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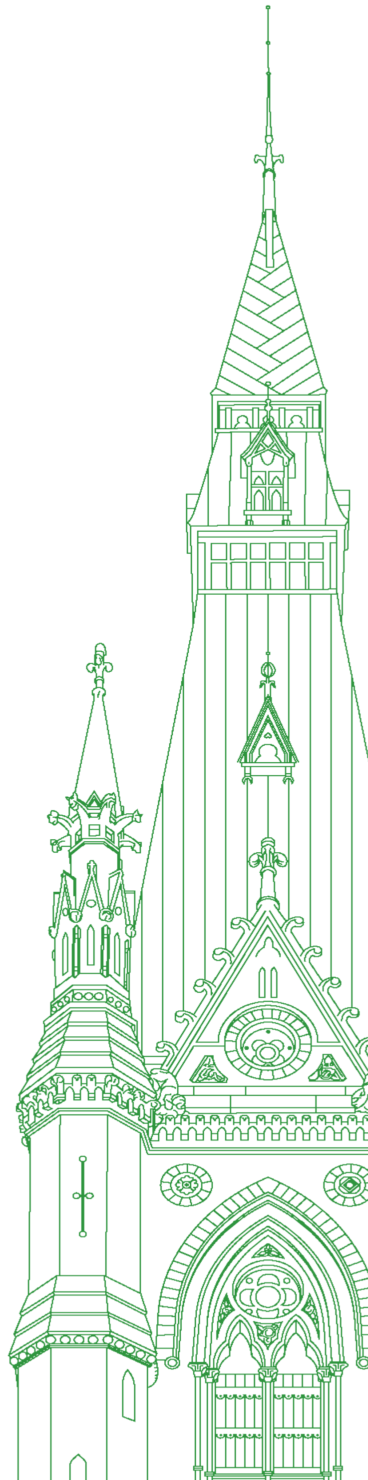

Chair: The Honourable Wayne Easter

Standing Committee on Finance

Thursday, June 4, 2020

● (1505)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I'll call this meeting to order.

Welcome to meeting number 34 of the House of Commons Standing Committee on Finance. Pursuant to order of reference from the House, we are meeting on the government's response to the COVID-19 pandemic. Today's meeting, for your information, is taking place by video conference, and the proceedings will be made available through the House of Commons website.

With that, I would like to welcome all the witnesses here. We appreciate your coming and making your presentations. We do have eight groups and quite a number of witnesses, so I would ask you to try as seriously as you can to hold your remarks to five minutes. That will give us more time for questions.

With that, we'll start with Brandt Tractor Ltd., Gavin Semple, chairman of the board and Don Switzer, chief operating officer.

Go ahead, Mr. Semple.

Mr. Gavin Semple (Chairman of the Board, Brandt Tractor Ltd.): Thank you very much, Chair.

Thank you to the committee for taking the time to meet with us today and to listen to us talk a little bit about Brandt and about the wage subsidy program and some of the issues we're having.

Perhaps it's beneficial to give a quick overview of Brandt. We're an 88-year-old, family-owned business headquartered in Regina, doing business across Canada with facilities in virtually all provinces. We have two facets to our business: manufacturing and distribution. We manufacture agricultural equipment and rail equipment that we sell throughout North America and offshore. Our largest business, however, is in the distribution business, and that is Brandt Tractor, which we're here to talk about today.

Brandt Tractor exclusively owns and operates all of the John Deere construction and forestry equipment dealerships in Canada. We have 56 locations across the country, 34 of which are in eastern Canada. We have 3,200 employees, and over 700 are in eastern Canada.

The construction equipment that we sell is used in road building, mining, sewer and water, residential development, forestry and so on, just to mention a few sectors. Since the pandemic hit us, our customers have been negatively impacted in virtually every market in which we operate. In the areas where work has resumed with some projects, it's at a much lower level, and there remains a high level of uncertainty about future prospects for the business.

We initially laid off 160 people, but we've been trying hard to retain our 3,200 employees in the hopes that we would qualify for the wage subsidy. As you know, to be eligible for the wage subsidy, we have to experience at least a 15% reduction in sales revenue in March, 30% in April and 30% in May, as compared to those same months in 2019. On that basis, Brandt would qualify for the program. However, in fall 2019, we purchased 29 dealerships in Ontario, Quebec and Newfoundland from a company called Nortrax, which was owned by John Deere. We purchased it on an asset purchase basis, even though we acquired the entire business; however, because we purchased it on an asset basis instead of a share basis, we do not qualify for the wage subsidy program.

The effect of that is that, when we go to fill out the wage subsidy application, we're required to include the 2020 sales of the combined company, but for 2019, we're precluded from including the sales of the company we acquired. It has the effect of looking like our sales have increased when we've had a substantial decrease. Furthermore, the seasonality of our business doesn't allow us to choose the alternative of using the average of January and February because they're not comparable months to March, April and May in the construction industry.

We've been communicating this issue to the ministry of finance through the Canadian manufacturers association, the association of equipment distributors, the chambers and other business organizations since early April, with no resolution to the matter at this point. I want to point out that this isn't just a Brandt problem; there are other companies affected in a similar manner.

I do want to compliment the government on the Canada emergency wage subsidy program. It's an excellent program. It's ideal for a company like ours in the current situation that we find ourselves. The objectives of the wage subsidy program are in complete alignment with Brandt's objectives. We want to retain our 3,200 employees, call back our laid-off employees, retain the benefits for the employees and keep them connected to the company so that when COVID-19 passes, we can resume our operations and not have lost all of the employees we've worked so hard to get for the last five years.

● (1510)

To sum up, due to a technicality in the wage subsidy program, Brandt is unable to access the subsidy, despite having adequately reduced our revenues to qualify. We want to keep our 3,200 employees and we need the wage subsidy to do it. We're hoping we can count on your support to help us with this matter.

We thank you, once again, for giving us some time today to explain the situation.

The Chair: Thank you very much, Mr. Semple. We hear you loud and clear. That was well explained as one of the situations that have fallen through the cracks, if I can put it that way, and 3,200 employees is quite a number.

We'll now turn to Colleges and Institutes Canada, with Denise Amyot, president and CEO.

Go ahead, Ms. Amyot.

[*Translation*]

Ms. Denise Amyot (President and Chief Executive Officer, Colleges and Institutes Canada): Good afternoon.

[*English*]

I appreciate the opportunity to represent colleges, institutes, CEGEPs and polytechnics.

Thank you to the federal government for your quick response, especially for your support for Canadian and international students.

Colleges and institutes also mobilized rapidly to shift to online delivery, support students and contribute to local efforts by donating equipment and deploying their research teams to help local companies retool operations. This rapid response has played out at colleges in your own communities, serving as a compelling reminder that 95% of Canadians and 86% of indigenous people live within 50 kilometres of a college campus.

Today I will focus on three recommendations needed in the short term.

First, in each of your ridings, you are watching local companies struggle to adapt, prepare for the new reality and reimagine their business models. Our members are seeing this too. They have solutions to offer and know how to help implement them. We recommend an investment of $165 million over two years, starting this August, to identify and respond rapidly to the range of applied research and technology solutions that SMEs and non-profits need to retool and pivot to succeed in the evolving and new economy.

I'm tabling with the committee our detailed submission developed in collaboration with our partners.

Second, I know that you are all aware of the important role that infrastructure investments will play in driving recovery in your own communities. Colleges and institutes have identified over $3.5 billion in shovel-ready projects, and we recommend in phase one a targeted investment in college and institute infrastructure to make our campuses more sustainable, more accessible for students with disabilities, more welcoming for indigenous students and more responsive to the innovation needs of your communities.

I am tabling a summary of our survey of infrastructure needs.

My third recommendation falls outside the scope of what federal MPs are accustomed to hearing from the post-secondary sector. Like other sectors and types of employers, the college sector has been hit hard by the crisis. While education is of provincial-territorial jurisdiction, colleges are only partially funded by their governments with virtually all institutions relying on funding from other sources such as corporate training and tuition from international students. Many institutions are projecting significant shortfalls. This means layoffs of faculty and staff.

CICan had a third party financial impact analysis done that projects losses and additional expenses over three scenarios. Just for 2020 to 2021, it ranged from $1.8 billion to the worst case of $3.5 billion. Over three years, in the worst-case scenario, losses of up to $8 billion are projected. Based on spring and summer data, the middle scenario is so far observed.

I have tabled with the committee the executive summary of this analysis.

Based on this analysis, we are asking that the federal government provide Canada's colleges and institutes with exceptional emergency funding of up to $3.3 billion. This funding will maintain and boost the capacity of colleges and institutes and ensure the college system can effectively support resumption and recovery.

● (1515)

In closing, you can be assured that colleges and institutes from coast to coast to coast will work with you to sustain our communities across the country.

Thank you.

The Chair: Thank you very much, Denise.

We'll turn to the Canadian Art Museum Directors Organization, with Mr. Anthony Kiendl, president.

Mr. Anthony Kiendl (Executive Director and Chief Executive Officer of MacKenzie Art Gallery, and President, Canadian Art Museum Directors Organization): Thank you, Mr. Chair and standing committee members.

[*Translation*]

Good afternoon.

Thank you for the opportunity to speak to you today.

[*English*]

I am speaking to you today from Regina, Saskatchewan, Treaty 4 territory, the traditional territories of the Cree, Saulteaux, Ojibwa, Dakota and Lakota, Nakota peoples and homeland of the Métis.

My name is Anthony Kiendl. I am executive director and CEO of the MacKenzie Art Gallery and president of the Canadian Art Museum Directors Organization.

I acknowledge our council board with representatives from across Canada, and our executive director, Moira McCaffrey.

CAMDO represents about 100 chief executives of our country's diverse and dynamic public art galleries and museums. Our mission statement asserts that CAMDO strengthens the ability of Canadian art museum and public art gallery directors to champion art and its significance in society. It is in this spirit we address the committee today.

Our members and their organizations are being deeply impacted by the COVID-19 pandemic. All art museums and galleries in Canada were forced to temporarily close our doors out of immediate concern for public health and safety. A handful of our organizations have recently begun to open to the public. However, many are predicting extended closures for a variety of reasons.

We understand that the government's first priority is saving lives and supporting all Canadians, many of whom are in critical, life-threatening situations, including our front-line workers and essential services, to whom we are grateful for their dedication and service.

CAMDO members believe passionately that art museums and galleries help people to imagine and create a better world. In these unprecedented times, Canada's art museums continue to offer information, learning opportunities and solace to the public. By connecting us, art and culture foster empathy and understanding of the broader human condition beyond our lived experiences.

We are inspired by the creation and outpouring of art in all its forms, which have made the last few months not only more tolerable but have transformed people's lives and helped us all see things from a different perspective. Over 95% of our galleries have shifted programming online and have continued to share resources with artists and our communities. Statistics Canada estimates that the direct economic impact of culture was $53.1 billion in Canada in 2017, or 2.7% of overall GDP. In visual and applied arts alone, that includes $10.2 million as key contributors to the gross domestic product.

We applaud and are grateful for the various measures the Government of Canada has undertaken to support the sector during COVID-19. Of note are the various wage subsidy programs as well as additional sector-specific funding, including $500 million from Canadian Heritage. Of special note has been the proactive and positive engagement of the Canada Council for the Arts.

These lifelines have had a meaningful and significant impact and enabled most of our organizations to continue and have widely kept our employees on the payroll.

I want to draw the attention of the committee to a significant portion of our member galleries and museums that may fall through the cracks with regard to federal support. Those are the myriad university and municipal art galleries from coast to coast that serve wide public audiences but are ineligible for federal funding due to jurisdictional structures. We would like to respectfully suggest that more could be done for university and municipal art galleries, which are ineligible for the wage subsidies due to their provincial mandates.

CAMDO conducted a national survey in April to explore how art museums are being affected and 62% of our galleries indicate increased costs of doing business, while at the same time about 75% are reporting lost revenue. In the commercial gallery sector worldwide it was reported that galleries expect a 72% drop in revenues and that one-third of commercial galleries worldwide do not expect to survive the crisis. The implications of this are profound, with an anticipated effect through the visual arts sector, including both individual artists and larger institutions.

● (1520)

Our sector anticipates new challenges as we emerge from the pandemic and seek ongoing support as part of the recovery. Added costs of ensuring public health and safety measures, such as increased staffing, digital technology and programs, IT to manage timed entry and contact tracing, plexiglass shields and cleaning, all of these will strain our resources, even as we expect reduced attendance and reduced revenue in the near term to support these costs.

We believe it is imperative to ensure that all Canada’s public art galleries and museums will receive additional support to cover these urgent items that have not otherwise been supported through previous programs, including the wage subsidies or the Canada Council for the Arts funding.

Over the long term, changes to tax incentives for philanthropy and matching endowment programs enacted by the federal government will be required to foster greater resiliency, reduce reliance on government funding and ensure that the dramatic and devastating impact of the pandemic does not occur again.

In conclusion, thanks in large part to the measures taken by the federal government so far, Canada’s art museums and public art galleries are well positioned to be active participants in leading us towards Canada’s economic recovery. Further support is an investment that will position art galleries and museums to be part of the recovery, to foster social inclusion, kick-start the economy and spur domestic tourism. These are roles Canada’s art museums and galleries are uniquely positioned and excited to realize with your support.

Thank you.

● (1525)

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

We'll turn to Kevin Lee, with the Canadian Home Builders' Association.

Mr. Kevin Lee (Chief Executive Officer, Canadian Home Builders' Association): Thank you very much, Mr. Chair.

As you know, CHBA represents 9,000 member companies across Canada and an industry with over 1.3 million jobs and $142 billion in economic activity—under normal circumstances.

While the sector has been operating through the pandemic in some capacity, it has not been business as usual. Sales of new homes and starts have tailed off dramatically during the pandemic. Renovation companies have also slowed dramatically or stopped, especially when it comes to projects within people's homes.

CHBA has very much welcomed the work of the government to provide emergency programs to support workers and businesses. We've also appreciated how responsive the government has been to feedback to make changes to close gaps and maximize impact. In particular, the Canada emergency business account and the Canada emergency wage subsidy program have helped support many businesses.

Changes to the reference period for the wage subsidy and the ability to use the cash or accrual accounting method have been very important, as have changes to CEBA to lower the minimum payroll threshold and to render dividends eligible. We're very thankful for those on-the-fly adjustments that have been made that have allowed many more of our challenged companies to qualify.

At the same time, though, as we have expressed in our ongoing dialogue with government, there remain outstanding challenges, particularly with regard to the wage subsidy program. The challenge is that in residential construction the revenue cycles are long and essentially 95% of the revenues don't accrue until the close of the home when the keys are handed to the homeowner. A sale made in early 2019, for example, with a small deposit of typically 5% is financed over many months or years, and revenue comes at closing.

Due to this revenue cycle, closings have still occurred in recent months from construction over the past year or years, but new sales have dried up. In these circumstances, many businesses haven't been able to meet the revenue-decline criteria of the wage subsidy program because of closings. Meanwhile, sales have plummeted and as a result many companies have very little or no new work and, therefore, no new financing and won't until sales pick up. As a result, they have laid off and will continue to lay off workers. Unfortunately, neither the changes to the reference period or to allow cash or accrual accounting capture this situation.

To make the program work better for this situation, CHBA has been recommending that the program criteria be amended to allow the fair value of contracts signed to be used in calculating the revenue. This would capture the steep decline in sales, which is the measure needed to capture these situations and keep workers employed or get them back.

A quick note, too, on financing is that our members will need to have the financial system meet the credit requirements of businesses trying to stay afloat in the short term and scale up construction over the longer term. Unfortunately, some of our companies are having issues securing the capital they need when opportunities present themselves during this difficult time, or to extend financing due to delayed closing and lost sales. It would be important that the measures put in place by government to provide more liquidity to the financial institutions actually translate into the financing requirements of businesses in our sector and other sectors.

As I know many of us are starting to think in these terms as well, I'd like to speak for a moment on recovery.

While the forecasts vary on the impact that COVID-19 will have on the housing market, there is no question that government policy can and should help to ensure housing markets remain stable, rather than dampen activity or slow the recovery. Housing can and should be a solid part of economic recovery as it has been in the past.

For those Canadians who have maintained their financial situation through the crisis, there should be opportunities for them to act on home ownership or to renovate their homes to meet the evolving needs of their situation. For many, COVID has placed new priorities on their needs and aspirations regarding their homes. A multiplier effect in residential construction to other related goods and services and jobs is extensive. Economic recovery and housing recovery go hand in hand.

In terms of recovery programming, the good thing about housing is that it can achieve many other policy objectives too. To that end, we have some recommendations.

One is removing the GST or HST on new housing across the continuum for 2020 and 2021 to improve affordability immediately, and post that period, index the existing rebate program to better reflect current house prices.

We recommend introducing a home renovation tax credit for 2020 and 2021 for all types of home renovations, and connected to that, a permanent energy retrofit tax credit to tackle climate change now and into the future.

As for mortgage financing, we need to encourage and enable those well-qualified Canadians still in a position to invest in home ownership to do so. Now more than ever, it makes sense to give them the option of a 30-year amortization on insured mortgages to help well-qualified buyers enter home ownership and also to free up much-needed rental space as our supply challenges remain.

It's also time to move forward with the previously announced changes to the stress test benchmark that were to come into effect on April 6 but were suspended.

Given the Bank of Canada's recommendation to move to longer-term mortgages, we also recommend supplementary changes to the stress test to better mitigate risks for Canadians and the financial system by incenting longer-term seven- and 10-year mortgage terms through a stepping down of the 200-point buffer for the longer-term mortgages with respect to the stress test.

● (1530)

These are changes that keep sound controls on consumer indebtedness risks while also enabling those still with the means and the dreams to achieve home ownership, this at a time when that activity can also be pivotal in the economic recovery.

Thank you very much. I look forward to any questions you may have.

The Chair: Thank you very much, Kevin.

We will turn now to the president of Fanshawe College, Peter Devlin.

Mr. Devlin.

Mr. Peter Devlin (President, Fanshawe College): Good afternoon, Chair Easter and members of the finance committee.

As Fanshawe's president, I am pleased to have the opportunity to speak on behalf of our 43,000 students and on the critical role that colleges play in preparing people for jobs.

COVID-19 has reinforced the significance of colleges within our communities and as stimulators of the economy across our country. Colleges and Institutes Canada, as well as Polytechnics Canada, have emphasized this, and we are proud members of both organizations.

What is important to remember is that colleges are agile. We quickly transformed our manufacturing and research capacities to produce PPE and to assist with research. We will be able to pivot just as swiftly in the recovery period. Colleges offer industries turnkey solutions for industry needs, providing creative solutions and developing programming in order to have the talent pipeline meet workforce demands.

I need to emphasize that COVID-19 has had a serious financial impact on Fanshawe. We anticipate a tuition and ancillary fee revenue loss of $54 million. In addition, we expect supplementary COVID-related expenses of $2 million to equip the workforce with remote accessibility and to prepare for a safe learning environment. This year's fiscal projected loss of $56 million, which represents 15% of our overall annual budget, is being mitigated by significant expense reductions and a hiring freeze.

Our priority remains safeguarding our students, faculty and staff, and giving our learners the best experience possible in creating a pathway for their success. We believe the government can play an important role as we look to the other side of COVID.

For a number of years, the Government of Canada's innovation and skills plan has been important in helping Canadian businesses grow, scale up, innovate and export, while creating quality jobs and wealth for Canadians.

As noted, in February Fanshawe embarked on a $58-million investment to create “Innovation Village”. Funding has been secured from the City of London, and we hope for similar support from the province and the federal government. Innovation Village is a physical and virtual hub that brings business, industry and the not-for-profit sector to the front door of Fanshawe, fostering student experiential learning, business growth, scale-up and innovation to support wealth generation and job growth within the region. The total annual projected impact by 2030 will be $64 million, generating $137 million each year in increased economic spinoff.

This leads to my final point this afternoon, the importance of the two upper levels of government engaging with municipalities, colleges, universities and other public sector organizations to drive the economy through infrastructure investments.

Several years ago, the federal government rolled out the strategic infrastructure fund. The application process was efficient and the decisions on the awards were announced quickly. It was one of the most effective tools we have seen to support the building of communities through strategic partnerships. Fanshawe took advantage of SIF and created the centre for applied research and innovation in biotechnology, or CARIB. CARIB advances biotechnology, chemistry and environmental technology programs through research and innovation with industry collaborations and partnerships. In one current example, industry and our CARIB researchers are conducting cutting-edge research that may translate into effective treatment for COVID-19. Testing is currently under way and the preliminary results are showing promise.

Fanshawe research is also working on additional studies, including the ability to manufacture potential therapeutics on a large scale and examining cannabis extract therapies that have the potential to treat blood clots and inflammation that occur in life-threatening COVID-19 cases. The work being done in applied research at Fanshawe is very responsive to Canada's immediate needs. The collective knowledge and advanced facilities within our institution allow our team to address emerging challenges. SIF supported the development of modern labs, which, together with the wisdom and devotion of faculty and staff, allow us to produce tangible results that are critical in today's world.

Similarly, a new infrastructure program supported by the federal and provincial governments will allow Fanshawe to continue doing the work that has lasting and profound results.

● (1535)

An investment in Canada's post-secondary infrastructure also ensures training can occur in an environment that responds to physical distancing and other safety protocols while supporting green retrofits. Fanshawe has two shovel-ready projects ready to go as soon as the program is announced.

Thank you again for providing time for Fanshawe. We are part of your post-recovery solution and look forward to working with you.

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

We'll now turn to Genome Canada, with Rob Annan, president and CEO; and Pari Johnston, vice-president, policy and public affairs.

The floor is yours, Mr. Annan.

Dr. Rob Annan (President and Chief Executive Officer, Genome Canada): Thank you very much, Mr. Chair.

I am very pleased to be here today on behalf of Genome Canada. I'm joined by Pari Johnston, who is our vice-president of policy and public affairs.

Today I'm going to talk to you about genomics, which is the branch of science that looks at the molecular underpinnings of living things. It is responsible for today's most cutting-edge biotechnologies, from DNA sequencing to synthetic biology to gene editing. I'm going to talk about how this science is helping us address the COVID pandemic. First I will say a couple of words about who we are.

Genome Canada is an independent not-for-profit that invests in large-scale Canadian science and technology to translate discoveries into valuable services and products across all sectors of the Canadian economy. We work to translate cutting-edge science into real-world applications that are transforming health care, the environment, agriculture, forestry, fisheries, energy and mining.

We work closely with provincial and regional partners through a federated collaborative model with six regional genome centres, matching national breadth with regional depth. We partner with universities, small and medium-sized companies, hospitals and public health labs.

This year is our 20th anniversary. Those 20 years have seen the birth and early growth of genomics, and Genome Canada, through the support of the federal government, has driven the development of a world-class network of Canadian researchers, infrastructures and technology. Today, those investments are proving essential as we mobilize quickly on the COVID pandemic, a rapid response that was 20 years in the making.

I will say a few words about how genomics helps us in the current moment. Viruses are simple but tricky. They're simple insofar as they're composed of just a string of nucleic acid—DNA or RNA—with an envelope that surrounds them. However, they are tricky in how they infect us, how they evade our immune system and how they mutate and spread.

Genomics provides us with the tools to read those nucleic acids, to get the viral blueprint, to understand the basic building blocks of the virus. That information can help inform development of vaccines and therapeutics and is invaluable in helping us track and trace the spread of the virus within Canada and around the world. Genomics can also help us understand the wide variation in responses among those who get sick and explore the genetic factors that might be involved.

Canadian researchers have been engaged in COVID-19 research from the earliest days of the pandemic. Researchers at Sunnybrook Hospital and McMaster University were among the first in the world to isolate and sequence the genome of the virus. Other related activities have been happening in pockets across Canada. As a result, Genome Canada has pulled together the Canadian COVID Genomics Network, or what we call CanCOGeN, a grassroots effort led by Genome Canada but driven by Canadian scientists, government public health labs and genomics institutions. It is dedicated to mounting a coordinated, connected national genomics response to COVID-19.

On April 23, CanCOGeN was allocated $40 million in federal support to achieve several key objectives: first, to sequence up to 150,000 viral samples and 10,000 samples from Canadian patients; then to coordinate data collection and data sharing across the provinces; then to pool the data for analysis and share results with public health authorities; and finally, to share those results globally with partners in the U.K., the U.S. and in global open-source databases. CanCOGeN will contribute to better public health policy, will inform drug development, will enable studies of future novel viruses and will ensure that Canada has a sustainable national genomics infrastructure to combat both the current pandemic and the next one.

What's next? Already looking ahead, Canada's genomics enterprise will be a partner in Canada's resilient recovery. We are ready to deploy made-in-Canada solutions through science and innovation to address Canadian issues unique to our geography and our population.

Canada is a world leader in large-scale biodata production and analysis, gene editing, synthetic biology, novel diagnostics and much more. Genome Canada supports diverse projects, such as green automobile manufacturing; improving feed for fish, poultry and swine; bioremediation of oil spills; and personalized diagnostic tools for lung transplants for children with rare diseases.

● (1540)

We're supporting the transformation of Canadian sectors. The demand for our programming is growing across industries, helping to drive business investment in innovation in Canada. A new report by McKinsey predicts that 60% of physical inputs to the future global economy could be produced from biological sources, identifying a biorevolution that could result in a direct economic impact of $4 trillion a year over the next 10 to 20 years.

In conclusion, Genome Canada was able to mobilize so quickly in this crisis because Canada has invested wisely in genomics science and technologies for 20 years. It's impossible to predict where today's research will be needed in the future, but it's clear that today's investments in research and researchers are essential for addressing tomorrow's challenges. Our rapid response was 20 years in the making. As Canada rebuilds, we at Genome Canada are working to address the challenges and seize the opportunities of the coming decades.

Thank you for the invitation to be here today. We'll be happy to answer any of the members' questions.

● (1545)

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

We'll now turn to McCoy Global Inc., Mr. Rakievich, president and CEO.

Mr. Jim Rakievich (President and Chief Executive Officer, McCoy Global Inc.): Thank you, Chairman.

Good afternoon and thank you for inviting me to speak to the finance committee regarding the federal government's response to the COVID-19 pandemic.

I am the president and CEO of McCoy Global Inc. McCoy was established in 1914 as a blacksmith shop in Edmonton, Alberta. Over the decades, the company has adapted, evolved and grown. McCoy is now a publicly traded company listed on the TSX. We have operations in Texas, Louisiana and the United Arab Emirates. Edmonton remains home to our corporate headquarters, which is where I am based.

I do want to add that I very much appreciate the inclusion of all the universities and colleges and the groups that represent them today. I am a graduate of the Northern Alberta Institute of Technology. Over the years McCoy has been a big supporter of NAIT and other institutions, including the U of A. When I look at our corporate folks here in Canada, most of them have graduated from one institution or another. Particularly in Alberta, NAIT has been a big difference for us. I wanted to give a shout-out there.

What do we do at McCoy? We design, produce and distribute technologies that are used by global service companies during the completion stage of well construction. Typically, our customers are drilling for oil or natural gas, both land and offshore, but may also serve customers servicing geothermal wells. Our technologies are both mechanical and digital. Typically, we ship products or provide technical support to an average of 50 countries across the globe annually.

What has been the COVID-19 impact on McCoy? McCoy Global has been significantly impacted by the COVID-19 pandemic. As well as for most of our industry peers, the February production war between Russia and OPEC provided the perfect storm for a historic industry collapse. McCoy has not yet felt the full impact that the pandemic will have on the demand for our products and services. Our issue is not the present; our issue is the headwinds we will face over the second half of 2020 and well into 2021.

In our business, we entered 2020 with a reasonable backlog of orders that has provided the company with work that can carry us through the first half of this year. However, order intake for the back half of this year has been, and will continue to be, significantly challenged. McCoy has taken proactive steps to prepare the company for what we are expecting to be a very difficult period. These actions include salary and wage rollbacks globally, unfortunately some layoffs, negotiations with landlords, significant reductions in general and administrative expenses, and curtailment of budgeted capital expenditures for technology development plans.

McCoy has a history of prudent balance sheet management, but this market backdrop has created a significant liquidity crisis for the entire oil and gas industry. Major banks in Canada and the United States have almost zero appetite for providing credit facilities in our industries, and the capital markets are not open for business in the current environment. We have been communicating with several Canadian chartered banks to partner with us so that McCoy can restructure its debt in order to provide relief and so that we can weather this storm. We have a great relationship with EDC and are currently in discussions with them and a Canadian chartered bank to bring two credit facilities together.

McCoy has significant operations in the United States. We were fortunate to qualify for the paycheck protection program, or PPP, loan, which will be a critical piece to our survival as well.

I would like to make some points on the Canadian government COVID-19 response to businesses. I will keep my comments focused on McCoy's experience as a business and on specific areas for improvement.

My first comment is regarding clock speed. It has been frustrating, frankly, to hear announcements of funding and to then wait and wait for details, rules, application forms and so on. These things take time, and I understand that.

● (1550)

The designated funding for oil and gas companies was expected in days, if not hours, after the announcement. That turned into weeks. This eventual announcement was very specific to well abandonment efforts, which was welcome, but nothing was done to support the ongoing industry specifically.

Businesses are desperate for help. I urge the federal government to break through any of the barriers to speed up the process. As company leaders, we are also navigating through a business environment with no charts or instruments, but we have to pivot and be decisive quickly.

Our application for funding from EDC was made on March 10. We are anticipating funding, at the earliest, in August 2020.

In the U.S. as a comparison, our application for the PPP was clear and straightforward. Application submission to full receipt of funds in our bank account occurred over five business days.

My second point on the COVID-19 response is on the confusing and changing rules for funding. Canadian banks, BDC and EDC have all been challenged in understanding the application requirements and the rules under which programs companies can apply. For example, when the BCAP was announced, it appeared to be an easy decision for a chartered bank to step up to the plate, since the federal government, via EDC and BDC, was backstopping the bank loans significantly.

The problem was the 12-month support period, which in business terms is a blink of the eye. Finally, this issue was addressed with an extension to 60 from 12 months, but here again we were told the rules for the change were not yet clear, and they have not yet been clearly communicated.

There also seems to be a lack of transparency. McCoy appeared to qualify for debt facility from BDC, and that application was made prior to COVID-19. This application in turn was eventually sent up the chain for final committee approval, where we were denied. The criteria looked like a perfect fit, but the final decisions appeared subjective. These programs should be based on clear, transparent rules applied on a fair and consistent basis.

In summary, McCoy and many of our peers in Alberta either need liquidity help now or very soon. My message today is that the oil and gas industry in many cases is just beginning to experience the full impact the COVID-19 pandemic will have on revenues. Contracts and order backlogs are being completed with nothing coming in to fill these voids. If we are left to our own capital resources, bankruptcies and continued layoffs will result.

We are definitely not looking for a handout. What we are asking for is balance sheet support to survive and eventually thrive again. I ask that the finance committee look at these programs and consider how to clearly and efficiently support Canadian companies through fair and transparent loan financing before it's too late.

Thank you for your time. I appreciate having the opportunity to provide our view on the impact of COVID-19. I look forward to any questions later.

The Chair: Thank you very much, Mr. Rakievich. We, too, appreciate your remarks and as you see it from your perspective.

Before we go to the National Research Council of Canada, this is a heads-up to committee members on the speaking order in the first round. We will start with Mr. Cooper, then Mr. Fragiskatos, Mr. Brunelle-Duceppe and Mr. Julian.

We're turning now to the National Research Council of Canada. We have Roger Scott-Douglas, secretary general. I'll let you introduce the others with you, Mr. Scott-Douglas, or whoever is starting.

Mr. Roger Scott-Douglas (Secretary General, National Research Council of Canada): Thanks very much, Mr. Chair, committee members and other witnesses. It's a pleasure indeed to be here.

I'm Roger Scott-Douglas, secretary general of the National Research Council. I'm very happy to be joined today by David Lisk, vice-president, industrial research assistance program; Jean-François Houle, the vice-president responsible for our COVID pandemic challenge response program; and Lakshmi Krishnan, director general, human health therapeutics branch.

Like others, I will begin by briefly explaining a little bit about the National Research Council.

We are the largest federal science organization, with close to $1.2 billion in expenditures. Over the course of the last 104 years that we've been existence, we've served as an instrument of the federal government in trying to find scientific and technological solutions to significant challenges, which is very much the call of the moment. We do that in two principal ways. We have a research and development side where over 2,000 scientists, engineers and technicians work in 14 research centres across 22 sites. On the IRAP side, the industrial research assistance program side, we also have about 400 people of whom 255 are industrial technology advisers working with close to 8,000 firms annually—high-potential, early-stage innovative firms that are so important to the innovation economy of the country.

In the context of COVID, the National Research Council, as part of the Prime Minister's announcement of the $1 billion that's been given over to COVID, received funding and support for, effectively, seven measures, which I would like to briefly outline. Then my colleagues and I would be most interested in answering any questions that members might have. I'll walk through each of them at a very high level, explaining a little bit of what lies behind them. I might, before getting into those details, talk about the important work the National Research Council, along with other science organizations across the country, has tried to provide to the community.

We've had over 350 requests for technical advice, for short-term support for companies, to provide such things as the quality assurance on N95 masks that the Public Health Agency has asked of us, and for other measures that support the community, individuals, the provision of personal protective equipment, and so on and so forth. This I say only to show how connected we are with both the larger federal group as well as communities across the country.

In terms of specific measures, I'll run through the seven key things.

The first—and this is Jean-François Houle's responsibility—is the pandemic response challenge program. We were fortunate enough to receive $15 million in the medical countermeasures announcement by the Prime Minister. There are essentially four themes or pillars to that work. All of these are collaborative programs where the National Research Council scientists pair up their expertise with individuals in academia and the private sector to come up with technological and scientific solutions to these challenges. These are short-term applied scientific efforts. The first theme is around rapid detection and diagnosis. The second theme is around therapeutics and vaccines. The third theme is monitoring and surveillance, data analysis, tracking for testing and that kind of thing. The fourth is around enabling adaptive responses, including innovative solutions for the delivery of health care. We have in the organization both the human health therapeutics branch, of which Lakshmi is the director general, and also the medical devices lab, which Jean-François will be able to speak about.

The second big thrust is the announcement of, in total, about $44 million that will be used by the National Research Council to upgrade and enhance the capacity of our Royalmount biomanufacturing facility.

● (1555)

It's currently a research lab. We're going to be upgrading it such that it obtains levels of good manufacturing practices and enables us to provide testing for promising vaccine candidates. Ultimately, once a candidate has been found, we hope it provides the successful industrial production for first responders and so forth.

We have three vaccine collaborations as well, with VBI Vaccines , an Ottawa-based company with an attachment to Massachusetts; VIDO-InterVac from the University of Saskatchewan; and CanSino Biologics in China, which is one of the leading international vaccine researchers.

In addition to that, on the IRAP side, which I mentioned Dave Lisk was responsible for, we're working with Innovation Canada under the innovation solutions Canada program. We have been given $15 million to set up challenges for which innovative SMEs and others will provide technological solutions. We've launched three challenges so far, surveying and assessing quite a few proposals for low-cost sensors, for diagnostic kits and for made-in-Canada filtration material. We'll be launching a couple more in the days ahead.

In addition to that, IRAP has kind of red-circled, if I can put it that way, and reallocated $12.5 million of its budget to help innovative SMEs develop proposals for the kinds of products necessary for the COVID response, such as PPE, testing diagnostics, and tracking and detection products, and that kind of work. We've also organized subject matter expert teams around those broad themes to provide expert analysis when we can.

The next area, the wage subsidy, is a very significant support. Several of the witnesses have spoken about it. Some groups fell between the gaps, particularly early-stage pre-revenue innovative firms, high-potential firms. The government has provided $250 million to IRAP for the innovation assistance program, which effectively provides highly qualified personnel with a wage subsidy—it's about $10,000 per employee, retroactive to April 1—with the idea of delivering the program as quickly as possible. Unlike others, it is not an entitlement program; it's a discretionary program. We're evaluating firms with the highest potential to go forward. We're happy to say that as of May 28, we have already established 1,939 contribution agreements for close to $200 million.

The final thrust of work, which is a critically important part of our future, is youth, particularly those highly qualified future STEM innovators. In that regard, we have a couple of very important programs under way. The government has a long-standing youth employment program. It was topped up to the extent of about $153 million—IRAP will have a portion of that—and will be targeting SMEs, meeting their needs to keep graduates. Within the National Research Council, we have a need to bring on STEM grad students and post-docs, and we've allocated $7.5 million to do that.

Thank you very much.

● (1600)

The Chair: Thank you to all the witnesses for their presentations.

I'm going to have to cut us back to five-minute rounds so we can try to get everybody in for questions.

We'll start with you, Mr. Cooper.

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

I'll direct my first question to Mr. Rakievich of McCoy.

Did I hear you correctly that McCoy has applied for an EDC loan?

Mr. Jim Rakievich: Yes, and I can update you on that.

We have an existing facility with EDC. What we are trying to do with EDC is to consolidate that debt with another debt that is due in 2021, which we know with the upcoming revenue drop is going to cause us some liquidity issues. We've been working very hard with EDC.

Here's the good news. Since writing and submitting my script, I got a term sheet. I got it last night and signed it. I feel good about that. The issue is that you need to have a bank participate in the three-way get-together, and that is always difficult, especially when banks do not have an appetite. However, it looks like we've been able to work around that in the last 24 hours.

● (1605)

Mr. Michael Cooper: Right, sure. That's good news, but I just want to, first of all, make sure that I understand you correctly. You applied on March 10, but are now waiting until August 20 to receive a dime.

Mr. Jim Rakievich: Yes. What happens is that with EDC, like most conventional lenders, even though I signed the terms sheet that's drafted, it has to get up to committee approval. Then once that starts, the lawyers have to do their thing, and we have to provide a bunch of documentation. There's a whole bunch of back and forth, and literally—

Mr. Michael Cooper: There is all of this back and forth, though, months and months of back and forth. You noted that in the United States, McCoy or its U.S. affiliate received liquidity virtually within days.

Mr. Jim Rakievich: Five business days.

Mr. Michael Cooper: Five business days. There's quite a contrast between the U.S. approach and this government's approach. I would submit that it's a failed approach if it's taking months. Would you not agree?

Mr. Jim Rakievich: I would say that it has significant room for improvement.

Mr. Michael Cooper: Right.

As you noted, the finance minister talked about support for the energy sector within hours, days, months. More than a month went by before there was the $1.7-billion package for orphaned wells, which with regard to all of the federal spending, I would submit, is a drop in the bucket and limited in terms of the scope and effect of that program.

We saw some very limited liquidity for smaller oil and gas companies through EDC and the BDC. Then we finally had the LEEFF, which was intended for larger and mid-size loans for mid-size and larger companies. Now we heard testimony from a number of industry stakeholders a couple of meetings ago about some of the significant problems with that program, including credit standards being too high, interest being punitive and access to the program being cost-prohibitive.

Would you share those concerns? Would you be able to comment on the LEEFF and its effectiveness?

Mr. Jim Rakievich: Just to be clear, we've not looked to participate in the LEEFF program. I can just say that even with EDC and the BDC, they're not like chartered banks. You're going to pay higher.... Your cost of capital is going to be higher, but not like mezzanine debt. It's kind of in between. Yes, the thresholds are high. With the BDC, one of the criteria, as it turned out, was that we needed four straight quarters of profitability. I remember telling them that if I had four straight quarters of profitability, I wouldn't be in a hurry to talk to them. In any event, I would say that criteria and speed are critical.

You know, it's a critical industry to the Albertan and Canadian economies. There are companies like ours that are making a real difference in technology, which will have an impact on the environment and climate change. We're working towards those things. This industry recognizes that, longer term, going to a non-hydrocarbon energy world is the future. However, until then, how do we do the safer, less environmentally impactful...and all kinds of things? We as a company are investing a ton into that technology.

The Chair: We will have to end it there.

Sorry, Michael.

Mr. Michael Cooper: Okay.

The Chair: I'd like to go back to the same question that you raised.

I was going to ask it later, Mr. Rakievich.

It's five business days in the United States, and it's 143 calendar days or 102 business days in Canada. What's the reason for that? I do hear this quite often: how quickly they can make decisions on loans in the United States and here we can't. The Americans are greater risk-takers than Canadians are.

What do you see as the difference? Is it process, or what is it?

Mr. Jim Rakievich: I think that what they chose to do was, rather than segment all of this funding into all these different buckets with different criteria, I think their immediate response had a completely different philosophy: the PPP. They said, “Look. Some companies are out of business right now and shut down, like restaurants or retail. Some companies are still going and will have trouble later. What we're going to do is make sure that people keep working and that companies are supported across the board. We'll have a simple application form that's across the industries and not segregated into this group, that group and another. If you qualify under a base set of rules, then you can apply and receive the loan funding.”

I think that they took a more holistic approach to a big fund to distribute quickly versus trying to piece off funding for all these different groups and industries, etc.

● (1610)

The Chair: Thank you. That gives me a little to go on.

Next is Mr. Fragiskatos, followed by Mr. Brunelle-Duceppe.

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

Thank you to all our witnesses. I want to ask a question of Mr. Devlin of Fanshawe College.

Thank you very much, Peter, for being here, and for taking the time to update us about what Fanshawe College has been doing and to offer your perspective.

One of the things that stood out, at least for me, in your presentation were your remarks on infrastructure. Clearly, infrastructure has been of paramount importance any time governments approach an economic restart, but I wouldn't want to see infrastructure spending on projects in terms of a strategy limited to municipalities. I think municipal governments certainly will be asking for that kind of support, and I hope that they will get it. The same will be true of provinces.

College campuses and university campuses ought to be a focus. I know you mentioned the strategic infrastructure fund and some of the success that Fanshawe has seen in that regard. Could you build on the thoughts you offered already about the importance of infrastructure on post-secondary campuses?

Mr. Peter Devlin: That's a great point, and I welcome the opportunity to expand on the importance of infrastructure funding.

Colleges exist across our nation, as do universities. Colleges are connected to industry, business and community. Everything that we do touches our partners, and our learning is all part of how we touch those businesses and industries. With our faculty and our curriculum, it's all about building economic growth through research, through client projects and through entrepreneurship.

I would emphasize that Fanshawe College every single year provides 1.6 billion dollars' worth of economic business and economic goodness to our region. Infrastructure projects provide jobs, but more important than that, they provide the fuel for colleges to interact with business, community and industry. They provide the skilled labour to be able to propel our economy forward, particularly in a post-COVID environment.

Mr. Peter Fragiskatos: It's the slogan of the times, it would seem.

I think you put your finger right on it. Not only are colleges focused on career-based education, but when we turn to them in terms of thinking about an economic restart and rebuild, a lot is there to be offered. An infrastructure focus would certainly be warranted as the government begins to think in the weeks and months ahead about how to best approach things.

I have a couple of minutes remaining, and I want to ask a question of Ms. Amyot.

Ms. Amyot, I was just trying to make sense of some of the recommendations that you had. Were you calling for the federal government to take a much more active role when it comes to helping to fund colleges? Is that the point that you were making? Please give just a yes or no on that, if you could, because I have a follow-up question in that regard.

Ms. Denise Amyot: Absolutely. In fact, the federal government already is providing funding for colleges and institutes, whether it's in research, in infrastructure or in indigenous education, just to name a few.

● (1615)

Mr. Peter Fragiskatos: Certainly, we have supported colleges, and Mr. Devlin was kind enough to highlight some of the work that has happened at Fanshawe College because of federal support.

I would hope at the same time that you're also active with the provincial governments and calling on them to invest and to continue to invest. I see that the Bank of Canada in early May—I guess we all saw—began engaging with buying provincial bonds. There's an entire program that's now been set up, a program meant to increase the fiscal capacity of the provincial governments so that they can spend, and I hope that they come to the table.

I know that provincial governments in this country have been focused on the health response and have been doing, generally speaking, a very good job in that regard. The federal government has been there to assist, and I think it should continue to assist.

When it comes to the provincial focus, the capacity is there to help institutions, organizations and businesses. Unfortunately, I'm not sure many.... At least in Ontario, I haven't seen the Ford government step up as much as it should in that regard, and when the Bank of Canada is there for them, I think there's an opportunity for them to do that.

I just wanted to put that on the record, Mr. Chair.

The Chair: Okay. We'll take that more as a comment.

We'll go to Mr. Brunelle-Duceppe, followed by Mr. Julian.

Go ahead, Alexis.

[*Translation*]

Mr. Alexis Brunelle-Duceppe (Lac-Saint-Jean, BQ): Thank you, Mr. Chair.

First, I'd like to thank the witnesses for appearing before the committee. We appreciate it.

My questions are for Ms. Amyot.

First, has COVID-19 had an impact on registrations in your colleges and institutes?

Ms. Denise Amyot: Unfortunately, yes.

Statistics for the winter session haven't changed, but those for the spring-summer session have. In some cases, there has been almost a 40% drop in registrations, which is huge. This term is still between 22% and 25% of the student population.

We think the number will be about the same for the fall session. Naturally, some decisions by the federal government will help us with regard to the possibility for students to study online without affecting work permits. Unfortunately, we still don't know if international students will be able to come this fall. We still haven't had an answer on that.

Mr. Alexis Brunelle-Duceppe: I was just going to bring it up because it's a huge loss of students. In your speech, you talked about the financial implications and administrative problems associated with immigration for international students. It is important for the committee to understand this major issue.

Can you tell us a little more about this issue and how it affects the institutions you represent?

Ms. Denise Amyot: Absolutely.

The contribution of international students to all colleges and universities is $22 billion. That's huge. It's more than many sectors can hope for, be it the softwood lumber sector or other sectors. I think we're even on par with the aerospace sector.

If no measures are put in place to facilitate the entry of students or the obtaining of study permits and student visas, it will be very difficult. That's why we're making a special request this year to compensate for this loss. Our post-secondary institutions aren't eligible for the emergency wage subsidy at this time. The losses would be less if we could at least qualify for it.

If I may, I'll give you an example that shows the importance of decisions. A decision was made to allow international students to study online. That decision had to be made by mid-May, and we got it on May 15. However, we got an answer for the spring-summer session, but it was much too late. That delay resulted in a huge loss of money. What's important to us isn't just asking for money, but making sure that decisions are made in a timely fashion, which will make a difference for us financially but also for the students.

● (1620)

Mr. Alexis Brunelle-Duceppe: I'm curious to know why this has a greater impact on colleges and CEGEPs than on other institutions, such as universities, for instance.

Ms. Denise Amyot: That's because, right now and for the last two years, there have been more applications from students in colleges, among other things. One of the extremely popular programs is the post-graduate specialization program. Students who come from overseas to study and work here for a year easily find work afterwards.

I'm going to tell you about another decision for which we're still awaiting an answer and which is starting to become urgent. We have asked that for students who are doing two programs in a row, these successive studies not be treated by program, but that they be considered as a 50% portion of their education. We've been waiting four weeks for an answer. The more days go by, the more money gets lost.

Mr. Alexis Brunelle-Duceppe: We'll push the government to continue thinking about it.

Do I have any time left, Mr. Chair?

[*English*]

The Chair: Please make it quick.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: In terms of research, can you remind us how much you're requesting and the benefits of this project for your CEGEPs and institutes?

Ms. Denise Amyot: For the next two years, we are asking for $165 million. We know that right now, for every dollar the federal government invests in applied research, the private sector is giving almost a dollar. There aren't many people who can say that in research.

To help businesses prepare, we need that money immediately, by August at the latest. If that money doesn't arrive until November, it will be too late. Now is the time to help businesses reorient and adapt to the new reality of the COVID-19 pandemic.

Mr. Alexis Brunelle-Duceppe: Thank you very much, Ms. Amyot.

[*English*]

The Chair: Thank you, both.

I will turn to Mr. Julian, who will be followed by Mr. Cumming.

Peter, you have five minutes.

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

Thanks to all our witnesses for being here. We certainly hope that you and your families are safe and healthy.

I'm going to start with questions to Mr. Lee and Mr. Rakievich.

I am quite disturbed by the concerns you've raised around access to financing. As you are probably aware, the Office of the Superintendent of Financial Institutions has indicated to us that $750 billion in support—in measures by various institutions connected with the federal government—has gone to Canada's big banks. As you are probably also aware, they announced $5 billion in profits last week.

I'd like to hear from both of you. What is the impact on financing of not having access to credit? Do you believe that the federal government should be imposing conditions, that the $750 billion in largesse should come with some responsibility toward actually helping to finance the recovery?

The Chair: We'll start with Mr. Lee and then go to Mr. Rakievich.

Mr. Lee.

Mr. Kevin Lee: Thanks for the question.

Yes, absolutely. With all the liquidity that's been injected through the programming, it's really important that the financial institutions do in fact go ahead and make those lending amounts available.

At this stage, it's really about new development. If we're having trouble getting access to those funds, it's definitely a more risky time, depending on the projections. Under the conditions, I would think that some of the loan rules and considerations should be a little different, to ensure that we can be part of the recovery.

The same holds true where, in some cases, homeowners who did make a purchase are not qualifying for their mortgage anymore, and that sort of thing, which means that some additional financing is going to be required while builders and developers hold onto this inventory longer until such time as they can move the product in a different way.

Whether it's more regulation, whether it's influence, nudge, whatever the case may be, we do think there needs to be some discussion to make sure that money can be released in the way it should be at this time.

● (1625)

The Chair: Mr. Rakievich.

Mr. Jim Rakievich: I echo those remarks exactly. Considering the federal government's support, the chartered banks should have some criteria around where they can provide support to good companies that need the help right now.

Mr. Peter Julian: Thank you very much for that. Yes, I think the public agrees too. I'm hearing from small businesses and individuals in our riding. There have been massive penalties—$30,000 to sell your home. There seems to be an incredible amount of largesse, unprecedented in Canadian history, not accompanied by any responsibility at all. I appreciate your remarks.

I'd like to go to Mr. Semple now.

Mr. Semple, the NDP, of course, pushed for the wage subsidy. We wanted it to echo what you have said: Rather than losing their employees, businesses could have a wage subsidy. As a result of that, they can continue, through this pandemic and emerging out of it, to keep their labour force intact.

What you have said to us doesn't make any sense at all. In essence, because you've merged your firm, there is a takeover and you're not eligible for the wage subsidy. How have your discussions been with the finance ministry around this? You actually fit the ticket of what we pushed to have the wage subsidy set up for. What has been the response from the government so far?

Mr. Gavin Semple: Thank you for the question.

We've been working with them since mid-April, mostly through associations that have been representing not only us but other companies as well. We've also had direct contact. The problem seems to be acknowledged—there seems to be an acknowledgement there—but there has been no resolution to it, no action to correct it.

Our point has been pretty straightforward: that where an eligible company acquires another eligible company and the ownership of that company, and they've bought the entirety of the company and all or substantially all of the assets, it should be no different than if it were a share purchase. It's a simple, straightforward proposition. It seemed to be acknowledged. This appears to be a technicality in the legislation, perhaps an unintended consequence in the drafting of the legislation.

We've been pushing our case for quite some time and holding off on further layoffs, at much risk to the company, but doing it in the hope that we will qualify eventually and keep all of the employees we have. I would say that we've made many representations, and there seems to be an acknowledgement of the problem, but just no resolution at this point.

The Chair: Thank you very much.

Sorry, Peter, you're a little over. Go very quickly.

Mr. Peter Julian: Mr. Rakievich, you said that the EDC confirmed yesterday your credit facility. Do you believe that if you weren't appearing before the finance committee today you would have had that confirmation?

Mr. Jim Rakievich: I'm not even going to consider that as a direct relationship. We've been working with them very closely, trust me. We've talked to EDC every week for weeks and weeks, if not months.

Remember, this is a draft term sheet. We finally got the actual term sheet, which I signed last night after hours. It still has to be approved by a committee, and then we have to get through all of the regulatory pieces of it where they double-check and triple-check everything.

I don't have the money in the bank. That will be sometime in August, if we're lucky, but that's where we are today. I don't think it had an impact, frankly.

The Chair: That's a bridge best not crossed, Mr. Rakievich. You could wait another 65 days to get the money in your hands, for heaven's sake.

Next is Mr. Cumming, followed by Ms. Koutrakis. We will have to go to four minutes.

● (1630)

Mr. James Cumming (Edmonton Centre, CPC): Great.

Thank you to all the witnesses.

I'll start with Mr. Rakievich. To me, the difference in timing of the funding you received in the U.S. versus the funding from the programs here in Canada was remarkable, but I'm not going to belabour that point.

It was tough for the industry in Alberta prior to COVID, and tough after COVID. In your opinion, Mr. Rakievich, what do we have to do to encourage companies to reinvest in Canada?

I look at your company. It has expanded. You've adapted to the times. You're working internationally—great. You're still headquartered in Edmonton. A lot of companies, however, took a different path, and they've relocated to the United States and moved their capital. What do you think we have to do to get this investment back into Canada, particularly in the sectors you're operating in?

Mr. Jim Rakievich: I'll preface my answer by quickly saying that our move internationally started in about 2004, from zero. We've invested in playing in what I would consider the largest sandbox, playing around the world, and I think that from a Canadian perspective, it's a great story. We design and develop technologies and ship them around the world for new money coming into the country, and we've done that tremendously well.

To put it into perspective, in 2019, Canada represented about 3.5% of our revenue. The Canadian oil and gas industry has been significantly decimated. In any industry or any business, I look at the top of the food chain and its investment from exploration companies—I am talking about the Exxons and Shells and those large companies. The capital has left Canada.

When big companies are making investments, part of the investment decision is certainty and risk, risk around policy and the changing of policies. In Canada, if the government changes, the rules change a bit. My opinion is that there's a lot of uncertainty around the business climate in the oil and gas industry in Canada. That capital is gone. That capital is working in the U.S. We operate around the world, and a lot of that capital got reallocated.

To me, the attraction to invest in the Canadian oil and gas industry at the top of the food chain has disappeared. Until that gets restored, it's just going to continue to decline.

Mr. James Cumming: We see this with a lot of companies that get into growth. You're growing your technology. However, a lot of companies hit a ceiling. They stop expanding, and they stop growing. What do you think was the success of your company that allowed you to continue to grow and continue to build out and do some international trade?

Mr. Jim Rakievich: I would say that we were fully committed to working with international customers. We built very strong relationships. Our customers are names that may be familiar to some folks here: Schlumberger, Baker Hughes, all of the national oil companies around the world. We have a very strong client base. We built those relationships and nurtured them.

The other thing is technology investment. The biggest reason we have been able to be successful is that we were always committed to making better and safer technology, having a better integrity of wells so they don't leak and cause environmental damage, and assisting our customers in doing so. We've always been curious about technology.

Our largest group of employees in this company is the engineers, everything from digital technologies to mechanical engineers to software writers. We've been searching continuously for a better solution for our customers.

The Chair: This has been a most interesting discussion, but we will have to move on. Thank you, both.

Next is Ms. Koutrakis, followed by Mr. Morantz.

Annie.

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

Thank you to all the witnesses here this afternoon.

My first question is for Genome Canada.

Can you please comment on the different COVID-19-related projects and partnerships that Genome Canada is currently funding and partnered with throughout the country? Is the existing federal support sufficient for these various research projects and programs?

● (1635)

Dr. Rob Annan: There are a few different pieces.

Very early on, Genome Canada participated in a coordinated response that involved a variety of federal research organizations. It was led by the Canadian Institutes of Health Research. In that competition, we funded a project at the University of Calgary, led by Dr. Dylan Pillai, which looks at rapid diagnostics. That project has now been proven to have great success. They're going through a process now of miniaturizing this diagnostic tool to take it to bedside, and they hope that within the next couple of months it will actually be on the market. So, early-stage stuff was really important.

However, as COVID was spreading and as the community was engaging, we realized that there had to be a large national coordinated effort, which led to the CanCOGeN initiative. This was funded as part of the government's medical countermeasures package, and $40 million was allocated to two projects. The first is to look at patients in Canada and the genetic causes for why some people have terrible reactions and other people seem to be asymptomatic. That's really focused on looking at some interventions through drugs and so on. The other piece is looking at sequencing virus samples from patients across Canada so that we can actually do a better job of understanding the sources of those outbreaks and then tracking their progression.

This is now a big national project, but it's tying into other initiatives, like the immunity task force that was announced at the same time, the NRC initiatives that my colleagues described earlier, and a number of provincial initiatives. Coordination is actually a big piece of what we're doing now across the board.

Ms. Annie Koutrakis: Thank you.

That's a great segue into my next question to the NRC. As we've all heard, a key step in addressing this pandemic is increasing our capacity to test and trace cases. In what way is the NRC supporting the development of Canadian testing and tracking solutions? Once these have been developed and produced, is there a business opportunity to export these solutions globally?

Mr. Roger Scott-Douglas: I think Jean-François Houle would be best suited to respond to your question.

JF, could you take that?

Mr. Jean-François Houle (Vice-President, Pandemic Response Challenge Program, National Research Council of Canada): Sure. I will probably talk more about the technology and the solution development around diagnostic testing, and then my colleague David Lisk can talk about the work they're doing with companies that are closer to market and dealing with more mature technologies.

Within the pandemic response challenge program, we do have a “detect and diagnose” pillar of research. That one is aimed at identifying platforms that are maybe six to 12 months out in terms of development to maturity. Our role is really to act as an accelerator to help develop those technologies. In some cases, these technologies come from academic centres. Some have in fact been supported by Rob and his group, maybe at Genome Canada or the CIHR. We provide them with the expertise and knowledge to help them robustize the technology and eventually scale it, with the hope that this will be transferred over to a company. We also work with SMEs that have promising technologies and need to deal with some thorny research issues in order to get this technology to market as well.

That has been the approach within the pandemic response challenge program. We are also launching challenges for loftier goals—higher risk, higher reward. We actually launched recently a call for proposals for technologies from academic centres and small companies that could augment some internal technology at the NRC. That would allow for a chewable diagnostic or something that could be deployed somewhere else or closer to the patient, or maybe even at home.

With that, maybe I'll turn it over to Dr. David Lisk to talk about the work we're doing with companies.

The Chair: Dr. Lisk, perhaps you could do it in about 30 seconds.

Mr. David Lisk (Vice-President, Industrial Research Assistance Program, National Research Council of Canada): Okay.

We work with 8,000 companies a year. Many of them are in the health space. We have invested currently in 12 COVID test companies that are going to test solutions to find the virus or the antibodies; plus, we have current clients who have technology and tracking space. One of them is Thrive Health, which currently has seven million users in Canada who are actively tracking.

I'll stop there in the interest of time.

● (1640)

The Chair: I'm sorry to have to rush people, but we have no choice today.

We have Mr. Morantz, followed by Ms. Dzerowicz.

Marty.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Mr. Lee, I want to thank you for being here today. I think the housing industry is such a fundamental industry in the country in normal times, but in terms of economic recovery, certainly this sector ranks up there with oil, gas, agriculture, and others.

A couple of weeks ago, we had the president of CMHC on the panel, and he was saying that pricing, down payments and credit scores were on the table. When I asked him about it, he said they were considering the possibility of restrictions, making it even more difficult for Canadians to qualify for CMHC-insured mortgages. I'm just wondering what your thoughts around that would be, and whether you think this would have a negative impact on the recovery.

Mr. Kevin Lee: There's no question that it would have a negative impact on the recovery. Certainly our recommendations are quite different from that. Changing rules like total debt service ratio, gross debt service ratio, is the equivalent of adding on top of the stress test, which would serve to make it still more difficult for Canadians to qualify for mortgages to buy homes.

I think it's really important to remember that there are a lot of Canadians who are in very unfortunate circumstances right now, but there are also a lot of Canadians who still have well-paying jobs and should be in a position to buy a first home and move forward.

Mr. Marty Morantz: It strikes me, though, that CMHC should really be a partner with your industry in working together to make sure that the construction industry is healthy on a go-forward basis. Has your association had any discussions with CMHC about a go-forward plan? Has anyone reached out to you, or have you reached out to them?

Mr. Kevin Lee: Well, certainly the way things have gone with CMHC in recent times, there's been a very different tack taken by CMHC with respect to home ownership and moving forward on a great many things with respect to that, so there hasn't been a lot of dialogue. We've relied much more heavily on working with parliamentarians in recent times to try to get things moving forward, like the changes that came through on the stress test that were supposed to come in April.

Mr. Marty Morantz: I'm sorry to hear that.

I'll just turn to another subject. We've been hearing reports that industries have been having some trouble hiring back people who are on the CERB. Have you been hearing reports of that in your industry?

Mr. Kevin Lee: Well, certainly there have been a variety of challenges with getting employees back once they've been disconnected, hence our real recommendation to fix that wage subsidy. One challenge, too, is that people might not be coming back for health reasons, health concerns. They might be on the CERB and finding that to be adequate at this time if they have other concerns.

The other challenge that I think we all need to be very cognizant of is the underground economy—cash jobs and all those kinds of things—hence our recommendations around renovation tax credits.

Mr. Marty Morantz: I wanted to turn to that before; it's just that I had limited time. You discussed a couple of stimulatory measures in addition to having CMHC on side, which hopefully will happen. You talked about a reduction of the GST, maybe the elimination of the GST for a short period of time, and the home renovation tax credit.

From my perspective, these measures are fundamental to getting the housing market back up and running as quickly as possible. Have you had any discussions with government, other than with this panel, on the possibility of implementing these types of measures?

Mr. Kevin Lee: Those are the types of recommendations we have been making. We have submissions on those. Obviously, times are tricky as we also try to figure out the current crisis and work to fix and deal with the current programs that are in place. As the government turns its mind to how we deal with the recovery, we're very anxious to have further discussions on these opportunities.

The Chair: Okay. We will have to end it there, Marty. You are a little over.

Mr. Marty Morantz: Thank you very much.

The Chair: Mr. Lee, you mentioned the challenge of the wage subsidy. You talked about trying to use, as the criteria, the fair value of the contract signed. I don't have time to go into it, but can you send us a little note on that, just basically what you propose as the solution? Just send it to the clerk. We'll get it, and we'll go from there.

We're turning, then, to Ms. Dzerowicz, who will be followed by one question from Mr. Brunelle-Duceppe and one from Mr. Julian.

Julie.

● (1645)

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

I want to thank everyone for their excellent and very diverse presentations.

My first question is for Mr. Kiendl from the Canadian Art Museum Directors Organization. I'm very blessed in my riding of Davenport to have a lot of artists and creators, and to have a number of museums, both small and medium-sized museums. One of them is the Museum of Contemporary Art Toronto.

I worry about medium-sized museums across this country, not only in my riding, because I feel that they have limited places to actually go to get some additional support.

There's one thing that I'd love for you to comment on. We know that phase one of the $500-million emergency support for arts and culture has been announced. Phase two is yet to come. One program we're looking at is the museums assistance program. Many museums aren't able to actually apply to it. I'm not sure, with the current criteria right now, whether MOCA Toronto would be able to. Is there some way that we could maybe adjust that program that might actually make more museums eligible for it? Could you address that, please?

Mr. Anthony Kiendl: Yes, absolutely. The program is due for an overhaul. Traditionally, there's been division in funding between the museums assistance program and Canadian Heritage more broadly, and the Canada Council for the Arts. It is often the case that you're eligible for funding from one and not the other.

The reality is that most of our museums and galleries actually serve multiple roles. They should be eligible for both the museums assistance program and Canada Council funding. I know our sector is really interested in having that conversation. I feel like we could provide a lot of really productive ideas around how to broaden the accessibility.

Ms. Julie Dzerowicz: Just because we don't have a lot of time and I have one small question before I have to move to someone else, if you could maybe write some recommendations to this committee, I'd be very grateful. I think it would be very helpful to us.

My second question has to do with one of your recommendations around a match from the government in terms of, I'm assuming, private donations. Are you talking about a one-to-one donation? I just want to be clear on your recommendation.

Mr. Anthony Kiendl: Yes. It could be up to one-to-one. There is an existing matching endowment incentive program with the federal government; however, art galleries and museums are excluded from that program, and the rationale for this is not that clear. It's—

Ms. Julie Dzerowicz: Sorry, which program is that?

Mr. Anthony Kiendl: I believe it's called the Canadian Heritage matching endowment incentive program, or something like that. About 75% of art galleries have endowments and over 90% of our members would support opening up that program to art galleries and museums. I believe we have the support of our peers in the performing arts sectors to allow that to happen.

Really, what it does is—

Ms. Julie Dzerowicz: Thank you. Sorry about that, but I have to move on because I have limited time. I do appreciate your point, though. We have heard it loud and clear.

My other question is for Ms. Amyot.

One of the interesting things we're hearing is that a lot of people have lost jobs and a lot of industries desperately need jobs filled. If you go to www.jobbank.gc.ca, there are a number of industries, such as health care, manufacturing and agriculture, that need jobs filled. There are people who have completely lost their jobs in this pandemic, because a restaurant has closed down or some manufacturing facility has closed down forever, and they need to pivot to something else.

Do you see a role in helping to train people, moving them along from colleges and institutes? If you see a role, what is it?

The Chair: Sorry, Denise, but you will have to do it in 30 seconds.

Ms. Denise Amyot: I absolutely do: upskilling, re-skilling and applying research to help the industry retool.

My colleague Peter Devlin could give you a specific example from Fanshawe and the community where they are.

The Chair: We will get Peter's response to that in a moment.

We'll now turn to three or four single questions.

I'm not sure who is up, but go ahead, Mr. Brunelle-Duceppe or Mr. Ste-Marie, whoever wants to take it.

● (1650)

[*Translation*]

Mr. Alexis Brunelle-Duceppe: That'll be me, Mr. Chair.

[*English*]

The Chair: You have one question.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Mr. Semple, could you tell the committee what you think the shortfall is? What is it about the rules that excludes you from the wage subsidy?

[*English*]

Mr. Gavin Semple: As I explained, we meet all the qualifications for the program except for the fact that we expanded through an asset purchase of another company. That precludes us from qualifying. As I mentioned earlier, it is maybe an unintended consequence, but it should make no difference, when you are acquiring another company, whether you buy shares or you buy all or substantially all of the assets and ownership of that company. That is what we're asking them to correct.

The problem we have is that we've been trying to get this resolved for two months and we are now out of time. I have been resisting laying off additional employees, but we will have no choice but to mitigate our risks and reduce our expenses if we can't get an answer to this very important question.

We qualify in all other respects for the program.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Thank you, Mr. Semple.

[*English*]

The Chair: Thank you very much, Mr. Semple. Hopefully there are some people from Finance on that. I know they are on here, so we'll just quietly tell them to get the job done and save these 3,200 jobs. It's that simple. Just do it.

We'll now turn to Mr. Julian, who will be followed by Mr. Poilievre.

Peter.

[*Translation*]

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

My question is for Ms. Amyot.

Colleges and universities were already in crisis long before the pandemic. People were going into debt to the tune of tens of thousands of dollars; there were many barriers to accessing college and university.

After this pandemic, should the whole issue of accessibility to college, CEGEP and university be reviewed and a funding program put in place as is done in other countries, where there are no tuition fees? Tuition fees are a barrier for people to access post-secondary education.

Is this an opportunity to set up a much more accessible system?

Ms. Denise Amyot: Your question is an excellent one.

In Nordic countries, it's clear that there are more students continuing their studies at the post-secondary level.

[*English*]

The Chair: Denise, the sound is bad. Just slow down a little bit.

Ms. Denise Amyot: Okay.

The Chair: Go ahead.

Ms. Denise Amyot: No problem. Sorry for this.

As I was saying, we know that in the nordic countries, the number of students who go to post-secondary is quite high. That said, according to the data from OECD, Canada is one of the first countries with respect to post-secondary attainment. This is partly because of the number of students who study in colleges across the country. We are extremely proud of that. In fact, it's the same percentage who have diplomas who are indigenous and non-indigenous. The big advantage of our country is the number of campuses across this country that help students and learners of all ages to upskill and re-skill.

I have to say that the great news the government announced not long ago, with the $9 billion, was a step in the right direction, ensuring that it is providing opportunities for summer jobs as well as work-integrated learning placements, but also student loans, to encourage those students to go back to school.

I will stop there, Chair.

The Chair: Thank you very much, Denise.

Mr. Poilievre, are you back?

Hon. Pierre Poilievre (Carleton, CPC): I am. Can you hear me?

The Chair: Yes. We can even see you, Pierre.

Go ahead. The floor is yours for a single question, if you could.

Hon. Pierre Poilievre: Thank you, Chairman.

I have a question for Mr. Semple or Mr. Switzer over at Brandt.

Congratulations, first of all, on your acquisition. Unfortunately, it has artificially created a revenue improvement that has disqualified you from the wage subsidy to which you would otherwise be entitled.

I've always known you as being an extremely successful Saskatchewan company. I didn't realize how many employees you have in Ontario and across eastern Canada. Of your 3,200 employees, you have 700 in what you call “eastern Canada”; I presume you include central Canada in that definition. Having grown up in the prairies, I know that everything east of Manitoba is eastern Canada.

• (1655)

The Chair: We're further east down here.

Hon. Pierre Poilievre: That's right.

Mr. Semple, I want to find out how much it would help you to keep your employees and save jobs if you were to have rightful access to the wage subsidy that your two legacy companies would otherwise have qualified for, had you not done this acquisition.

Mr. Gavin Semple: Thank you for that, and thank you for reminding me about eastern Canada.

It's critical to us. We have 3,200 employees right now, and as you correctly identified, there are over 700 in the east. It's our goal to retain all of them, to keep them intact, to keep their benefits intact and to top up the wage subsidy as well, to keep the employees whole.

In the absence of that, we will have no choice but to look at more layoffs and other measures to try to reduce our costs and mitigate our risks. That's really the last thing we want to do, but there's a lot of uncertainty out there. COVID-19 has had a negative impact on all of our customers, and that comes right through to us.

We need to act, and we need to act now. It's kind of urgent for us right now. We've been holding off, hoping we would get an answer, but we're kind of at the end right now.

It would be a substantial benefit to us.

Hon. Pierre Poilievre: Hopefully Finance is listening—I'll wrap up, Chair; sorry, I know I promised one question. I think it is the intention of the government to help companies like yours. I think this is an example, as the Chair properly said, of some of you falling through the cracks. Hopefully they can rectify that and keep all of those 3,200 workers building our economy.

The Chair: I thank you both.

We are out of time, but Mr. Devlin, I will give you a follow-up on Denise's earlier point on an example related to Julie's question.

Mr. Peter Devlin: Thank you very much.

Denise mentioned “re-skilling” and “upskilling”. I would use the example of last week, when we had 10 tech companies meet with our dean and associate dean. They were saying, “Here are the problems that have come about as a result of COVID-19 in our sector in terms of a skills gap.”

We have already built that into our curriculum so that the graduates will have those skills and will be able to support those tech companies. It's just part of what colleges do, with program advisory councils that support every single program we deliver, so that their curriculum is cutting-edge and able to support job generation and economic growth.

The Chair: With that, I sincerely want to thank each and every one of you for your presentations and the good discussion we had. Hopefully, out of this session, as we have had with many others, the programming can be improved. We are going to get through COVID-19, and we have to get the economy back on track and look to the future. On behalf of all committee members, thanks very much for your presentations and your time.

We have a second panel to go to, so we will suspend for about three or four minutes.

• (1655)

____________________(Pause)____________________

• (1705)

The Chair: We will now reconvene the meeting. It is meeting number 34 of the House of Commons Standing Committee on Finance, and we have our second panel of the day.

We are operating under the order of reference from the House to look into the government's response to the COVID-19 pandemic. I think most people on this panel know that the meeting is taking place by video conference and the proceedings will be made available through the House of Commons website.

With that, I welcome each and every one of you. Like some of you, I also had a microphone and headpiece that conked out today, so I'm just using my unit. I'll have to get a new one.

I'd appreciate it if you could keep your remarks as tight as you can to five minutes. We have a lot of witnesses and to get all the remarks in, we will have to keep them quite tight.

We'll start with the C.D. Howe Institute. Jeremy Kronick is the associate director of research.

Mr. Kronick, the floor is yours.

• (1710)

Mr. Jeremy Kronick (Associate Director, Research, C.D. Howe Institute): Thank you, Mr. Chair, and thanks to all the committee members for inviting me to be part of the panel here today.

These are obviously extraordinary times, and the response by the government and the central bank has been equally extraordinary. They don't have a playbook for this crisis, and it's been impressive to watch the way in which we've all worked together and worked toward a common goal.

There's no doubt that the massive fiscal stimulus programs were necessary to support households and businesses through the immediate effects of the government shutdown. Similarly, there's no doubt that the massive increase in the Bank of Canada's balance sheet was necessary to support financial markets and overall financial stability to ensure the economic shutdown did not morph into a financial crisis.

In my few minutes here today, I thought I'd highlight some of the ways in which it's clear that the stimulus has been successful and some of the concerns as we look ahead to what we hope are better times.

On the fiscal front, it's difficult to fully evaluate at this point the success of all the programs, though the uptake in the CERB and the wage subsidy would suggest that they've certainly helped households and businesses bridge the immediate crisis period. The dollar figures associated with the programs—$2,000 a month for CERB and a maximum of $847 a week for the wage subsidy—appear to be appropriate, as they cover the bulk of core expenses across the bottom and the middle of income earners. Moreover, the fall in real GDP in Q1 2020 at 2.1% ended up being in the middle of the range of estimates in the Bank of Canada's April monetary policy report.

On the monetary front, of particular concern right off the bat were the strains in the Government of Canada bond market. Typically, Government of Canada debt is the safest Canadian-dollar denominated asset one can trade. Importantly, it then acts as a benchmark, creating a reference price for the market to price all other debt instruments. Therefore, an illiquid market for Government of Canada bonds can impair debt issuances across the entire financial system.

What we were seeing in March were huge spikes in illiquidity. As a result, the bank implemented the Government of Canada bond purchase program, which significantly increased how much Government of Canada bonds it purchased and held on its balance sheet. Those spikes in illiquidity were quickly brought back down and today look much closer to historical levels.

Similarly, there was much consternation about the ability of some provincial governments to continue borrowing or, for that matter, borrowing at sustainable rates. On March 26, the day before the bank announced it would start buying up short-term provincial debt, spreads across all provinces were well above 100 basis points, with Newfoundland and Labrador closing in on 200 basis points. They had all been below 100 basis points before the crisis started. By April 17, two days after the bank announced it would also buy longer-term provincial bonds, spreads had returned to much more normal levels. The latter announcement also had the effect of reducing actual borrowing costs across all provinces back to levels that we saw in February.

The bank has also expanded its large-scale asset purchase programs to deal with stresses in the private sector. Here too, illiquidity was rearing its ugly head, threatening to impair credit and capital allocation. The bank put in place a series of private sector asset purchase programs. Again, spikes in illiquidity in March shrank in April and have returned to more normal levels. In April, new issuances of Canadian corporate bonds totalled $17 billion, representing one of the largest totals in a decade.

While obviously we are not out of the woods, it is important that we think ahead and ensure that our policy responses are appropriate for the level of risk in the economy and leave us with the fewest regrets in the long term.

Canada has benefited tremendously from having a fiscal and monetary anchor over the past 25 years, including very low-risk premiums on government borrowing costs. Fiscal anchors like the debt-to-GDP ratio were rightly set aside with the spending programs required to overcome the government-imposed economic shutdown, but economic growth is likely to be sluggish for some time, and there's a danger that these temporary programs will take on more permanence, turning one-off deficits into structural deficits. Should that be the case, investors will become concerned with fiscal sustainability, Canadian-dollar denominated debt will become riskier and borrowing costs could increase rapidly.

While other countries are in similar situations, Canada is nevertheless highly dependent on both domestic and foreign investor confidence so that public and private debt can be carried at a reasonable cost. This reinforces the importance of Canada's monetary anchor: a low and stable inflation target.

With the inflation control agreement coming up in 2021 for renewal, our commitment to that 2% target becomes even more important. This commitment gives the bank ample latitude to increase its balance sheet over the next couple of years to support the economy and the financial system in a deflationary environment but provide assurance that it will promptly move to deal with any inflationary pressures as we emerge from the shutdown.

As we move from the crisis to the recovery phase, the programs that governments have put in place are expected to be wound down or modified to reflect the changing economic circumstances. However, traditional risk metrics are likely going to make even healthy borrowers appear unhealthy until the recovery is well under way and economic uncertainty has eased. On the business side, we don't want zombie firms, but we also don't want healthy firms with viable business models disappearing.

● (1715)

Therefore, some continued government involvement is likely warranted with the big questions being what form it will take and what principle should guide this involvement.

Governments must work to reduce as much as possible the uncertainty that's in their control. Forward guidance is not just a central banker term; it applies to fiscal authorities as well. Governments must also plan with a clear timeline how any support will evolve as the recovery evolves and will be scaled down and eventually exit as things return to normal.

I'll stop there. I thank the chair and the committee again and I look forward to the question period.

The Chair: Thank you very much, Jeremy.

We'll go to Angella MacEwen from the Canadian Union of Public Employees.

Go ahead, Ms. MacEwen.

Ms. Angella MacEwen (Senior Economist, National Services, Canadian Union of Public Employees): Thank you very much, Chair. Thank you to the committee for having me present today.

The Canadian Union of Public Employees is Canada's largest union, with over 700,000 members. CUPE members work across a broad cross-section of the economy, in such areas as health care and education; at municipalities, libraries and universities; with public utilities and emergency services; and in transportation and the airlines.

The COVID-19 pandemic has exposed the threads that connect us all. Our health and well-being depend on the health and well-being of everyone else in our communities, in our country and around the world. In the last few months, we've seen clearly that when some of us aren't safe and well protected, we are all at risk.

This current moment is unlike any previous economic recession or depression we have seen. Right now, real unemployment or labour market slack is around 30%. We're starting to see industries that were hit hard by the initial shutdown restructuring and facing permanent closures. Households and businesses alike are having trouble paying rent while their economic activity is shuttered.

As the previous guest commented, government deficits globally are going to reach record levels. In this environment it is essential that we continue to put our absolute priority on the health of Canadians, which includes providing income supports to help households make ends meet and continuing support by public services to help them meet their needs. This will not only help us contain the pandemic but also ensure that our economy and our communities can bounce back faster after it's over.

The federal government acted very quickly to put in place supports like the emergency relief benefit and market liquidity programs. This made a difference for millions of people in Canada. Now that we're passed that immediate response, though, it's appropriate to take a quick look back to see if we can make improvements or to think about what kind of investments will help us chart a course back to more stable economic waters.

As previously mentioned, the Bank of Canada would usually have already purchased federal government bonds in the primary market, which means directly from government. At the beginning of the pandemic they began purchasing both federal and provincial bonds in the secondary market.

That distinction might seem academic but it can actually mean very different distributional outcomes. The direct purchase of government debt allows governments to spend more money on providing programs or other supports. The secondary purchase helps keep the rate at which we can borrow lower but it also directly benefits existing wealth holders. The hope is that those wealth holders will use that money to make productive investments in the economy. However, this is a little bit like pushing on a string. We know from recent experience that there are no guarantees that money will be used to stimulate new production or employment.

Similarly when the Bank of Canada or their government-owned corporations buy up mortgages or corporate debt, there is little reassurance that support is actually trickling down to homeowners, to small businesses or to workers.

This reality makes it really important for the federal government, when it is designing its programs and implementing its programs, to ensure the effectiveness and fairness of public spending while keeping that background distributional impact of liquidity support in mind. It's important that the federal government strengthen the conditions and improve the transparency and accountability of the programs that it is implementing right now.

There are some things you can do to ensure that. You can make public information about how public money is being spent. You can include clauses and agreements that mandate labour protections for workers, including protection for the continuation of benefits and the implementation of health and safety protocols, and include penalties so that if these clauses are not upheld, the subsidy will be clawed back. At the same time, you can make sure there is protection for whistle-blowers so that people feel comfortable reporting violations of these clauses. Where there is a union in the workplace, make sure it is included in the negotiations for the wage subsidy or other supports that the government gives. Publish details on any procurement or any other government contracts that you enter into during the recovery period. Don't provide subsidies or procurement contracts to companies that engage in tax avoidance, for example, through the use of tax havens or where the beneficial owner of the company is unknown.

We're going to face a strong tendency to want to do stimulus the way we have in the past, focusing on shovel-ready physical infrastructure projects. This recession is different though. It has affected different industries, different occupations and different communities. It has especially hit women, low-income service workers, racialized workers and migrant workers.

● (1720)

Investment in the care economy, including in health care, child care and social services will have social and economic returns far higher than the current cost of borrowing. It will create good jobs for the workers who have been hardest hit by this economic crisis.

There are already calls for austerity and privatization, including privatization through the federal government's Canada Infrastructure Bank.

However, you can't rebuild by cutting, and you know that privatization costs more while delivering less. That's clear, especially in the long-term health care sector.

After the 2008 recession, the federal government removed economic supports too quickly and focused on cuts and balancing the budget instead of strengthening our safety net. Infrastructure spending prioritized inefficient and expensive P3s, which locked municipalities across Canada into low-quality projects and growing debt.

Even though the debt-to-GDP ratio has jumped significantly, there is no reason to panic or pull back now. Whether we continue to borrow at historically low rates or eventually increase revenue to ensure tax fairness, or some combination of the two, we can well afford to increase federal spending. In fact, if we make public investments in sectors like health care, child care, livable communities and energy-efficient buildings, we'll see a stronger impact on economic growth alongside lower inequality and improved well-being.

The federal government in particular has the ability and responsibility to shoulder the majority of this cost of the pandemic response as well as a higher share of social spending going forward. Many polls have shown that there's widespread support for this type of project. There's a growing consensus that there's no room for profit in long-term care or other care work.

As Canada starts rebuilding and recovering, we have the opportunity to reimagine what our economy looks like. I invite you to take that chance.

The Chair: Thank you very much.

We will now turn to, as an individual, Jean-Denis Garon, professor of economics, Université du Québec à Montréal.

Mr. Garon.

[*Translation*]

Mr. Jean-Denis Garon (Professor of economics, École des sciences de la gestion, Université du Québec à Montréal, As an Individual): Mr. Chair, members of the committee, I would first like to thank you for your invitation to appear before the committee. I'm delighted to be here.

I would like to share with you my thoughts on three main elements: first, on the nature of current and future assistance measures; second, on the need to train the workforce; and lastly, on the need to work well with the provinces.

First of all, I note that the public debt is large and sustainable at the moment. We can afford to run a large deficit this year, but the real test for budgetary policy lies ahead.

Following the 2009 crisis, the Organization for Economic Cooperation and Development, or OECD, suggested that the government take consistent measures applying the three Ts rule: “timely, targeted, tailored”.

I believe that these principles should be at the heart of our reflections from here on in, and that, eventually, the almost unconditional assistance that is currently being given to individuals will be detrimental to the recovery.

Policies based on maintaining the employment relationship came somewhat late, after the Canada emergency response benefit, or CERB, which was intended to transfer large amounts of cash to individuals as quickly as possible. Of course, for a variety of reasons, the wage subsidy did not take well.

Transfer policies, which are extremely broad in scope, are effective when it comes to redistribution. However, they also have a significant social cost, first, on the government's budget, and second, because they interfere not only with the wage policies of provincial governments, particularly in the area of health, but also with those of private companies. I'm thinking of Quebec's agricultural sector. Some groups will have to continue to receive assistance for months, if not years. I say certain groups.

I believe that the government should not continue to pay the CERB for too long for one simple reason: to promote recovery and to fight unemployment, we must be careful not to subsidize it. If we are going to reform the employment insurance program, it must take over from the CERB.

Of course, the CERB has paid out so much money to so many people over such a long period of time that it will be difficult to move on to the next stage because many Canadians will feel they are losing out.

I am of the opinion that the pedagogy of getting back to normal should start as soon as possible in Ottawa.

Second, in terms of workforce training and productivity, let's mention that we made the decision to put the economy of a G8 country on hold in order to save human lives. And the longer that pause, the greater the risk of creating long-term unemployed people with the scars it leaves on their careers, on their employability and on the human capital they represent.

Canada, through employment insurance, will have to break with its tradition of not focusing enough, at times, on the employability of Canadians. Employment insurance should be redesigned quickly to fund labour market training in partnership with the provinces, and it should be enhanced.

Obviously, linking the employment insurance program to these new priorities will be complex and will require coordination with the provinces, particularly Quebec. This requires that discussions begin as soon as possible.

Finally, the opening up of trade has enriched us enormously since the post-war period and has brought us a lot. However, we have relocated a lot of economic activity. Some of my colleagues who work in international trade expect that there will be a return to the regionalization of certain economic activities that have been relocated. This regionalization will involve artificial intelligence, robotics and home automation. We have to be ready and we have to open a major national training project for the workforce.

I would add that the provinces need short-term financial support for the delivery of front-line public services, and I'm thinking of health care. And I believe that we should, at least in the short term or if not permanently, continue the practice of further increasing Canada health transfers.

Furthermore, in the short term, Ottawa could consider immediately transferring a significant amount to the provinces in the form of transfers, for example, on a per capita basis, which would have the effect of transferring part of the provinces' debt to the federal government, which has more means to act than many provinces.

In conclusion, I think it would be a mistake to weaken the provinces by succumbing to the short-term temptation of establishing new transfer programs based on the federal spending power. The provinces are on the front lines. Their needs are different, and they are changing too quickly. I think the provinces need to be treated as full partners in the transfer and aid programs that will follow in the coming months and years.

Thank you very much.

● (1725)

[*English*]

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

We will now turn to Ian Lee, associate professor, Carleton University, who is no stranger to this committee.

Mr. Lee, the floor is yours.

Dr. Ian Lee (Associate Professor, Sprott School of Business, Carleton University, As an Individual): Thank you, Chair.

I thank the finance committee for the invitation to appear, but first, here are my disclosures, which are standard. I do not have any conflicts of interest because I don't consult or have any investments of any kind anywhere. Secondly, I don't belong to or donate funds directly or indirectly to any political party, and I don't allow lawn signs on my property in any election. Thirdly, I am one of those high-risk Canadians as I am over 65 years of age, I do have rheumatoid arthritis and I do take immunosuppressive drugs.

Now I'll go to my comments.

For the past 90 days, the Government of Canada has undertaken unprecedented monetary and fiscal spending to avert an economic disaster of massive numbers without income. As a consequence, governments deliberately shut down most of the economy.

As a consequence of this, I think that today Canada faces a far more pressing problem. Per the PBO and other forecasts, Canada is facing a deficit of approximately a quarter of a trillion dollars. While a considerable number of analysts have publicly stated that this is sustainable, a careful review of these comments reveals caveats and hedges to these statements that limit what I'll call the “sustainability thesis” to the current year or the short run.

In sharp contrast, as I argued before this committee a couple of months ago, deficits of this magnitude are not sustainable *sine die* or indefinitely into the future. Indeed, the distinguished former Governor of the Bank of Canada, Dr. Dodge, and his C.D. Howe group, I believe, have come to this conclusion.

Yet in scrutinizing the press conferences of the Prime Minister and the Minister of Finance announcing yet more and more federal spending, I cannot find any serious or extensive discussion of the very temporary nature of these programs and the urgent need for an exit strategy, not in five years or three years but starting almost immediately, and there is, in my view, a reason. Our public health officials and our federal and provincial elected leaders from all political parties have done such an effective job of frightening the population into believing—in my view, wrongly—that everyone is equally vulnerable to infection and death from COVID-19 that there is very little public support for reopening the economy.

To be fair, the lockdowns were chosen because we did not know better at the time. Today, the public health data from every country very clearly reveals that elderly people over 65 and people with serious health issues are highly vulnerable—people like me—but also that vastly larger numbers of the population are at very low risk and, overwhelmingly, these are young or middle-aged healthy individuals, who, as I've said, are most of the population.

Now, with the experience and knowledge of the past three months, our leaders must revise and revisit our strategy to address COVID-19. The Government of Canada must work very closely with the provincial governments to classify, per the WHO, every firm and every industry by degree of risk into low-contact and low-risk activities, such as almost all of retail, excepting bars, restaurants and entertainment, versus high-contact, high-risk activities characterized by many people together in close contact for extended periods of time.

Much, much more importantly, the Government of Canada, in conjunction with the provinces, must undertake a communications campaign to educate the public concerning those at high risk and to encourage or even insist that those high-risk individuals self-isolate. I want to illustrate this very quickly with a very personal example.

Three years ago, I came down with an ordinary cold/flu, like many Canadians do, but it turned into a virulent pneumonia for six weeks. I've never been so sick in all my life. So what? What's my point? Well, I learned that I have a responsibility to myself to change my behaviour, because it was and is in my self-interest. I cannot expect Canadian society to throw millions and millions of young people out of work and destroy hundreds of thousands of businesses because Ian Lee has a seriously compromised immune system. That's not right.

● (1730)

Long before this crisis, three years ago, I started to self-isolate—I didn't even know the word—by completely avoiding places where there were a lot of people, in buildings close together in the winter months, coughing on me, and who probably would make me sick. Restated, we must turn our public health model upside down. Isolate and protect the elderly, for sure, and the sick and the vulnerable, while ensuring that low-contact, low-risk businesses are reopened with appropriate distancing measures, staffed by low-risk individuals. Thank you.

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

We're turning to Mr. Jack Mintz, president's fellow, School of Public Policy, University of Calgary.

Mr. Mintz, I believe you were here in Ottawa, the day that this started, if I recall correctly.

Dr. Jack Mintz (President's Fellow, School of Public Policy, University of Calgary, As an Individual): You're absolutely right. I do remember that time.

Thank you very much, Mr. Chair.

Let me begin with four points.

One, according to the IMF April report, Canadian consolidated public deficits—that's for all levels of government—as a share of GDP will be the second-highest amongst all advanced economies, at 11.8%. This estimate on the size of the deficit is underestimated, since it does not take into account further spending commitments announced after April 6, 2020. As it is based on national accounts methodology, it ignores certain liabilities, particularly public employee pension plan deficits.

Two, using public accounting, the federal deficit is predicted by the parliamentary budget office to be $250 billion in 2020-21, which is 11% of forecasted 2020 GDP. The provincial deficits are not known, but RBC forecasted that they will be close to $65 billion. This would mean that the consolidated public deficit on a public accounts basis—which, by the way, includes deficits of public employee pension plans—will be close to 15%, the highest in this past century.

Three, the IMF predicts Canada's public net debt as a share of GDP to rise from 25.9% to 40.7% in 2020, the highest since 2001. Canada also has the third-shortest term to maturity for public debt, at 5.4 years, amongst advanced countries. Estonia and Sweden have shorter-term structures for their public debt. This means that we roll over our public debt more often than other countries. With 23% of this debt held by non-residents, we are sensitive to international investor perceptions of Canada's fiscal responsibility.

Four, we also know that our public liabilities are more than what is currently reported as net debt. It does not include unfunded health care, long-term care and OAS liabilities, net of taxes paid on RSP and pension plan withdrawals. CPP net assets are subtracted from net debt, but future CPP obligations are ignored. Public non-financial assets, especially important at the provincial-local level, are not easily liquidated if debt rollovers must be covered. Our consolidated government net debt obligation is almost triple the official number.

We also know that much of what lies ahead is uncertain. Return of lockdowns in the fall of 2020 or spring 2021 will make recovery much more difficult. There will also be significant demands for stimulus, given that many households and businesses will be running out of cash this fall with deferrals coming due. While the 2021 fiscal deficit should not be nearly as large as 2020 because of all the temporary measures, it is more than likely that the federal and provincial deficits will be elevated for several years beyond 2020-21 fiscal year.

Now, federal as well as provincial governments will need to lay out a budget for 2020-21. At that time, the Minister of Finance will likely indicate a fiscal target, in part to bring back more financial control to the budget, as demands will be enormous for spending hikes or tax cuts. In the past, the approach has been to ensure that debt as a share of GDP should not rise. This fiscal anchor makes less sense today, with $1 trillion more in official federal net debt plus other future obligations in our aging society.

When markets become nervous over a country's fiscal path, governments often resort to fiscal rules such as expenditure limits, tax ceilings, targets for balanced budgets and debt limitations. As the IMF reports, all advanced countries use different fiscal rules depending on their circumstances. In fact, in the past 30 years, the IMF reports that half of countries have used fiscal rules of various sorts to try to deal with deficits, including Canada back before 2005.

Alongside Iceland, only Canada at the national level has no fiscal rule today. This is, I mean, pre-COVID days.

● (1735)

Right now I'm not sure anyone has any fiscal rules. Many fiscal rules are statutory, embedded in legislation or the Constitution. They typically allow for adjustments for cyclical effects and may exempt debt-financed public infrastructure. Some countries, such as Australia, the United Kingdom and France, use multiple rules, such as a limitation on expenditure growth, a debt-to-GDP limit and a deficit-to-GDP limitation.

The criticism of fiscal rules is that they reduce budget flexibility and discriminate against public infrastructure spending. However, studies have shown that fiscal rules improve fiscal credibility, which keeps interest rates lower and ensures investor confidence in a country's debt. A recent study by German economists found that statutory fiscal rules also result in higher economic growth rates—18% in higher GDP in the long run. Fiscal rules only based on political commitments do not have a growth impact.

When the next budget is set, the Minister of Finance will need to address how big deficits should be in the future. How much debt can be tolerated? How much spending can grow? What tax reductions are affordable? What tax increases will be needed? The minister will need some type of fiscal rule and will need to decide whether it should be supported by legislation to indicate adherence to the plan.

I would suggest to this committee, even though it is early on—we're not talking about this year's fiscal rules—that in the coming months it should study the approaches used by countries for budget planning. It is critical, since future generations, which have no influence over our decisions today, could be left with a financial mess in the future if our generation does not act fiscally prudently.

Thank you.

● (1740)

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

We'll now turn to Armine Yalnizyan, who is an economist and Atkinson fellow on the future of workers.

Welcome, Armine. It's been a while. The floor is yours.

Ms. Armine Yalnizyan (Economist and Atkinson Fellow on the Future of Workers, As an Individual): Thank you, Chair, and thank you for this hard-working committee. I don't now how you guys do it. That's a lot of witnesses you are hearing from. I'm going to do my best to be quick.

Yesterday, the Bank of Canada told us that the worst could soon be over for the economy. That's great news, although the pace of rebound of the economy is far from certain. The virus certainly killed the income-earning potential for over one-third of Canadian workers, according to Statistics Canada, by mid-April, but the federal treasury swiftly acted to help people contain the contagion and prevent a surge of debt, announcing about $146 billion in COVID-related spending. The Parliamentary Budget Officer estimates that real GDP is likely to shrink by 12%, so the Government of Canada's initiatives may backfill about half of the estimated $288-billion hole created by the pandemic.

As our hopes and actions now turn to recovery, the debate is already dominated, as you have heard, by a discussion of how quickly to turn off the federal spending taps and to delimit public deficit and debt. I contend that this is the wrong approach. We should not be looking at the cost of federal spending without also looking at its benefits—in other words, the net benefits of public spending.

Indeed, the federal government is going to have to keep spending more than it did before COVID-19 hit, but it will have to pivot to reassuring Canadians about the ability to safely reopen the economy instead of keeping people safe at home to contain the contagion, and that spending will have to be designed to maximize the future potential for growth—not just how much you spend but what you spend it on. Targeted and sufficiently resourced spending could literally pay for itself, not just in shovel-ready physical infrastructure but also in critical social infrastructure that supports the economic activity we all undertake through our households and our businesses, just as much as roads and bridges do.

This pivot from contagion containment to strategies for safe reopening will require historic federal intervention in child care, for reasons that I just detailed in my presentation to the Standing Committee on Human Resources, Skills and Social Development just moments ago. I have submitted my brief to your clerk, so please avail yourselves of it if you would like to learn why I think child care is the secret sauce to recovery. Simply put, given the number of women who have been sidelined by the shutdown of activity that is simply essential to economic transactions, and given that pre-COVID, women were 50% of employees, there can be no recovering without a “she-covery”, and there can be no “she-covery” without child care.

Without a nationwide strategy for safe protocols for reopening schools and child care facilities, we are likely to create another vector for transmission just like the long-term care facilities, and we will not be able to fully redeploy our economic potential for even longer. Therefore, putting the emphasis on safe reopening is key, and the federal government will play a key role in ensuring exactly that, because the last thing we want is for child care to look like long-term care with regard to COVID transmission.

I will just remind you quickly that the problem is actually a cascade of problems. It's a health crisis triggering an economic crisis, which is triggering a debt crisis. Obviously, job one is to contain the health crisis. Job two is to offset the scale of the economic crisis. Only when we've done those two things will we know what the scale of the debt crisis is that we will have to deal with as households, as businesses and as governments at every level. More debt is simply inevitable. The only question is who will hold it. In accounting terms, there are only four places for the debt to grow: among households, among corporations, among governments, and through current accounts, which are cash flows into and out of Canada.

Government debt will include increasing debt for the federal, provincial and territorial governments as well as municipal shortfalls in revenue intake for non-discretionary expenditures that they must make for their citizens. This pandemic should result in more government debt to secure the recovery, and it should be more federal government debt, because federal debt is the lowest-risk, lowest-cost debt in the entire ecosystem of debt. Households pay the highest rate on debt, followed by businesses, followed by municipalities, followed by provinces. The cheese stands alone when it comes to the federal debt.

• (1745)

Those arguing to reduce federal deficit debt are, in my view, effectively arguing for a slower recovery, deeper economic losses for more people and more income being paid through the entire system for debt servicing. I am confident this is nobody's goal at this table.

Thank you for your time. I welcome any of the questions you have about my approach that federal debt will be a good thing in the coming months.

The Chair: Thank you very much, Armine.

Before I go to Mr. Cross, I'll give members a heads-up on who will start the first round of questioning. We'll start with Mr. Poilievre, followed by Mr. Fraser, Mr. Ste-Marie and Mr. Julian.

We'll now turn to our last witness, Philip Cross, from the Macdonald-Laurier Institute. He's not a new arrival to this committee, either.

Philip, go ahead.

Mr. Philip Cross (Senior Fellow, Macdonald-Laurier Institute): Yes, I was here with Professor Mintz when you had the last public meeting. Let history record, by the way, if it's true that we'll never be shaking hands again, that the last human being I shook hands with was Mr. Julian, after that meeting.

I'd like to take this time to address two subjects: looking back at how Canada dealt with past fiscal crises, and then looking forward on whether this is the appropriate time to restructure the economy. Using the projections from the PBO, federal spending is jumping from 15% to about 26%. Together with lower revenues, this inflates the deficit from 1.1% of GDP to 12.7% and raises outstanding federal debt from 31% to about 48%. The actual outcome is likely to be larger, but these estimates provide a good baseline for understanding the fiscal consequences of this crisis.

The most obvious comparison is with World War II. Federal spending initially jumped from 10.5% to 22.8% by 1941, with annual deficits hitting nearly 5% of GDP. Starting in 1942, the increase in government spending became enormous, hitting a peak of 48% of the economy in 1943 and boosting deficits to over 20% of GDP every year between 1942 and 1944. Despite sharply higher taxes, the federal debt soared from 22% to 160% of GDP during the war.

How did Canada cope with such a high level of debt? Initially, the government ran surpluses for six straight years after the war, as spending almost returned to pre-war levels but taxes did not. While some surpluses were sizable, averaging 3.6% a year from 1946 to 1948, equivalent to about $72 billion today, they totalled only 13.4% of GDP. Instead, most of the reduction of the debt load from 160% of GDP to 70% in the post-war decade reflected unexpectedly rapid growth as GDP nearly tripled in one decade.

Today, the prospect of a comparable surge of income growth seems remote. Instead, the model for lowering today's deficit is the austerity adopted after the 1994 debt crisis and the 2008-09 recession. Three-quarters of the deficit reduction after 1994 was achieved by lowering program outlays. The rest was from raising revenues. After the recession ended in 2009, the $43-billion federal deficit was eliminated entirely by reducing program spending.

Most economists advocate deficit reduction through spending cuts and not tax hikes. A recent IMF review of the literature found that spending cuts boost business investment while tax hikes dampen spending. By relying mostly on spending restraint, economic growth was sustained after both 1995 and 2009.

This year's extraordinary increase in government spending and deficits apparently does not deter some from seeing an opportunity to restructure Canada's economy. After all, it is tempting to ask, if we can command the huge resources needed to contain the pandemic, why not use the occasion to make fundamental changes to our society?

However, this thinking is flawed and undemocratic. The vast deployment of government resources in response to the pandemic was intended to preserve the economy as it was. The 11-point hike in government share of GDP was to replace household and business incomes, which collapsed almost overnight. This temporary income support was meant to keep labour and capital in place so these industries could resume normal operations as soon as the virus subsided. Making the increase in government spending permanent by financing programs such as a guaranteed annual income or green energy infrastructure projects would be counterproductive to this short-term goal and would harm long-term growth.

Restructuring the economy is problematic no matter what course the virus takes. If it does subside, either on its own or due to a vaccine, we would expect Canadians to resume spending on personal services. If on top of this we had a substantial increase in government spending, soon the economy would surpass its capacity limits. While not at full employment before the crisis, Canada was not several points below it either. The Bank of Canada estimated that the output gap was about 1% late in 2019.

On the other hand, if the virus disrupts spending for a long period, Canada faces a very difficult transition for its labour and capital. People little versed in economics warn of stranded assets in our fossil fuels, but that would pale by comparison with the hundreds of billions potentially stranded in aerospace, urban transit, hotels and commercial and office buildings. For workers, as widely noted, income and job losses have been concentrated in service industries with low levels of skill, education and pay. Restructuring would be a painful and costly exercise at a time when the economy is still struggling with the pandemic.

• (1750)

A more basic question is to ask whether Canadians want an economy restructured along these lines. In the short term, higher government spending is replacing some of the record decline in household spending, especially on services that form the basis of much social activity. However, humans are inherently social beings. Canadians spend substantial amounts on restaurants, hotels and the like, preferring a large variety of these activities at low prices. It is unlikely that people will permanently give up this network of social activities to finance a guaranteed income, green energy infrastructure or more health care.

At a minimum, plans to rebuild and restructure our economy need to be transparent so that Canadians can decide if they accept this trade-off on a permanent basis. A temporary willingness to make sacrifices during a crisis should not be confused with a permanent shift in preferences. In past crises, Canadians postponed consumption for the common good, but not forever. As World War II ended, a weariness with sacrifice resulted in the defeat of Winston Churchill and the near defeat of Mackenzie King. People wanted to spend on their personal well-being after two decades of pent-up demand. Similarly, austerity programs are best implemented quickly, before people lose the motivation for shared sacrifice.

Unless Canadians choose to lower their consumption for more government spending, plans to impose a restructuring look like another elitist attempt to tell ordinary people how to live. The pandemic supposedly made us more aware of the contribution of blue-collar workers, but the contempt of many for blue-collar consumption choices remains just below the surface. Even worse than slowing economic growth by diverting resources into less desirable activities, imposing such a choice undermines democracy.

Thank you.

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

We'll start our six-minute round with Mr. Poilievre.

Hon. Pierre Poilievre: I'm sorry. I was just taking a moment to marvel at Dr. Philip Cross's excellent presentation. That's why I was delayed in coming online.

I'd like to direct my questions to you, Dr. Cross, as the former chief economic analyst at Stats Canada. You have studied the data over the years. You can provide us with an informed outlook on the impact of government spending and debt. We now have a record level of combined personal, government and business debt, as a share of GDP, approaching 400%. Do you believe we can go on adding to these debt levels for the medium term in order to carry out this government-directed economic transformation that many ideological utopians are dreaming about?

• (1755)

Mr. Philip Cross: That's a very good point. It's something that I find missing in the whole run-up to this crisis and now, as the crisis unfolds. We tend to focus—for example, as we did during the federal election and now, during this crisis—only on government debt, as if government debt is somehow isolated from all the other debt in our society. In fact, we had one of the highest levels of household debt in the OECD. We had the highest level of corporate debt. We had very high levels of provincial debt. It was only the federal government that had relatively low levels of debt entering this.

That's very important to note. Yes, we are shifting a lot of debt into the government sector, and quite appropriately, as they were the only sector, for a period there, that the financial markets were willing to lend to. It's appropriate that the government took on that load. Nevertheless, we will be servicing all of this debt—personal, corporate and government—out of the same income stream of GDP. That's something that we have to be aware of. We can't just look at government in isolation from all the other debt we have in our society.

Hon. Pierre Poilievre: Right. It's about the flow of GDP income. There's one GDP, and it has to support the debt of households, of governments and of business. We cannot assume that the Government of Canada has a full right to 100% of that GDP in order to service its debts.

I want to also talk about the income inequality that high levels of government debt engender.

Dr. Mintz, that was an excellent presentation, as always. A lot of people often argue that we need big deficits to reduce poverty. What they don't mention is that big debts mean big interest payments. Those interest payments go disproportionately to wealthy people who are bondholders. We know that they are wealthy, because if they weren't, they wouldn't have been able to lend money to governments in the first place. Debt interest is inherently a transfer of wealth from the working-class taxpayer to the wealthy lender.

Do you have any comments on the distributional impact that large governmental debts have on the equality or inequality of the population?

Dr. Jack Mintz: You're raising an interesting point. We have to remember that interest payments, on public debt in this case, are a form of transfer. They're a transfer from the government budget—but of course that's really the taxpayers' budget—to bondholders.

Of course, the taxpayers tend to be in the upper-income groups, at least when it comes to public debt, and the interest paid on it of course goes to bondholders, many of whom are outside the country. As I mentioned, about a quarter of them are, so it's actually a drain on resources for the country when taxpayers are covering these interest expenses. As far as inequality impacts go, I think that's where the household debt becomes particularly relevant. Of course many middle-income groups have taken on significant household debt. In fact the numbers that you gave—400% of GDP for household, non-financial corporate and public debt—are based on IMF data. That doesn't even include all of the financial obligations that the governments have in Canada, which I've emphasized in the past.

In terms of that household debt and its impact on inequality, I have to admit that I haven't really looked at that very carefully, but certainly when you get borrowers who are getting low interest rates right now, maybe that's not as much of a problem for those individuals. The big problem, of course, comes down the road when they renew their obligations and they are facing higher interests rates. That is bound to happen as we get past this and into the recovery.

● (1800)

Hon. Pierre Poilievre: Chair, do I have time for one more question?

The Chair: You can have a 30-second question and a 30-second answer.

Hon. Pierre Poilievre: I'm worried about the uppercut that's coming. We have extremely high levels of debt in this country. Our debt service ratios are thus far not that high because interest rates are obscenely and unusually low. When they go up, then governments, households and businesses are going to be hit with that uppercut.

How worried should we be about the interest rate uppercut that is going to hit our overly indebted nation? That question is for both Dr. Cross and Dr. Mintz, please.

Mr. Philip Cross: I will just add something quickly and then cede the rest of the time to Jack.

I don't think we even have to wait for interest rates for this to be a problem. I am quite concerned about what will happen six months from now. For the moment a lot of household mortgages have been deferred. The CMHC has been saying that by next year we could be looking at 20% of households foreclosing on their mortgages.

It's not just interest rates. We could just stand still exactly where we are and have an interesting debt problem in several months.

Dr. Jack Mintz: I'll be very quick, Mr. Chair, because you said half a minute.

We have to remember that interest costs are two things. They are the interest rate times the actual amount of debt. We're taking on a huge amount of debt right now at the public level. Plus we have significant debt at the private level. In fact that debt has even gone up with all these deferrals because people are going to have to pay back utility bills, mortgage payments and taxes that were deferred. Then there's a lot of tax to be paid on the income support that is currently being provided.

Dealing with our debt overload is going to be a very significant issue for all sectors of the economy. It's not just that the interest rate may go up. It's also the fact that there's been so much new debt taken on. It's just a fact that we're going to have to be concerned about.

The Chair: Thank you.

Thank you all.

We go now to Mr. Fraser, who will be followed by Mr. Ste-Marie.

Sean.

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

My questions will be directed to Ms. Yalnizyan.

Thank you so much for joining us today. I'll let you know that I was as enthralled by your testimony as my colleague Mr. Poilievre was by that of Mr. Cross.

I'll pick up where the last questioning left off, on the cost of servicing this debt.

Of course, it's something that's on everyone's mind. We don't want to be irresponsible, but I think one of the points you articulated very well was that there is a need to look at the benefits of some of these measures as well, and a need to recognize that in fact the virus created the need to respond. It effectively created the debt that we're dealing with.

I want to give you the opportunity to talk about the cost of inaction had we not chosen to have the federal government assume this debt and had we left it to individual households and business owners. I can tell you from my experience in the constituency that the consequences would have been far greater because there would have been widespread bankruptcy of half the businesses in my community and kids without food on the table.

I'm curious as to whether you can give some perspective on what the cost of inaction would have been if we had chosen not to have such an aggressive intervention in response to the COVID-19 pandemic.

Ms. Armine Yalnizyan: If you think we're facing a wave of mortgage failures—and we are—the wave of debt that is going to be coming at us can't be ducked, nor can the wave of insolvency for businesses and households. That is going to happen, so the question is simple: Who holds the debt?

As I said in my opening statement, based on what the Parliamentary Budget Officer has estimated, the hole that the pandemic blew into the economy is $288 billion. Federal spending is going the whole nine yards. We don't know if all of it will get spent, in particular with the wage subsidy, but all of the different forms of help total up to $146 billion, so less than half of the hole. Without this, the hole would have been twice as big and more people would have lost their homes, more rapidly. People would not have stayed at home. We would have been unable to contain the contagion.

As I said in my comments, it isn't good enough to just talk about what would have been. I think nobody in this virtual room is arguing that the feds should not have done what they did. If some were arguing that it should not happen, that's a really marginal thought to the community of economic thought. Almost everybody agrees that they had to act and had to act fast.

My point is that it's not time to cut spending and worry about federal debt, because there other forms of debt, which Mr. Poilievre, Dr. Mintz and Dr. Cross have all acknowledged. There's one flow of income to deal with household debt, business debt and government debt. Government comes in three flavours: federal, provincial and territorial, and municipal. Everybody is going to have more debt, and the cheapest debt to be held is at the federal level. It's okay if that debt goes up. In fact, that's the smartest way to reduce costs for debt servicing.

I don't know what else I can add. I said all of these things before.

You were also asking about benefits of spending. If we do not spend on child care, if we do not ensure that critical infrastructure is in place so that people can get back to work.... As I have said a hundred times before, given how many women lost their jobs and that they are half the workforce, if they don't get back into the economy, we cannot recover. We cannot recover our purchasing power, which is 56% of the economy.

We know that the United States is poised to lose half of its ecosystem of child care. If we do not support this critical infrastructure, there will be no recovery because there will be no “she-covery”, and there will be no “she-covery” because there's no child care. That's math. That's just plain math.

● (1805)

Mr. Sean Fraser: Thank you very much for that testimony.

Mr. Chair, if I have a moment left, I'll try to sneak in two questions.

Ms. Yalnizyan, you can eat up the rest of the time with your response, if that's okay.

I'm incredibly worried about a generational gap, given the impact that this pandemic is having on young people. I think there's obviously a longer-term question we have to ask ourselves about repaying some of this debt. I look at the wage loss for young people and it's astonishing.

I'm wondering if you can comment on the long-term impact of that phenomenon. If you have time to offer a quick piece of guidance on how we can better reflect the value of unpaid work, I would be grateful.

Ms. Armine Yalnizyan: Wow, there's a bunch of stuff there.

I don't know what to do immediately about the lost generation. We're looking at numbers that we have never seen before. About half of Canadians aged 25 to 34 have lost more than half of their income. They have to get back into the workforce. The great news is that there's plenty of work to be done in our communities. There's no reason for us not to put them back to work. We need this stuff done. We could be creating opportunities.

I think the bigger story, from my perspective, is understanding that child care is actually a triple weapon in our war in the recovery: It helps women get back to work when they have a job; it is a form of employment; and done properly, it provides the ability for every single child to be learning-ready when they enter the school system and for us to make sure that they're supported. As I noted in the presentation that I just did for HUMA, which I hope you have an opportunity to look at, it literally pays for itself. We're literally leaving money on the table by not expanding access to child care dramatically throughout the system and having the federal government pay for it. You'll see in my comments why I think the federal government should be taking the lead at this time.

Thank you very much for your really tough questions.

The Chair: Thank you.

You either have or you will send that brief to the clerk, Armine.

Ms. Armine Yalnizyan: It has been sent already. It's in the clerk's hands.

The Chair: Okay, thanks a lot.

We will turn to Mr. Ste-Marie, followed by Mr. Julian.

Gabriel.

[*Translation*]

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

Ladies and gentlemen, good evening. Thank you for your presentations.

Mr. Garon, one of the things you addressed was transfers to the provinces. You talked about the importance of better funding the health care system. You also suggested a transfer payment for the rest.

● (1810)

[*English*]

The Chair: Gabriel, my own microphone was off, so you couldn't hear me. Just slow down a little bit.

I gather that there are some microphones on. If anybody has their microphone on, make sure it's shut off. There's feedback coming in to the translation booth.

Start over, Mr. Ste-Marie, if you could, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Okay. Thank you.

Mr. Garon, could you talk about the importance of transfers? There has been a lot of talk about the debt. Do you think the debt is an obstacle to transfers to the provinces?

Mr. Jean-Denis Garon: Thank you very much, Mr. Ste-Marie.

As an economist, I must admit that I agree with the diagnosis made by some of my fellow economists here, including Dr. Mintz, which I welcome.

Yes, the debt burden and the deficit are significant, but I have the following reservation. We are in a crisis that is virtually unprecedented. I feel like the house is burning down, and we're looking at the state of the shingles on the roof.

I think it's the transition that's important. It will start with the budgetary steps that will be taken in the coming months to make assistance more targeted and to regain control of the budgetary situation. That's the first thing. The transition will also involve wage subsidies and a more functional employment insurance program.

The second thing is the transfers to the provinces, which I've already mentioned. Recently, I was looking at the major transfers to the provinces. Excluding infrastructure, the per capita amount that the federal government gives to the provincial governments is roughly equal to the amount of the CERB. There was an urgency to act in this crisis, and a lot of money was made available, but the provinces, which are bound by a social contract to their people, have to provide front-line health and education services. They get an average transfer, which includes equalization payments. This means that it's much less for some provinces that don't receive equalization payments. They get less than the CERB per capita. This is an indication that there must be a renewed partnership between the provinces and the federal government to get out of the crisis and make a debt transfer. I think this is important. If the provinces haven't all requested it yet, I believe they will eventually.

We talked about the debt of future generations. We have to be a little pragmatic about that. The well-being of future generations depends on their employability, their productivity and their ability to return to the work world honourably and enthusiastically. There will have to be a massive investment in the training and “re-training” of the workforce.

I watched the first two hours of this parliamentary committee meeting, and this is what the colleges and universities are requesting. Obviously, there has to be coordination with the provinces. I don't think the middle of a crisis is the right time to be counting the debt and asking for very short-term budget rules. In fact, Quebec is in the process of questioning these rules. The middle of a crisis isn't the right time to be thinking about the future of future generations.

Mr. Gabriel Ste-Marie: Thank you.

Quebec had an agreement on skills training. The Government of Quebec manages the training, and the federal government transfers the money. We know that it takes time for the two levels of administration to coordinate. This is the case, for example, with social housing, where the needs are great. The money was announced a few years ago and the agreement has still not been signed.

Are any obstacles likely in this case and could the money announced for Quebec not be released?

Mr. Jean-Denis Garon: I repeat that we must train the workforce and increase the amounts currently on the table. The federal government has a role to play, particularly by improving employment insurance programs. The provinces will have to come to an agreement with Ottawa so that it can be done quickly.

I have a Quebec bias because I study the Quebec situation a lot. Quebec has a specific agreement on workforce training. As you said, Mr. Ste-Marie, this sort of agreement often takes a long time to negotiate. After long negotiations, we come back to square one, with some accountability, without very stringent conditions, and with a fine partnership.

Training the workforce in times of crisis will be an excellent test of how Canadian federalism works.

Mr. Gabriel Ste-Marie: Thank you.

In your presentation, you reminded us of the importance of having incentives to return to work. In terms of social supports, people might be moving towards the end of the CERB. Then they would rely on wage subsidies.

But, as you were saying, the various sectors will not all restart at the same pace; the reality in each industry is not the same.

What should the government do to ensure monitoring and properly meet income support needs, while maintaining an incentive to return to work?

● (1815)

Mr. Jean-Denis Garon: That is a very good question.

First, I want to point out that, at the very beginning of the crisis, I was strongly in favour of wage subsidies. I was in favour of finding a way for the state, the Government of Canada, to become a kind of buyer of last resort for our businesses in a period of crisis when supply and demand collapsed.

Economists, and there are many of us here at this meeting, are currently working in the dark. It is difficult. There are production stoppages in many sectors. Some sectors will be able to reopen. Some will reopen in some provinces, in some regions, and others will not.

To be able to design an effective and fair asymmetrical design of employment insurance, for example, and also of wage subsidy measures, we will have to have the situation clearly mapped out. Very extensive work will have to be done to find out where these production stoppages are and in which sectors. This will allow us to make the right decisions, because all analysts, even the smartest ones in the country right now, are having a hard time identifying those sectors.

I would add that it is important for the government to find out which sectors must be given priority. We see it in the provinces, and we will see it here, in the federal government, if it's not already the case: there are sectors where lobbyists are lining up for help. We are clearly sensitive to that. These are jobs, these are the lives of Canadians.

However, we will have to have a good idea of the sectors that need priority assistance if we want to regain control of the budget situation. It is difficult to get that information at this time. I think the government has a role to play in providing us with the information. I also know that public servants are very busy and that we are asking for a lot.

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

[*English*]

The Chair: Thank you both very much.

We'll turn to the last questioner of the first round, Mr. Julian, and we'll start the second round with Mr. Morantz.

Peter.

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

Thanks to all our witnesses for being here. We certainly hope that you and your families are safe and healthy.

I'd like to direct my questions to Ms. MacEwen.

Ms. MacEwen, you're a breath of fresh air. Some people in Ottawa want to go back to the old normal where 50% of Canadian families struggled, within $200 of insolvency on any given month, the largest level of family debt load in the industrialized world. According to the Parliamentary Budget Officer, $26 billion in tax revenues are going offshore. Very wealthy and very profitable corporations can basically take their money offshore because of an extremely porous tax system.

I have three questions.

Your presentation, I thought, was brilliant. You talked about really putting the emphasis coming through and out of the pandemic on the health of Canadians and income supports. How important is that structure?

For my second question, we've seen a lot of profiteering during this crisis. The banks have $750 billion in liquidity support from the various federal government agencies. As you noted, support hasn't trickled down. I believe that with programs for corporate bailouts, they can apply to oversees tax havens. We see companies like Amazon that don't respect the health and safety of their employees getting contracts from this federal government. How important is it that we crack down on this type of profiteering?

Third, what do you think the public appetite is for these changes? We've seen record levels of support for wealth tax, for child care. In the same way that after the Second World War, Canadians finally said, "Enough is enough. We're going to start investing in people", to what extent do you think Canadians now are also ready for investments finally going to people for a change rather than to Bay Street?

The Chair: Ms. MacEwen.

Ms. Angella MacEwen: Thank you very much. That's a great question. I appreciate that.

I'm really grateful to be presenting with Armine, because I agree completely.

The first thing we have to focus on is health. If we're not healthy, and if we can't be healthy at work, we know that we spread this to others in our community. Our health is incredibly linked to each other. Income supports allow people to stay home when they're sick. That was why we introduced the CERB. It was to allow people to be able to afford to follow public health advice and stay home to limit the spread of the virus. That was largely quite successful. The second thing we need to do is to get the situation in long-term care homes under control and to improve the staffing ratios and protocols in place there.

In terms of profiteering, this is what I was talking about. Regular Canadians, the members that CUPE has, make less than $50,000 a year on average. You can talk to a construction worker or to a health care worker about what they see the government doing with all of these announcements around liquidity and supporting the banks, and they very clearly feel that they're being left behind. They're struggling to make ends meet. They're struggling to pay for their food and mortgage. They can't find child care. They see banks providing record profits. They see executives getting public bailouts at the same time that they're getting huge bonuses. That sense of unfairness really resonates with people.

In order for people to feel that they matter, we need to put them first. We need to actually make sure that we're helping people pay their mortgages instead of letting them go bankrupt and lose their houses. It's not good enough to get the money to the banks. We actually have to get the money into people's hands. The same is true for small businesses and for vulnerable communities. We don't want our favourite restaurants to close because they weren't able to pay their rent while they had to shut down to keep us safe.

I definitely think that the impact of the pandemic has not been equally shared. About 25% of people are office workers and can work from home, and they're saving money because they're not spending any money, whereas regular people are going back to low-wage jobs. They feel that while the banks are getting bailed out, they're getting sold out again, just like what happened in 2008.

● (1820)

The Chair: Peter, you have a little over a minute left.

Mr. Peter Julian: I'll just come back to the issue of public support for things like a wealth tax. At the same time, I'll take the opportunity to ask Ms. Yalnizyan a question around the “secret sauce” of child care and what those benefits would be in terms of the positive economic fallout.

I'll go to Ms. MacEwen first, and then to Ms. Yalnizyan.

Ms. Angella MacEwen: EKOS has done polling. Three-quarters of Canadians support a fundamental transformation of the economy because it wasn't working for them. They knew that. We suddenly have this moment where we see that a government can actually make a difference in people's lives. People have some hope that we will have some change in that relationship and that we can actually have government make a difference in our lives and we can do some things differently.

In terms of the wealth tax, the Broadbent Institute did commission some polling. Three-quarters of Canadians support a wealth tax. Two-thirds of Canadians support deficits indefinitely and spending as much as we need to to get through this crisis. It's definitely broadly popular to do that as well.

The Chair: Ms. Yalnizyan, quickly, please.

Ms. Armine Yalnizyan: I'm going to pass. I'm happy to answer Mr. Julian privately, because I don't think most people much care what's happening to child care, based on the conversation.

My views are out there. You have seen them. Also, plenty of you can see them in the report I did to HUMA. I'm just going to let things move along if you don't mind, Mr. Julian, and I will get in touch with you personally.

The Chair: Yes. Well, you did say that child care was the secret sauce of recovery. I remember that you and I—

Ms. Armine Yalnizyan: It is.

The Chair: —worked together on child care in 1988 and—

Ms. Armine Yalnizyan: Sweetheart, we've been talking about it since 1970. We're coming up on the 50th anniversary of the Royal Commission on the Status of Women report. We've been talking about it for 50 years now, or at least women have been—not so much governments—but we keep trying.

The Chair: We had it in 2006, but something happened. Do you remember that, Peter?

We'll go to Mr. Morantz and then to Ms. Dzerowicz.

Mr. Marty Morantz: Thank you.

Dr. Mintz, that was a very good presentation. I want to touch on something you mentioned and discussed in your article in the Financial Post today, which was about the necessity for statutory fiscal rules. Here in Manitoba we've had balanced budget legislation for the better part of 25 years. The NDP repealed it for a while, but now it's back. Economic growth here has been strong. The GDP in Manitoba has more than doubled over that period of time.

Right now it seems as though there are no rules—none—and we're facing a $1-trillion deficit. I want to talk to you about interest as well, but first I'm wondering if you could expand on the types of fiscal rules you think the Government of Canada should be looking at in a post-COVID economy.

● (1825)

Dr. Jack Mintz: I think it has to be understood that what I'm raising today is sort of the next issue once we start getting back into recovery. [*Technical difficulty—Editor*] anticipate at some point the Minister of Finance is going to have to present a budget, and it's going to be very important, I think, to change the expectations. Right now there's so much money being poured out it can't continue at the pace it's going. We're already starting to move back to 1995. We're already at 2001 in terms of our official net debt. We've gone back now almost 20 years in terms of our debt load. I suspect that we will have a high deficit next year again—not anything like we're seeing right now, but this will be an issue where the government will have to start changing expectations. Let's be honest; no politician has $2.2 trillion sitting in their pocket to substitute for the whole economy.

In terms of your question, if you look around the world, statutory fiscal rules are actually fairly commonplace. In fact, the study I mentioned, the one that German economists have recently done, is quite fascinating. It's based on three datasets, with a lot of different work done. They show that actually it does contribute to more growth. The question at the federal level is this: What fiscal rule will the federal government even consider? In the past, it was not to let the debt-to-GDP ratio go up. That actually didn't happen, even before this COVID thing. There was some boost in the debt-to-GDP ratio in the past few years, but it didn't go up a lot. It didn't go up dramatically. It has gone up dramatically now, and it will go up dramatically again next year unless we control what's happening. That creates a lack of confidence by the market in the economy, and you end up getting credit spreads as a result.

To give you an example, look at provincial bond credit spreads today over the government bond rate. Alberta, despite having the lowest debt per capita amongst all the provinces, now has the second-highest provincial bond rate, below only Newfoundland and Labrador. The reason for this is that the market is saying that Alberta's fiscal situation is a problem, and the province has to show a plan that it's going to be able to get its fiscal picture under control. That interest cost is an additional cost to the government when we really want to get people back to work and use the money to get people back to work.

Mr. Marty Morantz: To your point on interest rates, we had the former governor of the Bank Canada and the PBO, Mr. Giroux, here, and both of them said the same thing you did, that interest rates will inevitably go up. I kind of have a feeling that people have their head in the sand about this. I remember very well the 1980s and the 1990s, and Paul Martin's budget when interest rates were 7%. That was a reaction. It certainly would be better to have some rules so that we could plan ahead as opposed to cutting transfer payments the way Mr. Martin did.

That said, just to put some math to this idea of interest rates going up, right now the bank rate is about 0.25%. I noticed, by the way, when I was looking at your article in the Financial Post, that there was also an article about “stagflation”, that word from the 1980s. That's a possibility as well.

If interest rates go up 1% on $1 trillion, based on the short-term rollover you mentioned earlier, how long do you think it would take for the carrying costs of the debt to rise, say, 1% or 2% in interest rates? How long would it take for that to be reflected in government expenditures?

Dr. Jack Mintz: I did a calculation, but I can't remember the details of it. I think the best thing would be for me to send it. Should I send a note to the clerk with that calculation?

Mr. Marty Morantz: Yes, that would be great.

Dr. Jack Mintz: I would use the government bond rate of 10 years. It's at around 0.6% right now, or roughly around that point. It would be going up to 1.6%. The average term structure is, as I said, 5.6%. Actually, Canada has a lot of short-term public debt, so one has to look at that a little more carefully. Obviously, one point would make a significant difference, and it would show up relatively quickly because we turn over our debt so quickly.

● (1830)

Mr. Marty Morantz: Mr. Chair, do I have time for one quick one for Dr. Cross?

The Chair: You have time for a very quick one. I'm lenient.

Mr. Marty Morantz: I'll make it very quick.

Dr. Cross, you just wrote about the advocacy of some people for the CERB to become a universal income. Could you give us your opinion on that?

Mr. Philip Cross: I think it's entirely.... We're going to learn a lot from the CERB program about how Canadians interact with a government program of such generosity. I think we should wait and see how that affects behaviour, how that affects participation rates and how many people took advantage of it, frankly. After we collect that data, we'll be in a lot better position to evaluate it.

The Chair: Okay. Thank you, all.

We're turning to Ms. Dzerowicz, who will be followed by Mr. Cumming.

Julie.

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

I want to thank everyone for their presentations. I wish we had more time on this. I think it's important for us to hear all the opinions.

My first question is for Ms. Yalnizyan, if she's available, and then Mr. Kronick after that.

Armine, it's nice to see you. It's been a while. The question I have follows from where my colleague just left off.

I support our looking very seriously at some sort of a universal basic income. What I'd love for you to talk to me about is whether you see it as a way to better address income inequality moving forward. I ask because you've been around; you've been on a lot of shows, and I've been hearing that you are a supporter of it. What would you see as being the next steps to get us from where we are right now to where we need to go?

That's with the understanding that there's provincial jurisdiction involved and that we'd probably be looking to replace a number of federal and provincial programs with some sort of an annual basic income. If you could address that, that would be great.

Ms. Armine Yalnizyan: Thank you for the opportunity.

I actually am not in favour of a basic income. I don't think CERB should have been the template. A lot of people think CERB was the portal through which we got a cheque for $2,000, or some amount of money, cut to everybody. They saw it as a portal to basic income. I don't think you could have a more misguided approach to what CERB was about.

CERB was about disincentivizing people from going to work so they could stay at home and contain the contagion. That was why people were given money. In a recovery, you don't want a system where you're throwing money at people universally. You're trying to get them back to work, particularly in the era of population aging.

This might take us six months, 18 months or it might take us 24 months to get through this health crisis. We are in a health crisis still. Once we get to the other side of it, we don't know how much of the ecosystem of business will have been destroyed, will have been blitzkrieged, by COVID because it could not withstand the lower volume of business. We don't know how much of the economy will be left standing.

The last thing in the world we want to do is encourage people to stay at home. We need people to contribute, because even a basic income requires people working and paying taxes so they can redistribute income.

This is why I believe in investments, and significant investments, in child care, not as in warehousing children so mommy can go back to work, but child care that permits the maximizing of the potential of preschoolers so that everybody enters school learning ready, and that supports learning throughout the course of school-age children's lives so that everybody can graduate and have the best opportunities to develop their skills and get a job. This is much more important to me than a basic income.

I'm sorry that you have misunderstood all of those shows that I've been on talking about basic income, because I really am not a supporter. I've been super clear about that all the way along.

Ms. Julie Dzerowicz: That's fair. I just want everyone to be clear. I wasn't proposing that we actually extend the CERB, necessarily.

I think that, because the world of work has changed, because of the number of people in the gig economy, because we have short-term contracts, because a lot of the Canadian population doesn't have access to benefits, because we're a transitioning economy, many people feel that some sort of an annual basic income might be one of the solutions for us to address income inequality moving forward. It was one of the ideas proposed.

I don't want anybody to believe that I was proposing that we should be extending the CERB.

Thanks for that, Armine.

My next question is for Mr. Kronick. We'll try to get you into this discussion.

As you know, in our last platform, we talked a lot about creating a sustainable economy, and we've made a huge promise around net zero by 2050.

I wonder if you might have any thoughts about how we can use this crisis to somehow pivot or move us into a more sustainable economy where we could meet not only our net zero by 2050 target, but our Paris Agreement targets. Would you have any thoughts on that?

● (1835)

Mr. Jeremy Kronick: I'll admit that that's not the direction I thought you were going to go with the question.

The government's made it very clear that net zero is going to define its thinking, and it's something that it wants to achieve. I understand the arguments about not wanting government to put conditions on how it extends government support through this crisis and then through the recovery, and that's fair.

My belief is that the private sector and the financial institutions are typically better at allocating capital than governments are, but if that is going to be one of the overarching principles that this government is going to be using, we have to think about how to unlock savings in the economy. It's been mentioned that there are a lot of people who have stayed home and have saved a lot during this—and it's true; they have—but how we unleash and unlock those savings during the recovery is going to be a critical part to the success of economic growth.

If we do need to think about that within the context of net zero, then those are the rules that we're playing by. I think we need to think about some of those things.

I'm not an expert in sustainable development, but we've talked a lot—or I have—about some of the ways in which capital has probably been stuck with some of our big institutional investors instead of invested in the Canadian economy. For example, when you have an unrated potential investment, life insurers have to put a flat capital charge on their balance sheets, and what that does is it disincentivizes low-risk investments in the economy. That doesn't apply to banks. Banks do have the ability to use their own models on unrated investments; life insurers don't. You have all this capital that's sitting there, and it's not being spent.

I think that we need to think creatively about how to unleash that capital or those savings for investment, and if it's within that net zero framework, then we need to think about it that way.

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

Thank you, folks.

We are turning to Mr. Cumming, followed by Mr. Fragiskatos.

James, you have five minutes.

Mr. James Cumming: I'll start with Mr. Mintz and Mr. Cross for the first couple of questions I have.

We'll have one trillion dollars' worth of debt. It might even be $1.2 trillion—who knows?—by the time we're done with this. It strikes me that one of the things we need to start talking about is how we are going to.... We need significant growth if we're going to have any chance of starting to repatriate some of that debt.

It strikes me that two things have to happen. The preferred is private sector investment, getting companies to invest in Canada and invest in projects in Canada. Could you comment on what has to change, or what you see as fiscal levers that we could have to encourage that kind of investment?

The second piece is that we hear from witness after witness about shovel-ready projects for public funding. If we're going to consider more debt and more public funding toward any kind of project, should we not have some sort of filter that should focus on those projects that will improve productivity and maybe actually create some revenue, rather than create a drag on the other levels of government supporting their operations?

Could you comment on those two different things?

Mr. Philip Cross: I'll start, because I'm sure Jack will.... I'll give a very quick answer and Jack will give the right answer.

I certainly agree with the growth. That's something I emphasized came after World World II. The lesson there was that by far the easiest way to deal with these problems is always economic growth. We should focus on that. We spent a lot time in the last decade arguing about inequality and income distribution. We ignored income creation. I think, more than ever, we need to get back to that.

The other thing I'll mention is, as I said, a lot of studies have shown that in reducing the deficit spending, cuts are preferred to tax hikes, especially because of the stimulative effect it gives to business investment.

● (1840)

Dr. Jack Mintz: First of all I think what people want is to get back to work, and they want to see growth. The only way you're going to get people back to work is to start making sure that governments can get out of the way of that growth and not make it harder to achieve. In other words, there are going to be some very damaged sectors. We're going to have to see people move and some people take on new jobs or careers. Governments need to support all of those things.

Armine, you'll be very pleased to know that I totally support you. I might have questions about how you do it, but I totally support that child care is one of the things that help to get people back to work.

There are really two sets of issues. One is on the labour side and how we get people back to work. I am much more interested in wage subsidies than in the guaranteed annual income. I think that's a much better way of trying to get people back to work, and especially reducing the very high marginal tax rates when people start earning income that could be as high as 70% or 80% depending on circumstances.

I think private investment is going to be very critical to getting back on stream. It's been disappointing since 2014 in Canada. Outside of residential private investment, our private investment in all the sectors, not just oil and gas but other sectors, has been below par since 2014. Our productivity has been almost flat since 2014.

We need growth. We need to have policies that are going to encourage it.

On infrastructure, I think we should not just focus on shovel-ready, but we should also focus on growth-enhancing infrastructure and longer-term infrastructure. In fact, there is money to be spent on infrastructure right now, which the federal government has. They should hurry up some of the things they're doing, which is getting some of the projects going, even if they take longer. The trouble with infrastructure is that it's not a very good way of trying to deal with short-term demand issues; it's much more important in terms of longer-term issues.

I also want to remind people that private infrastructure is extremely important. If you look at broadband and the telecommunications industry, etc., that's where we really should be looking at developing our private infrastructure even more. I can tell you right now that there's huge interest in rural areas to have much better broadband. A lot of municipalities need support in that area. There is a government funding issue there.

However, a bigger issue is regulation. With regard to the spectrum issues right now, the federal government has been extremely slow in getting spectrum going in this country. It's been terribly slow. We are way behind on 5G, and we need the technology. When you look at Australia and other countries like that, they're way ahead of us right now. I think that needs to be a very important focus on the infrastructure side.

The Chair: Okay, we're substantially over time.

Thanks. That's a lot of information there, folks.

Peter Fragiskatos, and then we'll go to some single questions.

Peter.

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

In an effort to find some consensus, I'll go back to Mr. Mintz.

Mr. Mintz, it's nice to see you again.

Could you revisit your comment that you made about child care? Is it the case that you see it as a positive tool for generating economic growth?

Dr. Jack Mintz: The answer is basically yes. I guess the question is, how do you make sure it's provided?

Right now, I would just like to get kids back into school and get our current child care back on its feet, because the pandemic has closed down so many facilities. I do think that we just need to get things going right now and deal with these health issues so that we can get things back on their feet. I think there are some very severe issues that are involved right now for kids. I have a daughter who is a social worker. She deals with kids like this and with families. There are huge stresses out there right now.

Now, in terms of in the longer run, though, we've seen that essential workers need child care support right now, but I think that we do need to have child care as a way of supporting people in getting back to work. Of course, the question is, how do you provide it? My view is that I don't see a problem with private child care and I don't see a problem with public child care. I think sometimes we let our biases about public and private get in our way.

My view is that governments should think about a holistic approach, because one of the big issues, of course, is that child care workers are not very well paid. Maybe we need to start thinking a bit more about what sorts of things we can do to build a better child care system within each province. Of course, the question is, what is the federal role in all that? I think we need to understand that, because the provinces have a huge role themselves.

● (1845)

Mr. Peter Fragiskatos: It's an important conversation to have and one that I expect we will be having in the months and years ahead.

I'll go to Mr. Kronick.

Mr. Kronick, that was a great presentation. I wanted to ask you about something specific. It comes out of a recent C.D. Howe report. The report says, “Placing the economy in a partial coma made sense during the first wave of the pandemic, but if there is a second wave, a second economy wide shutdown should be avoided in favor of more targeted approaches”.

Now, obviously, many of these decisions around the economy, if not most, and around what is allowed to function and what is not allowed to function are in provincial hands, as we all know, but could you go into that a little more? I'm asking from an MP's perspective. I think parliamentarians need to be thinking about these things, too, because we are representatives in our communities, and we're hearing from a lot of businesses, in particular, and from workers who are impacted. What does it mean to call for a more targeted approach? What does the C.D. Howe Institute mean by that?

Mr. Jeremy Kronick: This was part of our monetary and financial measures working group that we put together. The comment there was less about the epidemiological perspective, as Ian mentioned earlier, and demographics and how vulnerable people should be self-isolating, and more about thinking about it from the perspective of what we can afford and cannot afford.

It comes back to a lot of the questions we've had around debt here, but also, I think part of why governments have talked about a staged approach is so that you can move between stages. If you get to stage three and you start to see that cases are picking up and there is some increased vulnerability to your populations, then you can move back, potentially, to stage two. Hopefully, we'd be in a situation where we have a testing and tracing program in place so that we don't have to shut down everything.

Part of why we had to shut everything down were the unknowns about the disease, but also, we had very little ability for the type of testing and tracing that would be needed—we still don't have sufficient ability, at least in Ontario and Quebec—and then isolating in order to not have to shut the economy down.

It was a little bit of everything in there: a bit on the debt side of things, a bit about the testing and tracing and a bit about the staged approach.

The Chair: Thank you.

We'll go with four single questions, starting with Mr. Ste-Marie and then going on to Mr. Julian, Mr. Cooper and Ms. Koutrakis.

Gabriel.

[*Translation*]

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

Mr. Garon, as we know, prior to COVID-19, Canada did not particularly stand out in terms of research and development spending, both in the public and private sectors.

Why is it important to invest in research and development now, in connection with COVID-19 and the future?

● (1850)

Mr. Jean-Denis Garon: The thinking is along the same lines as with workforce training. It is very important to reinvest in our productivity. We were not bringing up the rear, but among the G20 countries, we were not among the leaders in terms of investment in research and development. You're right in saying so.

If the Government of Canada spends some time thinking about the sectors, it will also have to think about our dependence on what we call our heritage sectors. For a long time, we did a lot of research and development in the oil sector in western Canada, and we have experienced a double crisis: the oil crisis in the west and then the COVID-19 crisis.

We will have to think about whether we still want to focus on that industry. Is short-term growth through the oil industry really thinking about future generations? Asking the question is part of the answer.

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you, both.

We'll go to Peter Julian.

Mr. Peter Julian: Thanks, Mr. Chair.

Ms. Yalnizyan, if you'd like to give any more information on the benefits of public spending, around social and physical infrastructure, I can assure you that the public certainly wants to hear these kinds of ideas and these kinds of investments. If you'd prefer not to, I'll ask Ms. MacEwan if she has any rebuttals to some of the statements that have been made around the federal debt during this meeting.

Ms. Armine Yalnizyan: As I put in my HUMA report, which you can have in hand, it's like leaving money on the table to not invest in child care. Whereas I'm thrilled that Dr. Mintz agrees with me on this, and whereas it's absolutely true that Quebec has shown that it pays for itself, Pierre Fortin's work on subsidized child care shows that for every $100 in subsidies for child care, the Quebec government in 2008 received $104 in additional revenues and the federal government received $43 as a pure windfall. They didn't put a thin dime into the program.

When you take a look at highly learning-enriched early learning for at-risk children in the United States, four different programs show that for targeted programs, the return is from $4 to $8.75 on every single dollar invested in these programs. It's just not widely done. The market doesn't do it. Public services do it. I don't think leaving it in the market's hands and being agnostic as to whether the market can provide it or not is appropriate. All the evidence shows that for us to get the biggest bang for the dollar, we need to incorporate child care, and not just child care as warehousing, but early learning and supporting of children who are at risk of dropping out. We need to incorporate that into the educational system. It needs to be publicly accessible and it needs to be learning enriched before they hit school age for it to work its magic. That's what makes it the secret sauce.

In the other presentation I made, there is remarkable evidence on the returns on investment for pathways to education, a program that Stephen Harper expanded, I believe. It's still a pilot project. It hasn't expanded. It's not normalized. We are leaving money on the table by not investing in these programs that have returns to the individual, households, governments and society. If you want to maximize potential and maximize the future, this is the way of doing it.

The Chair: We will end it there.

Ms. MacEwan, please hold your remarks until near the end. There might be time then. We'll take the next two questions.

Mr. Cooper.

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

Dr. Cross, you recently undertook an analysis on the economic cost of the Chinese communist regime's misinformation and mishandling of COVID-19. The evidence is clear that for weeks the regime falsified and downplayed risks associated with human-to-human transmission in direct contravention of their obligations under the WHO's international health regulations.

We know that the Chinese communist regime vigorously opposed early travel restrictions from Taiwan, Australia and the United States, and encouraged millions to leave Hubei province. As a result of the Chinese communist regime's duplicity—a regime that by the way the Prime Minister has a deep affinity for—COVID-19 was transformed from a regional health issue into a global pandemic.

Based on your analysis, what is the economic cost to Canada as a result of the Chinese communist regime's COVID cover-up?

● (1855)

Mr. Philip Cross: I think I calculated the drop in GDP, using the PBO's estimate, in current dollars. We're looking at a loss of something like 16%, which is a little over $400 billion.

I also calculated that the loss to the national balance sheet in wealth is in the order of a couple of trillion dollars. I also noted that we can't even put a price on a lot of these things. There's going to be a reduction of long-term productivity, and there's going to be a cost of increased bankruptcies. We haven't even begun to calculate that, so I put an estimate out there in the order of a little over a couple of trillion dollars, but when the dust settles from all of this, it could very well be much more.

The Chair: Thank you.

Ms. Koutrakis.

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

My question is to Dr. Cross, but anyone who feels comfortable can chime in.

Some of my honourable colleagues seem to be advocating for austerity in response to this government's unprecedented emergency support spending. However, following the global financial crisis, countries that took extreme steps to cut costs not only experienced slower rates of economic growth but also saw poorer health outcomes for their citizens.

Given the fact that we will be emerging from a public health crisis, one which many economists have suggested must be addressed through higher rates of economic growth, why does it make sense to be advocating for government cost-cutting and austerity measures that have historically resulted in such negative outcomes?

Mr. Philip Cross: I can give a brief start. I don't know if Ian wants to jump in here at some point.

I don't think it's obvious to me that countries that advocated austerity did worse. I know Germany and Canada, for example, had the smallest increases in deficits on the order of 5% during the crisis compared to 10% in Britain and the U.S. Germany and Canada also advocated at a G7 meeting that we should be moving toward austerity first, and I think, overall, Germany and Canada did pretty well compared to certainly the United States and even Britain, although obviously they had a banking crisis and we didn't, so it's apples and oranges.

I think it's a bit simplistic to say that countries that undertook austerity during and after the crisis didn't fare as well.

The Chair: Ian, do you want in? You haven't been in yet, so we'll let you go.

Dr. Ian Lee: I'll be very quick.

I published, in How Ottawa Spends, I think the definitive account of the Liberal government's downsizing, 1995-98 with—full disclosure—the help of two anonymous, very wonderful public servants who fed me extraordinary amounts of data.

To answer the question, I did look at what the impact was, because I've lived in Ottawa all my life, and one of the beliefs at the time was that this was going to turn Ottawa into—if I can use Mick Jagger's current phrase—a ghost town, and it was going to devastate the city of Ottawa. In fact, if you look at the GDP data that Philip Cross just alluded to for the local economy and then you look at the national economy, Canada prospered mightily after the largest downsizing in Canadian history. We had very strong growth all though the latter half of the 1990s after the largest downsizing austerity program in our history.

I don't think that the evidence supports what you said. There's also an OECD study, and I can't remember the name or the date of it off the top of my head, but I've read it. It made an analysis of different downsizings over time. It understandably came to a mixed conclusion, saying in some instances it led to more growth and in some instances it didn't, but I don't think we can say that across the board a downsizing program will lead to diminished growth.

Dr. Jack Mintz: I'd just like to strongly recommend that you read Alberto Alesina's book, *Austerity*, that came out in 2019. He just passed away, unfortunately, last week. It is a wonderful study—200 cases that he looked at among OECD countries with his colleagues—and what you said is actually incorrect.

● (1900)

The Chair: Thank you for that.

I have one question. It relates to what you said earlier, Jack, and it's two key points. One is investment and the other is productivity. If there are answers to those two areas, we have to find them, moving ahead. On the investment side, I think both Conservative and Liberal governments have tried many ways to attract investment into the country, reducing corporate tax rates and so on, yet companies still sat on their cash, never put in new technology and never increased wages much so the capital investment still never happened.

On the productivity side, I remember doing a study way back in 1998 that was called Dignity at Work. We found at that time that if you went to a four-day work week, you would probably increase productivity and people wouldn't be taking off to do other things. I know there are no easy answers, but does has anybody have any suggestions on the key questions of increasing investment in this country, which we're going to have to have, and increasing productivity, because it is terrible?

Go ahead, Ian.

Dr. Ian Lee: That's Professor Mintz's domain. He has published more peer-reviewed...I'm sorry, I read my literature. I read deeply because I'm a professor so I have the time. He has published on that subject more than any other Canadian, period.

The Chair: Okay, what's the simple answer, Jack?

Dr. Jack Mintz: As you said, there is no simple answer. I don't quite agree with some of the things you just said, Mr. Chair, about the investment part and the productivity record. If you go back to the period of 1989 to 1999, we had a terrible record of productivity, absolutely horrible. We were one of the lowest in the OECD. It did improve after 2000, so I would argue that the number of things we've done, including corporate tax reform...that wasn't just reducing rates, it was also doing other things. One's very helpful in attracting investment. Our investment rates and our productivity improved. It improved also for other reasons. I won't say it was just the corporate tax, but studies have shown that the corporate tax helped. There's no question about that.

The only question that I have, which has been a constant issue that has plagued everybody, is why Canada can't seem to get its productivity rate much better than, let's say, 1.5% per year. It was 1.5% through some of the post-2010s for a certain period, but it has been really laggy. People keep looking for answers, and so one view is that maybe we need moon shots.

Now we've got the Canada Infrastructure Bank, and we have superclusters. I will guarantee you, and I may not be living then, but in 15 years we will still be talking about 1% productivity rates because we still haven't got to the fundamental problem of why we can't improve our productivity. I think we're thinking too much about looking at certain little things to improve our productivity when there's something much bigger. I think some of it is simply not enough competitive pressure on our businesses to be more innovative. That's because we've done a great job protecting many businesses from competition. That's one hypothesis I have.

I may be totally wrong but I have a bit of a view of these issues from the past, and I see a lot of protected sectors in our economy.

The Chair: Go ahead, Ms. MacEwen.

Ms. Angella MacEwen: I think this ties back to what Armine was talking about earlier. Child care is going to improve productivity. If people have affordable, quality child care in place and their kids are well cared for, that improves productivity. If we have affordable public transit and active transit in livable cities, that improves productivity. It's easier for people to get to work. I agree, I think it's amazing that you were suggesting a four-day work week. People who have experimented with that find that, especially for office workers, you tend to make the work fit into the week. If you condense the week to four days, you get just as much done.

I think inequality is a drag. When they talked about the cuts to social services from the 1990s, we saw that impact on inequality in the 2000s. When people are stuck in low-wage jobs or on social assistance, they cannot contribute to society or increase their economic potential, for lack of a better word, or social potential. Those are the big things holding us back, and if we don't address those issues, we're not going to have a productive economy going forward.

● (1905)

The Chair: We have certainly had suggestions right across the full spectrum on this panel today, which is a good thing because sometimes disagreements really make you think.

I do want to thank each and every one of you for your presentations and the committee members for their endurance as well.

Committee members, we will see you on Tuesday, and we'll do this all over again.

Thank you very much to the witnesses for their presentations, their time and their advice.

The meeting is adjourned.