, where we will be rewarding people who do not rebuild their businesses successfully and creating a competitive disadvantage for business owners who, for example, no longer see a 30% drop in revenue.

When are we going to know when it's the time to rip the band-aid off, so to speak, and to know that the emergency is over and we should let the market, rather than government supports, dictate which businesses succeed?

Mr. Daniel Kelly: It's an excellent question and I absolutely 100% agree with its premise that the reasons.... Subsidies for business are a bad thing. They create all sorts of terrible incentives and we should do as little subsidization as possible.

This is, of course, very different. The government has imposed a shutdown for good and valid reasons, a needed shutdown on swaths of the business community. As we begin to lift those restrictions, that will begin to be the time when we can start to take away some of the measures.

However, there are businesses that are not going to see the effects of the problem in the immediate phase. For example, the tourism industry right now is in a fairly slow season, but we worry that while Canada is coming back up and running—let's hope, over the summer—if tourism hasn't bounced back by then, the impact on that sector will be huge. If it misses those bookings during those valuable summer months, it will not then be able to rely on its income in the rest of the year.

It's going to be an art far more than a science and we're going to have to plan as we go, but it is absolutely critical that there are some significant subsidies in place right now that really do freeze businesses and protect them so that we can then take those supports off at the earliest opportunity.

I know that in years to come in the finance committee, you'll be pointing at this testimony when I'm complaining about higher taxes, so please do keep it, Chair, on record; but we're going to have to deal with that when it comes. Right now we have business owners who are absolutely not sure where to turn. The supports are needed right now, and we will work with you to find opportunities to take them off, but I think you're absolutely right that we should be thinking about that carefully.

● (1745)

The Chair: Okay, thank you both. I'm not sure if Pierre is online or not. I don't see him. We might go to Mr. Cumming—

Hon. Pierre Poilievre: I'm here.

The Chair: Okay, there you are. Go ahead, one quick question and then we'll go to Elizabeth May and end up with Julie.

Pierre.

Hon. Pierre Poilievre: Actually, Wayne, if I could get my five minutes, that would be great. I had only one question last time.

The Chair: That's true.

Hon. Pierre Poilievre: I'm going to go to Mr. Lachaîne.

The Chair: Go ahead. Yes, he's here.

Hon. Pierre Poilievre: Mr. Lachaîne, I think you made some excellent comments. You very carefully explained the downside of constrictive and restrictive government corporate welfare programs.

I agree with you that the government would have been far better off having a simple liquidity program that would put cash in the hands of businesses by reimbursing some of their remittances and then allowing them to direct it to whatever they thought most necessary. Trying to create a separate, highly prescriptive government program for every item in a business's budget is not working. They have one for wage subsidies, they're going to try to come up with one for rent, and they've tried to come up with a very small loan program.

I think they would have been far better off just reimbursing businesses with a large amount of liquidity that businesses could use, depending on their own particular circumstance, as is happening in other countries around the world. That has been delivered very effectively. I want to thank you for your testimony in that regard.

I also want to ask you about the post-COVID period. We can't subsidize every industry into success. We'd have to take more money out of the economy than we have to pay for. What do you think we can do post-COVID to unleash economic production so we can afford the quality of life that Canadians have come to expect?

Mr. Mathieu Lachaîne: Thank you.

You first mentioned the problems, the delay and the inefficiency, in deploying capital in programs. This is why I said that universality is required, and also, to not change market conditions right now for the future. Just for us, if we were to have the wage subsidy, it would be $100,000. It's very important.

On the uncertainty that it creates in the market as we go along, we're only four weeks in, and as it goes along it's creating more uncertainty in the market, because we don't know what other programs are going to come in. There is uncertainty for investors investing even in new technologies, because they don't know if competitors in the future are going to get some subsidies and not them.

That's a very important point, that universality, and also, you know, maybe raising taxes specifically for this year retroactively at the end of the year for people who received it and shouldn't have. They haven't created value, and what we want is to create growth and value.

On the second part of your question on what we can do post-COVID, I believe that we should plan something universal that would decrease the wage subsidies as we go through the months. We need to give people time to pivot. In the start-up world, pivoting means that you're testing something. When it doesn't work, you change either the market or something in the product, and you adapt.

As a country, we now need to decide if we accept this as the new reality, that this is the worst-case scenario, and we adapt. We can pivot the whole economy into a low-touch economy. If it's going to stay for two years, it's going to be in our habits afterwards. People are going to work from home more. This is going to change the economy, so we can't continue doing what we do.

I believe that one of the key points for putting more people into entrepreneurship and having more people start and grow businesses and get value would be to have a universal basic income. It takes two years to get a start-up up to speed. During those two years, you have your private capital, so this is—

● (1750)

Hon. Pierre Poilievre: How much would that cost? Do you know how much that would cost? Everyone keeps talking about it. Nobody can say what it would cost. What would it cost and how much would we have to raise taxes to pay for it? Because it has to cost something, and it has to add up somehow.

Mr. Mathieu Lachaîne: For Canada's child benefit program, there are already some studies on it. For every dollar that is sent in, it creates four dollars in value in the economy. I say this because GDP is the economic mass times the velocity of money. When you give money at the low end, at the low end of the spectrum, you're putting it into the velocity of money, so it actually increases—

Hon. Pierre Poilievre: It still has to cost you, though—

Mr. Mathieu Lachaîne: —your multiplier, and it just goes into consumption. This is how we create a lot more value. It's not from penalizing everyone from getting work and starting businesses and—

Hon. Pierre Poilievre: You have to get the costs of that. You can't simply propose it and say that it will magically pay for itself. Everything costs money, and nobody who has talked about this idea has come up with a costing.

The Chair: Pierre, you had a full five minutes. Look at that.

Hon. Pierre Poilievre: Thank you.

The Chair: You did well in the last round.

Elizabeth May, you're on, and then we have Julie with one quick question.

Ms. Elizabeth May: Thank you, Mr. Chair.

As somebody who is not a full member of this committee, I would sure love it if we did a study on that.

We've done a lot of work in the Green Party already, Pierre. We'll talk later about how we pay for the program, because it pays for itself—

Hon. Pierre Poilievre: Right.

Ms. Elizabeth May: —but I wanted to direct questions to the wonderful witnesses we have here.

I'm very curious. From the cattle producers' expertise, it seems to me that we have a structural issue that makes the industry extraordinarily vulnerable when one plant closes down. I remember the XL beef incident in 2012. To have only three plants for all the cattle.... I really feel for people who are producing the pigs and cattle. I'm wondering if there's a long-term solution.

I'll give a small background. In Saanich—Gulf Islands, we did a ton of fundraising when the provincial regs changed so that we could build an abattoir on Salt Spring Island and the lamb slaughter could continue locally and not be more centralized. Is it worth considering as a long-term response to these kinds of issues that the abattoirs and production facilities be potentially more decentralized?

It may be a naive question. As I said, my only background on this was fundraising for the abattoir on Salt Spring, but I'd be very interested in your perspective.

The Chair: Bob or Dennis, go ahead.

Mr. Dennis Laycraft: Maybe I'll start. It has been a trend over years that larger modern facilities are available, and they certainly have brought in some of the most sophisticated food safety programs that we've ever seen. There have been many benefits to their size and structure. We're far more vulnerable now, obviously, in dealing with a pandemic. It's probably the first time in a hundred years that this sort of circumstance has presented itself.

Obviously, I think, the more capacity that we have.... We've had recommendations, particularly in eastern Canada, to try to build on capacity and to build what I call “surge capacity”. If you increase cooler capacity and different things, plants can process more. We're looking at every option right now. These companies are also looking at options and at how they are going to be doing some refitting to achieve this.

There are many different things, and I did want to go back a bit. We're dealing with this uncertainty, and there was a question of whether the price insurance is mid- or longer-term. Right now, it's the time of year when producers are making all of their decisions about how many heifers they're going to keep and what they're going to do over the summer. It's the most urgent time to move ahead quickly with things like that. It helps your whole business planning. It's similar to what you're talking about with the packing plants. The faster we move, the better the solutions we're going to bring forward.

● (1755)

The Chair: Thank you, Elizabeth and Dennis.

Julie, is your mike working now?

Ms. Julie Dzerowicz: I hope so. Can you hear me?

The Chair: Yes, we can.

Ms. Julie Dzerowicz: Thanks so much, and thanks to everybody for their patience.

Thanks for the outstanding discussion today.

Mr. Lachaîne, I want to say that I very much appreciated your most recent comments and your thoughtful ideas.

I also want to thank the Canadian Pork Council and the Canadian Cattlemen's Association for really reinforcing some key points that make us truly understand that if we're not addressing the needs right now in both of these industries, it's really going to impact our food security. I think it's important for us to thank you.

My final question is for Mr. Kelly from the Canadian Federation of Independent Business. I know that a lot of our focus today has been on continued emergency measures right now. What model would you propose for us to continue to help our small businesses in the medium term as we go into what I call this “grey zone”, where we don't yet have a vaccine but are going to bring our economy back a little bit?

What's the model that you would propose so that we can get to some good solutions? Also, then, how do we get to a model, and what's the model that will get us to a post-COVID-19 plan?

The Chair: Mr. Kelly.

Mr. Daniel Kelly: We've been doing a lot of thinking about just that. It requires careful coordination with the provincial governments, obviously. Provinces are the ones that have put the emergency services rules in place. I will say that while we did need to put very blunt measures in place quickly, of course, to be able to slow the curve, now that this going into month two and there are no signs in many parts of the country that it's lifting, we need to rethink some of those emergency services rules to allow a trickle, a heartbeat, of business in more and more locations.

We've learned a lot over the last little while, and I do think that where government could help is in ensuring that businesses have an understanding of the rules of the game, and of what social distancing might mean in more small firms and helping them procure protective equipment to be able to operate through the start-up phase of the pandemic. We're coming to that soon in some provinces—as soon as May in Saskatchewan, for example, God willing—but we need to start thinking about these measures now.

Many of our members have pointed out that if Costco and Walmart are allowed to sell frying pans and T-shirts, but we've prevented the tiniest little stores from selling anything, that's quite unfair, and these stores can play a role. Small firms can serve consumers safely through the start-up phase.

We're working with provincial governments to try to do some of that. Support from the federal government on the re-entry would be particularly helpful, and that's where I think the wage subsidy can play an important role as firms start to rehire the people they have laid off. I credit the government for moving on this; it was slow, but we got there with the wage subsidy. I think we're going to need to continue at least a partial measure as we move over the summer months.

The Chair: Okay. Thanks to you both.

We do have a couple of minutes left here, so I will ask a question.

Bob, I know that hogs require a different program from the one for cattle, but you mentioned at the start that the set-aside program for the cattle industry is important right now. I think Pierre Poilievre and I might have been in Parliament when the last one was in place. John may understand it. Could you just explain the set-aside program a little bit and how it works? You're dealing with a lot of people on this committee who aren't in cattle production or who don't understand farming. Perhaps you could explain how that works in terms of going to maintenance rather than pushing them through, and what it means in terms of saving the economy and really probably saving the government money in the long run, because you're not going to use the safety net programs as much.

Dennis or Bob.

● (1800)

Mr. Bob Lowe: I'll move that along to Dennis, given that he's the guy who designed it.

The Chair: Dennis.

Mr. Dennis Laycraft: Thanks, Wayne.

The Chair: Put it in laymen's terms, if you could, Dennis.

Mr. Dennis Laycraft: A set-aside is actually an inventory management program where we can slow animals down by reducing or changing the type of feed they get. We have a group of industry experts working with government that looks each week and says how much capacity will be available this week, over the next month and over a longer term. Then you try to slow animals down in the system. You match up the number of market-ready animals to that capacity. Sometimes, as we're building inventories, we start slowing down further in the system. We can go all the way back to cow-calf producers. If it looks like it's longer term, we can try to get more heifers retained to go into the herd. Our herds are at a 30-year low, so there's certainly room to do that.

If we manage that, we create a price stability. The BSE era circumstance was referred to. If we can create some price certainty or stability in the industry, we can start to get rid of panic buying or forced selling. The alternative, if you don't have programs and you continue to have more animals than you can get to market, is that you end up talking about things like euthanizing them. We don't believe we need to go there. If we manage this properly, we'll have those animals and we'll be ready to come out of this differently.

Again, if you can do that, you will quickly see the markets start to move, with the panic out of it, to a stronger location. That really makes a big difference in terms of the losses overall in the industry. Moving rapidly on that...and with insurance, you create business confidence for the cow-calf and backgrounding sector. They are the beginning and intermediate parts of our industry. Then they're in a better position to talk to their bankers. They can make decisions to manage through this. Most of their product is sold in August, September and October through into November and December.

So it all helps when you're trying to manage a problem like this and actually come up with appropriate solutions instead of desperate decisions.

The Chair: Thank you very much, Dennis. I think that explains it very well. We'll just clip that out, send it right up to the Department of Finance, and they'll have the explanation right there.

I do thank you all for your presentations today. Thank you for your constructive criticisms of the programs as well. I know it's two hours out of your day, including some preparation time.

I also want to thank the committee members for their endurance. We had some technical difficulties in the second panel. We'll see you tomorrow at 2 o'clock Ottawa time.

Thank you again. The meeting is adjourned.