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● (1500)

[*English*]

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

Welcome to the first panel of meeting number 38 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference from the House, we are meeting on the government's response to the COVID-19 pandemic.

Today's meeting is taking place by video conference, and the proceedings will be made available via the House of Commons website.

With that, I would like to welcome all our witnesses. We have with us a number of bank economists and others today. We really appreciate your appearance. We have had some interesting discussions over the last five or six weeks on the COVID-19 pandemic and the challenges that are ahead.

I would ask people to keep their remarks to about five minutes, if they could. It will allow more time for questions.

We will start with Scotiabank and Jean-François Perrault, chief economist.

Mr. Perrault, the floor is yours. Welcome.

Mr. Jean-François Perrault (Chief Economist, Scotiabank): Thanks very much for organizing this and giving us a chance to speak.

I suspect you're going to hear a lot of overlap between what I say and the others, so I'll try to keep it brief in the hope that I won't steal too many people's thunder.

As I think you all know, we are dealing with an economic contraction of historic proportions. There is no other way to characterize it. COVID is leading to essentially as close as we're ever going to get in economic terms to a sudden stop in economic activity. The government—you guys—has basically switched the off-switch on a range of sectors and that obviously comes at a significant economic cost.

The good thing is that, despite the very significant contraction that we're seeing, the containment efforts—the harm that's been caused—seem to have been working in the sense that the virus is beginning to be under control. We've flattened the curve. That is allowing provinces, and it's allowing other countries as well, to start reopening their economies.

As we think about the year, for instance, it's very important to think about it in two halves: the first part of the year as a tremendously damaging economic scenario, and the second part of the year, obviously, as a very significant rebound as we reopen. We're seeing evidence that the reopening is coming with very significant rates of acceleration in certain sectors. We're seeing that in auto sales. We're seeing that in the housing market. In the U.S., we're seeing that in the retail sales activity reports, which came out. We've seen that in the labour market.

These are all indications that the economy is on the path to normalizing as we reopen, but it shouldn't be read or interpreted as the economy going back to where it was. The reality is that when you go from very, very low rates of economic activity to something that's a little bit higher, you're going to get a very strong growth rate, but it still means you're very far away from where you were.

As we think about it, for instance, in our forecast, we have a pretty significant decline in growth this year, about minus 7%. We think it's going to take about a couple of years to go back to where we were at the end of 2019. The depth of the hole that we are currently in takes a long time to unwind, even with very strong growth rates. That's under the assumption that the virus remains under control, there is no second wave, there is no reactivation, there are no further shutdowns and there is no additional shock that hits us. This is, in a sense, the best-case scenario.

One can debate how quickly we rebound—and others have different views on that—but that's generally how we see things.

It's important to keep that in mind because there is a very significant distinction between growth rates and levels, and in this context, that really matters. If you go back to a normal recession, a normal historical economic shock where you'd lose 2% or 3% of economic activity, those used to be big, big shocks. Now we're talking about a scenario where you lose 7% or 8% and it takes you a long time. This time next year you're still down 2% or 3% relative to where you used to be, so it's just this tremendously powerful economic drag.

Of course there has been a tremendous number of policy responses on the federal side and the provincial side. Generally I think they've been managed reasonably well. It was clearly an environment where nobody was going to let perfection be the enemy of the good, and I congratulate governments for doing that. Of course, things could have been done better, but you know that after the fact to some extent.

The result is a very significant increase in deficits—an unbelievable increase in deficits—which we think is largely warranted and we're not particularly worried about because we're starting from a reasonably good fiscal perspective.

That doesn't mean to say it is going to remain the case. If the virus comes back in the fall and we have to throw some more money at it, then at some point you start to really worry about the fiscal dynamics, but at present I think the starting point was good, we acted in roughly the right dimension and we're on a track for sustained recovery if the virus remains reasonably well contained.

Thank you.

● (1505)

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

We'll move to the Dominion Lending Centres with Ms. Cooper, chief economist.

The floor is yours.

Dr. Sherry Cooper (Chief Economist, Dominion Lending Centres): Thank you, Mr. Chairman, and thank you, members of the committee, for this opportunity to meet with you this afternoon.

None of us has any experience in dealing with a medical emergency that has become an economic crisis, and none of us knows how long this will last, or how the endgame will play out. I think we all agree that this is a dilemma like no other, freighted with profound uncertainty.

Economic theory and econometric modelling do not provide a specific road map. Unlike previous postwar recessions, today's is not an endogenous shock triggered by huge imbalances.

To be sure, medical considerations should outweigh economic ones. The job of policy-makers is to mitigate the financial burdens caused by doing the right things on the medical side, which I applaud the authorities for doing.

How do we navigate the coming months? In my opinion, this is a question to be answered first by the medical experts. To assess the next steps from an economic policy perspective, the government needs to explain its view on the likelihood of a vaccine and antivirals over a six-month, one-year and three-year time frame.

A sober assessment of the outlook for Canadian growth suggests that while the second quarter might be the bottom of the cycle, the economy will only crawl back to full employment. Those hardest hit will be those who can least afford unemployment, exacerbating already unequal income distribution. Small businesses, which account for more than 40% of the private sector jobs, are by now hard hit and in many cases might have already received a death blow. Undeniably, some of these lost jobs are gone for good.

The hope is that the waves of stimulus doled out by the government and the Bank of Canada will eventually bolster the economy and spark a revival in hiring. The risk, though, is that the pandemic is inflicting a reallocation shock, in which some firms and even entire sectors suffer lasting damage. Lost jobs in these sectors don't come back and unemployment remains elevated. Traditional fiscal stimulus and traditional monetary policy do not address this kind of shock.

An estimated 30%, in my view, of the jobs lost from February to May could be the result of this permanent reallocation shock. The labour market will initially recovery swiftly, as we saw in the May data, but then level off with still too many people unemployed.

Workers in the hospitality industry, accommodation and food, are among the most at risk alongside inessential retail, leisure, travel and education. Most of these people, or many, cannot work from home.

In many cases, the pandemic has increased the challenge of bricks and mortar companies facing off against e-commerce platforms, such as Amazon, accelerating a pre-crisis trend in which Canadian companies have woefully underperformed.

The unique shock of the virus means that governments may need to do more to support businesses and protect workers than they would in a typical recession. This puts the government under pressure to craft policies that help viable cash-strapped firms to survive, and displaced workers to navigate to different jobs, but which, ideally, do not prop up companies that are no longer sustainable.

● (1510)

We have already seen evidence which shows that high COVID unemployment benefits can encourage layoffs, discourage work and delay productive reallocation. We need to know the proportion of Canada's job losses that come from lockdown and weak demand. Those will diminish quickly in response to stimulus and reopening. The part generated by high unemployment benefits encouraging workers to stay home requires a gradual reduction in income support. The most intractable group of unemployed suffers the permanent fallout from the reallocation shock. For them, the government should provide the training that gets workers ready for the next phase of the technology revolution.

The pandemic has accelerated structural shifts that will remain. The efficient response to these shifts requires, among other things, widespread enhanced broadband and computer access for all households—and that's children and adults—reduced government land use restrictions and occupational licensing restraints, and the removal of regulatory barriers to business formation and interprovincial trade restrictions.

These fault lines were there before the virus, but they are now exposed and need a new social contract between government and its citizens.

Thank you.

● (1515)

The Chair: Thank you very much, Ms. Cooper.

We'll now go to the Desjardins Group, with Mathieu D'Anjou, director and deputy chief economist.

Go ahead, Mr. D'Anjou.

[*Translation*]

Mr. Mathieu D'Anjou (Director and Deputy Chief Economist, Desjardins Group): Good afternoon. Thank you for inviting me to appear before you today.

It's clear that the COVID-19 pandemic is having dramatic human consequences around the world and is posing many major challenges for our society. We have already raised some of them. It's a health crisis, first and foremost, but the economic consequences are as dramatic. That's what I'm going to focus on today in order to give you some perspective.

To begin with, I'd like to remind honourable members that Desjardins is the largest co-operative financial group in Canada and that it offers a comprehensive approach to its seven million members and clients, including over 360,000 businesses. Desjardins's strengths in responding to the challenges of the crisis revolve around a democratic proximity governance aligned with the interests of individuals and business people. This allows us to maintain close relationships with our members and clients, especially in Quebec and Ontario, the regions most affected by COVID-19.

A good part of my job at Desjardins involves making economic and financial forecasts. I won't hide the fact that it's particularly difficult at this time, when we're going through a crisis for which it's very difficult to find a historical precedent. It's sometimes compared to the Spanish flu, but it's not a perfect comparison, and that took place about 100 years ago, which is quite a long time ago.

What we're experiencing now is more like a recession in war times or during a natural disaster than a classic recession. Prior to COVID-19, the economic outlook was quite favourable and there was no sign of an impending recession in North America. The unemployment rate in Quebec had even reached an all-time low of 4.5% in February. Two months later, it had jumped to 17%. That's unimaginable in normal times, and it's an all-time high.

From a purely statistical point of view, the magnitude of the current crisis exceeds anything that has been experienced since at least the depression of the 1930s. Between February and April, more than three million jobs were lost across the country and the real GDP declined by more than 17%. The magnitude of these declines is about three times larger than the very serious recession of the early 1980s, which lasted six quarters.

In our opinion, and this is an important message, we must still be very careful when comparing the current crisis to usual recessions, since it is completely different. It's an external shock that doesn't reflect existing financial imbalances or economic problems.

For the time being, the drop in activity and in the number of workers can be explained mainly through the containment measures put in place to stop the spread of COVID-19. We can speak of a desired pause in the economy, which is very different from an uncontrolled meltdown like the one experienced in the United States in 2008, for example. Moreover, this economic pause is accompanied by unprecedented support from the governments to limit the financial consequences for households and businesses. Financial institutions have also contributed by providing important relief measures to ensure that the pause in the economy does not result in a rise in bankruptcies. At the moment, there are none.

At Desjardins, we're proud to have been one of the first institutions to implement these relief measures for our members and clients, and we're determined to maintain our support to help them get through the crisis. To date, we've received close to 950,000 requests for our relief measures, which is huge.

Through the various measures offered, the dramatic fall in activity and employment is not, for the time being, accompanied by a general increase in financial distress. In fact, both in the United States and Canada, household incomes are increasing and savings are rising dramatically. It's very different.

The essential support of central banks in the current crisis must also be acknowledged. By mid-March, the situation was threatening to turn into a cash crisis and a financial crisis. The Federal Reserve and the Bank of Canada, however, acted to ensure the proper functioning of financial markets by injecting massive amounts of cash and even buying riskier assets directly. Today, financial markets are functioning well and cash is abundant. This allows financial institutions to continue to play their role, in particular by providing affordable credit to households and businesses.

In my opinion, it's far too early to say that we are experiencing the worst economic crisis in recent decades and that a depression is inevitable. The drop in GDP around the world will be dramatic this year because of the months of pause we've experienced, but if we manage to reopen over the next few months, the consequences for households and businesses could be quite limited. I'm not saying there won't be any, though.

Our forecast is for a strong rebound in activity over the next few months, but the effects on some sectors will last longer. We expect it will take until 2022 before real GDP returns to pre-crisis levels. That's still a long time. In the short term, a decline in unemployment rates is almost certain if reopening continues. We are already seeing it in Quebec, where the unemployment rate fell in May.

● (1520)

In fact, the question is whether Canada's unemployment rate will return to 10%, 8% or 6% in a few months. Then, we'll have to watch the trend of the economy. I think this will depend on the evolution of the pandemic, the distancing measures and the rebound in household and business confidence.

[*English*]

The Chair: Thank you very much, Mr. D'Anjou.

We'll turn to CIBC Capital Markets' Avery Shenfeld, managing director and chief economist.

Mr. Shenfeld, go ahead.

Mr. Avery Shenfeld (Managing Director and Chief Economist, CIBC Capital Markets): Thank you so much.

I don't think our outlook is materially different from the one we heard right off the top from my friend J.P. at Scotiabank.

In fact, I'm often told that there's a lot of uncertainty out there, but this is one of the times in my career when I would say there is less uncertainty out there than I've seen in my career. That's because—unless you're very picky about the exact numbers—we know what the economy is roughly going to look like over the next year.

We're starting from a position now that is best described as horrible. We've seen a decline in GDP leading up to April, and you really have to go back to the Great Depression to see something similar. I like to say that I'm getting sick of living in this sort of environment; I think we all want to live in what I call “precedented times” again, but we're not there, and we have a long way to go.

The reason I say that it's fairly certain the way the outlook is going to look is that, if we run it out over the next year, and barring a record-breaking vaccine and its deployment among billions of people, we know that, at least over the next year, there are segments of the economy that health restrictions, which are going to remain in place, are going to keep essentially shut down.

The people who used to work at night clubs, wedding halls, private convention centres and so on will simply be shut out of this economic recovery, and then there are other sectors tied to international tourism and even restaurants that are going to have to open at less than full capacity. We can pretty much predict with confidence that these sectors will not be back where they were at the start.

If we add up the share of GDP that is in those industries or the share of employment that's in those industries, you're looking at a pretty substantial gap to where full employment is even a year out, and that's even assuming that we take every step along the way with exactly the right timing in terms of managing to avoid a big second outbreak that causes us to have to do a hasty retreat.

When we define it in terms of unemployment rates, for example, if everything goes well, we might be sitting with an 8.5% unemployment rate a year from now, but remember, full employment is more like 5.5%, and 8.5% is about where we were in the last recession. We're going to recover from depression-level activity to recession-level activity. It's not particularly good.

Beyond next year, it's going take some time for the economy to recover, even if a vaccine is in place at the end of 2021, so we're looking at an extended period with very little uncertainty that the economy is not going to be good, and that spells out what kind of policy environment I think we're in, so let me turn to what I think the role of government is.

I think the initial role of government was exactly what Parliament, in its wisdom, decided to do, which was to band together and make sure that we protected the most vulnerable people right away, try to prevent a wave of defaults and bankruptcies among Canadian businesses that would then disappear and not be able to restart when good times return and also, of course, to protect households and enable them to put food on the table, pay their rent and so on. That was the immediate crisis, and Parliament worked at record speed to get that done, in many cases faster than the U.S. managed to accomplish the same task, so I give some kudos to the government and the civil servants, in particular, who worked hard to get these programs out the door.

When we look ahead, the number one priority for government is on the health side. It's making sure that, in fact, sound decisions are made about what to open, what to reopen and how to do so safely, because we know that the worst possible outcome is a second wave, as we've seen with some prior pandemics, that can't be snuffed out quickly and leads us to have to go back to where we were in April. That's why I think governments have to look at things like making masks mandatory indoors, listening very carefully to what the health authorities are recommending and doing the right thing.

There is no trade-off, and I want to emphasize this, between the economy and health. If we think that, by letting businesses open that are marginally safe, we're doing them a favour, we're not, because, if the virus comes back and people get sick, not only will we take a big step backward on the economy—and I do fear this in some U.S. states more than in Canada—but we'll also tarnish household confidence. If we look at countries like China that are a few months ahead of Canada in getting the virus down to low levels, they have not seen a full recovery in consumer spending, because people have remained cautious and afraid.

We have to make sure that people have an assurance that governments and businesses are taking all the right steps, and in some cases, businesses need the guiding hand of government to guide them to that. That's the single most important criterion for policy.

● (1525)

The second obligation is to really make sure that we don't pull the rug out from under the economy while it's still very weak. We recently had the decision to extend the CERB program for another couple of months. There's also been an extension of the wage subsidy program. As much as some people don't like the idea of big deficits, they're really not that costly when you're borrowing at 0.5% rate of interest. A $300-billion deficit costs the government an extra $1.5 billion in interest payments. It's not really a huge share of government revenue down the road. It's a necessity to make sure that the fiscal stimulus stays in place while we're still wrestling with double-digit unemployment rates in the economy. The last thing we need is a collapse of the household sector and the business sector so it can't reopen when the time is right.

If I think about how these various policies have to shift over time. though, we do need,as we get more jobs coming back, to look at building in some nuances in some of these programs to make sure we're not providing disincentives for people to work where there are jobs available. It's important to distinguish that. For example, in the EI program, we have different weeks of eligibility depending on your region and what the background level of unemployment is. Those are steps designed in that program to ensure we don't create inappropriate disincentives. That wasn't important when these policies were first announced because we had millions of people losing their jobs—there were no jobs available—but it will become more important over the next year or so as the economy opens up.

When I think of the work that's been done to let businesses tide themselves through this period of almost hibernation for the economy, many of these programs have worked quite well. I think there's still some work to do, though, in taking a look at small businesses within cities, particularly the retail sector, and so on. We don't want to end up with our main streets across Canada, for example, with just a forest of vacant outlets a year from now. We need some of these businesses to hang in there. I think we have to look at making sure we've benchmarked the support correctly across that sector so that they can hang in there through this period. We won't save them all, but we don't want to have our cities look like downtown Detroit. We want them to look like downtown Vancouver and Toronto did before this started, or Montreal for that matter. I think that's very important.

I think municipal governments are going to be very constrained. They, unlike provinces and the federal government, can't just simply run a deficit. They have to balance the books to some extent. They have reserve funds they can draw on, but they've lost a lot of revenue. A lot of that came from land transfer taxes. Subway fares in some of the major cities, and so on, all dried up. I think making sure the municipal sector doesn't have to start a major fiscal restraint program while the recession conditions are still in place is another thing that the government has to look at.

Overall, I would say the outlook that's been presented to you today by the various economists is a realistic one. We're probably through the worst, but saying the best is yet to come and the spectacular growth rates we're likely to see off these very low levels of activity shouldn't deter you from the focus on the fact that even if we make tremendous progress, we may still have an 8.5% unemployment rate a year from now. GDP will be well below where it would have been had we grown at 1.5% or 2% a year. The job of government to fill in the cracks, keep the economy in a state where it can reawaken when the time comes, is still very much with you. I'm encouraged by what I've seen so far. The government's willing to work across party lines to get things done and hopefully we continue to see that.

I'll be happy to take your questions.

● (1530)

The Chair: Thank you very much, Avery.

We go now to Catch Capital Partners Inc., Mr. Wareham, CEO.

Mr. Wareham, the floor is yours.

Mr. Jeff Wareham (Chief Executive Officer, Catch Capital Partners Inc.): Thank you, Chairman Easter.

First of all, I would like to take a moment before making my comments to express some gratitude that I think a lot of Canadians share.

My friend and mentor, and a former colleague of many of you, a gentleman by the name of the Honourable Ed Holder, once told me there is no higher calling than commitment to public service. Quite frankly, our political class has been put through a fair bit over the last few months, and I would like to thank everyone for their service.

I have spent 30 years, as of today actually, in the financial services business, starting in insurance, then banking, then moving to the vice-presidency of an investment dealership and ending up as director of a Canadian mutual fund company. So I've had a somewhat diverse experience around the financial services sector. In my semi-retirement, I've also had the unique opportunity of sitting on boards of not only a couple of Canadian companies but also a couple of U.S. companies. I'd certainly welcome questions at the end of the presentations on the difference in the experience as a director between Canada and the U.S., and some of the different programs they've implemented.

Hopefully our nation is embarking on the recovery phase of the crisis. I believe it is critical to take a look at two really important historical cornerstones of our economy. The first is obviously our strong, stable, globally recognized banking system. The second is the entrepreneurial community that has been a part of Canada's history from our establishment.

Canada is recognized for both of these things, but, quite honestly, although we're recognized for both, I'm not sure these things always move well in parallel. In the best of times, commercial credit can be difficult for small and medium-sized entities, and these are certainly not the best of times. So as I said, these two realities—that success we have with entrepreneurship and business development and the success of our banking sector—are, in fairness, not always closely related.

Canadian banks, as I said, are recognized globally for their strength and sound banking practices. Much of the western world in the 2008-09 credit crisis had disasters on their hands, and between some very strong leadership at the federal government level and some strong leadership at the banking level, we were able to navigate that crisis better than just about any other nation in the western world. That said, there were still some bumps and bruises.

Right now, Canadian banks are faced with an unbelievable combination. Coming out of that credit crisis, we've had a lengthy period of real estate appreciation, and tagging along with that has been a massive expansion of consumer debt; and now we're looking at a total decimation of the commercial real estate sector, massive job losses and the potential of a mortgage cliff a few months out that will certainly impact the banking sector.

Coming out of this I certainly don't believe our strong banking system is going to be able to extend credit or more generosity to small business. I believe that's a real challenge, and our banks are going to have to do everything in their power to ensure their balance sheets are strong and their income statements are not impacted too dramatically by near-zero interest rates, which I think are with us for a long time to come.

That being said, I think it's important that the committee and the Government of Canada take a look at how it might intervene in the economy, recognizing that, as I believe, it will be very difficult to do that through traditional banking models, with our having essentially half a dozen big, dominant banks in Canada. It's perhaps more difficult in Canada to reach the small businesses than in some other countries where other western nations have more developed alternative finance businesses.

Our tight number of banks and our small collection of large banks does present one challenge that has emerged over the last number of years and was exacerbated in the last credit crisis 20 to 30 years ago when an awful lot of investment products were for entrepreneurs who lacked access to traditional bank lending.

● (1535)

They could go to the capital markets and borrow money either through the IPOs of small businesses, high-yield debt, or go to leasing companies, and there was asset-backed commercial paper. There were a lot of different alternatives for financing, and a lot of these have disappeared. This is not a point of blame; it's just a reality.

In the capital markets world, the syndication desks that look after the issuance of new products for investment clients have essentially contracted as the banks have gobbled up probably 90% of the wealth management assets in Canada, and relatively few, shall we say, innovative or financing products are making it out to retail investors.

There are a lot of good reasons for this. They certainly present higher risk, and there's a desire to protect investors from scams and inappropriate vehicles, from things that don't suit their comfort level with risk. Some of the products, we discovered, really weren't as safe as they appeared to be going into the credit crisis in 2008.

There are valid reasons that these sources of funding may have dried up, but as we enter the recovery phase, it's important to talk about how we can reach out to our capital markets businesses and find alternative solutions that don't put pressure on, for example, the banks to reach out and step outside of their traditional lending mandates that they do very well, but allow our small businesses to access more secure sources of factoring, trade credit, and leasing.

All of these sources ultimately trickle back up to the banks or to bank alternatives, like insurance companies, and in many cases, those sources are just not going to be available with the pressure that's being put on our major financial institutions. The government does have an opportunity to work, whether it's with moral suasion, or with policy, and particularly, with direct support to programs, with innovative entrepreneurs who have capital markets experience, but that may not be a part of the traditional bank model that can come forward with lending and financing solutions.

I've spearheaded a group that has put forward a proposal that has made it to several members of the committee. It's based, essentially, on the principle of the victory bond back in the Second World War. I've read a couple of the commentaries of different economists on this call who have pointed out that we're going through an economic crisis that really hasn't had a precedent since World War II. It's good to look back at what worked through history.

On that note, I certainly would welcome any comments or questions that people have on what I see with regard to the junior capital markets and the opportunities there to work in conjunction with the banks, in conjunction with their syndication departments, and in conjunction with the federal government to make sure that trade credit and financing factoring are available to the small and medium enterprises that are going to be so critical in ensuring that we aren't at 8% or 10% unemployment two or three years from now.

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

We'll go next to the Canadian Centre for Policy Alternatives and David Macdonald, senior economist.

Welcome back, David.

Mr. David Macdonald (Senior Economist, Canadian Centre for Policy Alternatives): Thanks so much for that, Mr. Chair, and thanks so much to the committee for their invitation to speak today.

First of all, I would like to congratulate the federal government on its reaction to this crisis, and in particular on the creation of the emergency benefit. It was certainly a highlight of government action in this pandemic, as I've remarked before this committee before.

While the two-month extension to the CERB is welcome, I would encourage the government to start planning now towards a new modern EI system, with a transition strategy to that end. Some of the features of a new EI system should be borrowed from the success of CERB, including its speed, a minimum payment of, say, $500 a week, and, in particular, better coverage for gig and self-employed workers.

However, I would like to focus my comments today on the government's interventions into the financial sector, on which programs have been taken up and which ones haven't, and on how we could improve those interventions.

I think it's worth taking stock of the approximately $750 billion promised in support for the financial sector. By my count, $679 billion of this amount has been deployed. The reduction in the banks' domestic stability buffer has provided them with an additional $300 billion if they choose to use it. The Bank of Canada was initially scheduled to spend $300 billion, although its balance sheet has now expanded to $373 billion, as of last Wednesday. Almost half of that expansion is due to the increase in its repurchase agreements.

On the other hand, the mortgage purchase program through CMHC has managed to buy almost no mortgages, spending only $6 billion of its $150 billion budget, with the last two purchases buying essentially nothing and the next one scheduled for June 22, next week.

In particular, lowering the domestic stability buffer from 2.25% to 1% of risk-weighted assets would free up as much as $300 billion in assets for other purchases for financial actors. OSFI would prefer if those purposes were to provide further loans to businesses or households; however, this assumes that banks can find households or businesses that are both creditworthy and willing to take on another $300 billion in debt in the middle of the worst labour market since 1936.

That $300 billion could be used for other purposes much less desirable than lending. As within any large corporation, money is fungible, and its purposes can change. For instance, it could be used to pay out shareholders or executives, or it could be used to cover loan losses. Thankfully, OSFI has explicitly barred banks from continuing with any existing share buyback programs; however, dividend payments and executive bonuses can be maintained but not increased. In the first quarter of 2020, the banks paid out $5 billion in dividends, and they are on track to pay out $22 billion to shareholders over the course of 2020. In other words, 7% of the gain from the change in the stability buffer could still be paid out to shareholders despite OSFI rules as they stand today.

While senior financial executives will not be able to increase their total pay above what they stood at in previous years, given ever-increasing executive pay in Canada, this is hardly a stringent restriction. In 2018, the top executives at Canadian banks raked in $173 million in bonuses alone, across 31 people. If this is the pay bar that they have to fit under given extraordinary government supports for the sector, it likely won't cause them any difficulty. I would recommend that this committee examine international approaches like those in the EU or the UK that suspended bank dividends and executive bonuses for the period of extraordinary government supports.

A Bank of Canada study released earlier this month found that the deferral of mortgage payments is an important way to keep Canadians who have temporarily lost work in their homes and to reduce the likelihood of a downward spiral of net worth through a rushed home sale. With 14% of all mortgages now in a deferral position, this has been a lifeline to the 4.8 million Canadians who have lost their jobs or the majority of their hours since February.

OSFI's allowing the banks not to have to increase their capital requirements due to non-performing loans makes this crisis of mortgage repayments much cheaper for the banks if they engage in a deferral process. With between 12% to 18% mortgages presently in deferral, depending on the bank, increased capital requirements would have otherwise led to material impacts on the banks' bottom lines.

I'd encourage the committee to request the banks to not charge interest and other penalties over the deferral period of mortgages, but not only on mortgages—also on higher interest products like credit cards and lines of credit. Given the slow recovery so far, I would recommend that the committee also consider extending the loan deferral period from September until the end of 2020. Furthermore, many Canadians simply won't get their jobs back, even by the end of the year, and many will conclude that it isn't financially viable to stay in their present homes. The mortgage cost would just be too high, given job losses.

● (1540)

Mortgages, particularly fixed-rates ones, carry substantial penalties for early repayment. The committee should consider reducing or eliminating these pre-payment penalties, allowing Canadians to more easily sell houses they can no longer afford and get into new houses they can afford without paying extraordinary penalties in the process.

Thank you, and I look forward to your questions.

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

Before I turn to Mr. Porter, I'll give members the lineup for the first round of questions. First up will be Mr. Poilievre, followed by Mr. Fraser, Mr. Ste-Marie and Mr. Julian.

Mr. Porter from the Bank of Montreal, welcome. You had some technical problems like we folks in the country often have. Welcome.

Mr. Douglas Porter (Chief Economist, BMO Bank of Montreal): Thank you. All's well that ends well.

Good afternoon, Mr. Chair and committee members. Thank you for the invitation and the opportunity to speak with you today.

I'll keep my remarks relatively brief because I largely agree with those who spoke on the economic outlook earlier.

Canada has just experienced the deepest and sharpest economic downturn in the post-war era. However, it also now looks to have been the shortest recession ever, as there are plenty of signs that activity, jobs and spending began to recover in May alongside the initial stages of the reopening in many parts of the country and throughout the rest of the world.

While some of the latest economic indicators are no doubt encouraging, there is also little doubt that we're climbing out of a deep valley. Preliminary evidence from Statistics Canada, as earlier mentioned, suggests that the economy fell by 17% in March and April alone, and that may well be revised even higher to a deeper decline. Again, to put that in context, the previous largest decline was in the early-1980s recession when OPEC fell by just a little bit more than 5% over one and a half years.

As economies reopen, we think that a large share of this drop can be reversed relatively quickly. However, it's also apparent that, in the absence of an effective vaccine, certain sectors will remain heavily constrained for an extended period of time, likely constraining the overall economy. Crucially, most of these sectors that will remain constrained do tend to have above-average employment levels. If anything, the employment effect of the constrained sectors will be even more than what the overall GDP numbers suggest.

Even though we currently project this rebound and activity next year after, we believe, a similar decline this year, that would still leave the economy 3% to 4% below where it normally would have been by the end of next year, and the unemployment rate is likely to be two to three percentage points higher than the pre-crisis levels, even by the end of 2021.

Moreover, the economy does face an important challenge: transitioning from the initial reopening phase to the recovery phase. Even as the need for the most extreme policy measures fades, the economy will require, as mentioned earlier, support for a longer period of time. Policy will need to strike the appropriate balance between supporting incomes and not discouraging work incentives.

While we recognize that it is still a highly uncertain environment, the upcoming fiscal snapshot is welcome, as it will help to give us all a firm foundation for future decisions.

Looking further out over the medium term, we are relatively upbeat on the prospects for the recovery. Individuals and businesses are incredibly resourceful, as we have seen in recent months, and they can learn to deal with challenging circumstances. We don't think that we should discount the ability of the economy to recover.

With that, I'll turn it back to you, Mr. Chair. Thank you.

● (1545)

The Chair: Thank you very much, Mr. Porter and all the witnesses, for your presentations.

The first round will be a six-minute round, and we'll start with Mr. Poilievre.

Pierre, the floor is yours.

Hon. Pierre Poilievre (Carleton, CPC): Thank you very much for your testimony, everyone.

Whichever bank economist wishes to answer this question can jump in. I'm just looking for a number here, not for any commentary. What share of your bank's assets is backed up by the government? By "backed up", I mean those with guarantees from the government, directly or indirectly, in the form of the CMHC or 90% backups of Canada Guaranty and Genworth, and other forms of guarantees. What percentage?

If you don't have an answer to that question, feel free to just not chime in on this question.

The Chair: Who wants to take it? No volunteers?

Go ahead, Mr. Shenfeld.

Mr. Avery Shenfeld: I think the silence reflects the fact that we don't run these banks, so we don't always know everything about banking. They don't let me, at least, run the bank.

What I would say is that this share has come down substantially. The CMHC, for example, not only used to guarantee mortgages for people who didn't have the 20% down payment, but it also had a program where basically the bank could buy the CMHC insurance in bulk on mortgages. The buyer didn't require the insurance. Banks were doing that and then using that—

Hon. Pierre Poilievre: Yes.

Mr. Avery Shenfield: That's fallen a lot. Whatever that number is, it's down substantially, but I don't know the number.

Hon. Pierre Poilievre: Okay. I don't see any other volunteers. I don't want any commentary on that. I just need numbers.

Do you have numbers, Mr. Macdonald?

● (1550)

Mr. David Macdonald: Raw numbers. Yes, sir.

Hon. Pierre Poilievre: Okay, fire away.

Mr. David Macdonald: The maximum insurance in force allowed through CMHC is just over $700 billion on residential mortgages. The total residential mortgage value in Canada is roughly $1.2 trillion. This isn't a bank-by-bank breakdown, but seven divided by 12 is your ratio.

Hon. Pierre Poilievre: So it's about sixty percentish.

Mr. Avery Shenfeld: That's just mortgages, though.

Hon. Pierre Poilievre: That's just mortgages, right.

Mr. Avery Shenfeld: Banks have lots of other assets, like loans—

Hon. Pierre Poilievre: Of course.

Sometimes I wonder why banks have so little concern about the indebtedness of Canadian households. Not all of them, but some of them have not expressed the kind of alarm that I see when I look at the numbers. It seems to me that's partly because banks are protected against any future serious meltdown and defaults because their largest consumer lending book is to homeowners whose mortgages are backed up by the government, and therefore the risk is really with taxpayers rather than bankers.

I'm very worried about the degree of debt we have in this country. Before the crisis we were at 356% of GDP, public and private debt combined, which is the second-highest ratio in the G7, only after Japan. That was all before COVID-19.

Do any of the witnesses want to comment on the serious possibility of some sort of debt crisis or crunch that could befall our public or private sectors as a result of those high levels of debt and the eventual and inevitable increase in interest rates in the medium term.

The Chair: Who wants to go for that one?

Ms. Cooper, go ahead.

Dr. Sherry Cooper: I'll take a stab at this.

I think it's important to drill down into the mortgage debt and credit card debt parts of household debt. Let's call it collateralized debt versus credit card debt. In terms of collateralized debt, it's really quite interesting that 40% of Canadian homeowners don't even have a mortgage. The Bank of Canada estimates that roughly 12% of Canadian homeowners have mortgages that are at what the bank considers excessive levels. The fact is that 58% of Canadian households have virtually no debt at all, in other words, debt of less than $25,000.

A lot of the time the policy-makers seem to be most concerned about housing debt as opposed to credit card debt, which is certainly not my point of view. It's not just because I work for a mortgage lender, but because, from a personal perspective, I've never paid just the minimum on a credit card, and I've taught my son not to do that either because interest rates are so high.

Hon. Pierre Poilievre: Ms. Cooper, I think if everyone were as good with money as you are, then our nation would be in spectacular financial shape. I'm concerned about the people who are not within the 40% of mortgage-free group of Canadians. I'm concerned about these others who are mortgaged. The fact there is such a large group of people who have limited debt means that in order for us to arrive at the total household debt ratio of 177%, there must be another group of people who are extraordinarily indebted.

Dr. Sherry Cooper: Yes.

Hon. Pierre Poilievre: Who are these people who are bringing up the national household indebtedness average, and how vulnerable are they to a major credit event?

This question is for Ms. Cooper or anybody who wants to testify.

The Chair: Who wants to go with that?

Mr. Macdonald, you're on.

Mr. David Macdonald: I do want to revise my earlier statement. I have, in fact, looked it up. At the end of the first quarter of 2020, 30% of all mortgages in Canada were insured by the federal government, by CMHC.

In any event, to your point, Mr. Poilievre, the higher debt is primarily held by younger households who did not get into the housing market early enough and therefore did not have substantial amounts of equity that a lot of Canadians have seen being run up since about 2002. They're also more commonly in big cities, where housing prices are very high. Certainly high household debt, as well as high corporate debt—corporate debt has risen quite substantially in the last five years—means that lower interest rates that would otherwise encourage households and businesses to take out more loans are much less effective. Despite the fact we're at zero interest rates, it's not very useful. We're not seeing tremendous economic growth as a result.

● (1555)

Hon. Pierre Poilievre: Is there any chance I can squeeze in one last short question?

The Chair: You're already a minute over, but I'll be kind today because I know you very much want another question.

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

My question is, first, to Mr. Macdonald and then anyone else who wants to jump in.

After the 2008 financial crisis in the United States, massive quantitative easing effectively inflated asset values and represented a major wealth transfer to people who owned assets while effectively reducing the value of the wages that working class and impoverished Americans earned. Now we have this same quantitative easing in Canada, almost $400 billion of it.

Mr. Macdonald, do you believe the creation of all of this money is just going to again inflate the assets of the very wealthy and reduce the real value of the wages of the working class?

Anyone else can jump in if they want.

The Chair: Okay, Mr. Macdonald, and I'll look for a hand if there's anybody else, and we'll have to move on.

Mr. Macdonald, and then Mr. Shenfeld.

Mr. David Macdonald: Thanks so much for the question.

Certainly the Bank of Canada has always been engaged in buying some portion of federal government debt. That's ranged from about 5% in the 1980s to about 15% recently. It was as high as 25% in the 1970s. Given the recent purchases by the Bank of Canada, that percentage will likely rise to in the neighbourhood of 27%. It is certainly higher than we've seen historically, but not out of all range.

The main concern with the Bank of Canada's purchases of that much federal government debt is the creation of inflation, which is a particular concern if the economy is already at capacity. With 25% of our labour force being unemployed since February, or having lost the majority of their hours, as well as two months of negative inflation, not positive inflation, I don't think that's a terrible concern, but that's my answer

The Chair: Okay.

Mr. Shenfeld, be fairly tight, if you could.

Mr. Avery Shenfeld: I would just echo that. Many countries experimented with similar quantitative easing programs after the 2008 recession. Canada had a milder recession, so we didn't have to do that. None of those countries were left with a legacy of inflation, so while the premise of the question is right, that asset values are protected.... We're trying to do that, in fact, to retain some business confidence, but also to suppress interest rates. Remember, the government is borrowing hundreds of billions of dollars to finance this rescue effort. I think it's quite good that they're borrowing at a 0.5% interest rate as opposed to 2%. So the extent that—

Hon. Pierre Poilievre: For now.

Mr. Avery Shenfeld: For now. This is giving the government the opportunity to lock in some fairly good, low rates. Again, none of the countries that did QE ended up with soaring interest rates afterwards, nor did they end up with soaring inflation. By and large, I'd say the Bank of Canada is showing a lot of wisdom in using this extraordinary tool to deal with an extraordinary recession.

The Chair: Okay, we'll have to move on to Mr. Fraser.

I'm sorry, Mr. Fraser, you won't get quite as much time, but go ahead, Sean.

Mr. Sean Fraser (Central Nova, Lib.): I can never get a far shake here.

Thanks, Mr. Chair.

I have lots of questions. I'll try to keep them tight, and I'd ask the witnesses do the same in their response.

I'll go first to Mr. Shenfeld.

There is a certain level of optimism, frankly, that I've heard, that within a few years we're probably going to get back to 2019 levels of economic production in Canada. One of the things I'm concerned about is not that we won't get there in a few years, but with what will happen to those people who are living in the bubble in the intervening period? I'm curious if you have advice on what we can do during the transition and recovery, not only to get our GDP and unemployment rate back to where they might have been in 2019, but also to ensure that we mitigate against the possibility of widespread bankruptcies at the household or small business level.

Mr. Avery Shenfeld: First of all, getting back to the level of GDP doesn't get you back to the same unemployment rate, because population grows. You actually have to be well above the previous level of GDP. We're going to be in this soup for a while.

I think the premise of your question is absolutely right. Government programs are going to have to play a role in protecting against insolvencies. Yes, I'm a banker, but I actually care about people going bust, because they also have our credit cards, not just mortgages that are insured. Also, as a Canadian, I want to see our economy get through this slumber period, and that means partly ensuring that households have some spending power when this is all done.

I think the right approach is certainly to look at all the various things that we're now doing for businesses and for households. We're going to manage them down, to some extent, as unemployment falls. The cost of these programs will come down. As job opportunities open up, we're going to have to provide appropriate incentives.

For example, the CERB program has one not-so-great feature, which is that if I earn $1,000, I get a $2,000 cheque, but if I earn $1,001, I get nothing. Someone who is earning a $1,000 a month has no incentive to look for a job that's going to pay him another $500. Similarly, the program that was designed for the wage subsidy had a particular cut-off.

We're going to need to re-examine these. Fortunately, we now have some time to do that and to design the programs in a way that provides some incentives.

Nevertheless, the support programs—in some form—have to stay in place, because otherwise we do get a wave of bankruptcies. We're going to see some of that anyway. We can't rescue all businesses. I think Sherry suggested that, and she's right. There are going to be things that unfortunately go under and households that are going to struggle. Banks have taken some pretty big hits in their recent quarterly earnings to provide for the losses associated with that. I think government still has to play a big role here; it's a long wait for the economy to be as good again.

● (1600)

Mr. Sean Fraser: Thank you. That's a good segue into my next question, which I'll direct to Mr. Perrault.

Mr. Shenfeld made the point on one occasion during his remarks that it's not particularly costly right now to borrow to cover some of the costs of these programs that were really created by the pandemic. We've made the decision that the federal government is better positioned than households and business to bear those costs.

Mr. Perrault, you made the point that there may come a time when that may not be the case. I'm curious. If the pandemic is the source point of these increased costs, is there a tipping point? What indicators should we be looking for? When should we say that the federal government is no longer the organization that should be bearing this cost and it should perhaps go to a different level of government or to households or businesses? I have a hard time seeing where they will be better positioned to incur these costs than the federal government will be.

Mr. Jean-François Perrault: It's a great question. The fundamental challenge that I think the country is dealing with now is.... Sure, there is a lot of debt in the country, there's no question. When you layer it all together, as Mr. Poilievre indicated, we are a highly indebted country. That said, we are in this very difficult economic circumstance that requires a tremendous amount of support to get us through to the other side. The question very much is, who has the best balance sheet to do that?

It's clearly not households. It's clearly not provincial governments. It's clearly not our municipal governments, which can't even do anything. It's going to fall on the federal government. Even in a worst-case scenario with the resurgence of the virus and requiring an extension of the CERB or sustained wage subsidies or massive amounts of money going into training programs, if that were to be required at some point in time, we're still in a world where the federal government is going to be the entity with the best balance sheet to help us manage that.

Now, at some point, markets—

Mr. Sean Fraser: Thank you—

Mr. Jean-François Perrault: —may not agree with that, but that's the reality as far as I can see it at present.

Mr. Sean Fraser: Thank you for that feedback.

Mr. Chair, do I have time for one quick one?

The Chair: Yes.

Mr. Sean Fraser: Excellent.

This is for you, Ms. Cooper. I was fascinated by your testimony. There were a number of pieces that jumped out, so thank you for being here.

One of the points you made was that the federal government should be looking to support viable businesses that will essentially be able to stand on their own two feet at the back end of this pandemic. We don't want to throw good money after bad. I completely agree. However, there is a part of me that wonders if the federal government is really the body to pick winners and losers because, quite frankly, the private sector can surprise people. There is an entrepreneurial spirit when people have their own skin in the game that oftentimes is more effective than policy-makers sitting in a boardroom in Ottawa.

I'm curious. How can we conduct an exercise that will give us confidence that the support that we're putting out there into the marketplace is actually reaching viable businesses and not just delaying the inevitable for businesses that weren't structurally sound going into this pandemic?

● (1605)

Dr. Sherry Cooper: Exactly, and that's the great conundrum. I don't believe that it should be politicians or bureaucrats in Ottawa who should be making those decisions. Among businesses themselves, in even the hardest hit sectors, some will be big winners because they're making adjustments. There are so many examples of businesses learning to do business remotely, or to provide safe services and goods in a very user-friendly way, and they are going to outperform. That's going to be different for every sector of the economy. You can't have blanket money giveaways, and I do believe that there ought to be private-public coordination in how these assessments should be made.

As an economist, I believe that we need to let the markets work, and that means that if you aren't creditworthy, you shouldn't be able to borrow money. If you aren't creditworthy for a moment in time, for a short period, when you're cash strapped for very good reasons, and you've been forced not to open your doors and your fixed costs are being paid, that's one thing. But unfortunately, what this pandemic has done is shown us who the weak players were to begin with, and many of those people will not reopen their doors; nor should we subsidize them to make them do so, because it's an inefficient allocation of resources and very unfair to the taxpayer.

Mr. Sean Fraser: Thank you to our panellists. This has been terrific. I wish I had another hour of questions, but I'll corral it there.

The Chair: Mr. Ste-Marie, followed by Mr. Julian.

[*Translation*]

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

Ladies and gentlemen, welcome. Thank you very much for being here and for your presentations. They were most interesting. My questions are for Mr. D'Anjou.

Mr. D'Anjou, thank you for being here and for your presentation. You noted that the current crisis wasn't so much comparable to other financial crises and that it was more akin to those during war times, which is quite worrying.

I'm going to talk about something much more down-to-earth. How are your negotiations with the government going? The government is asking you for help in responding to the pandemic. It's asking you to partner with it, through some of its agencies, including the Canadian emergency business account.

How is it going?

Mr. Mathieu D'Anjou: Thank you for your question. Honestly, it's a good one.

I'm not aware of all the negotiations, but I know that we're quite comfortable with the current collaboration. We serve as a conduit for a number of government programs, including business loans. We're quite comfortable in that role. We've taken much the same approach as we've taken with our relief measures. Something had to be done very quickly to support people and businesses affected by the economic downturn.

I can't tell you how the negotiations went, but I can say that we are comfortable enough in our role as a partner with governments to support our members and clients.

Mr. Gabriel Ste-Marie: Thank you.

I was flabbergasted by the number you gave earlier. If I understood correctly, your members have made 950,000 requests for relief.

Is that the case?

Mr. Mathieu D'Anjou: Yes, but that really includes everything. Members can submit several applications. It is not just about mortgages. It can be about credit cards or students. We have a whole series of programs. For businesses and households, we had an emergency loan. The approach includes a lot of relief programs. We find it is really important to be there for people, not just provide relief.

This was touched on briefly in the other questions, but I believe the transition will be key. Right now, people are on a lot of income assistance and not paying their mortgages. They are faring pretty well. In my opinion, we must steer clear of taking everything away at once. If people no longer receive any money and have to start paying their mortgages again, it will come as a shock. We have to avoid that. I feel we have to start thinking about the transition. We have to try to get people back to work and slowly starting to pay their mortgages and bills again. We realize that this will not happen overnight and that we will have to continue to support our members and clients.

● (1610)

Mr. Gabriel Ste-Marie: Thank you.

The transition period is certainly going to be crucial, and it will be equally important to define the transition measures. The example was given of the Canada emergency response benefit, which is not adjusted for income. If you earn $1,001, you lose everything. It makes no sense. In the first few weeks, the government said it was unable to make these changes, and we understood that, but it has been more than three months now. We have to encourage people to go back to work.

Before I ask questions about what happens next, I would like to go back to one part of your presentation. You said that, because of the pandemic, the economy was voluntarily put on hold, but that we will be able to get it back on track and that it could go well. However, I am concerned that certain sectors of the economy will not be able to regain the same level of activity. Habits will have changed. The post-crisis period will not be the same as the pre-crisis period. Your colleagues mentioned that.

What will we do about struggling sectors? Take, for example, local businesses, assuming that people stay in the habit of making more online purchases. These are important jobs, businesses and services.

What do you think the government could do to support people in sectors that will not regain the level of activity they had before the pandemic?

Mr. Mathieu D'Anjou: That is a good question. It will depend on how the pandemic plays out and how the lockdown is lifted. In the beginning, there was no question of choosing between the economy and health. We all agree on that.

In Quebec, we experienced an almost absolute lockdown. We saw that it had alleviated the situation, but that it was not a miracle solution. Over the next few months, there may be other cases. So we will certainly have to keep good health measures in place. We may even have to keep only the best measures. Masks may be a better solution than keeping two metres apart. If we continue to maintain the distancing measure, movie theatres and restaurants may reopen, but they will hardly be profitable.

We need to find the best way to achieve good health outcomes, while at the same time sending messages to affected areas so that they know what to expect. Now they are reopening, but they are doing it in total uncertainty. It will be very difficult. They must continue to have good financial conditions.

We should also remember that there was a labour shortage in Quebec and throughout North America. Certainly, people will lose their jobs, but we may have the opportunity to redirect them to other sectors or to other companies that are performing better in their sector. Some adaptation is certainly possible.

In Quebec, for example, many businesses were limiting expansion because they lacked labour. In many cases, they did not need a highly skilled workforce either. These businesses could perhaps take over the sectors that will reopen more gradually, more slowly and less completely.

We might be surprised too. For example, since the retail stores have reopened, there are a lot of people. Some things are going to change. I think telework is here to stay, but we might be surprised to see people starting to travel again sooner than we thought.

[*English*]

The Chair: We are substantially overtime. Anyway, I think you'll get a second round, Gabriel.

We'll go to Mr. Julian, and after that, Mr. Morantz.

Peter.

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

Thank you to all our witnesses. We hope you and your families are safe and healthy through this pandemic.

I am very anxious to ask you some questions, Mr. Macdonald, and thank you so much for your presentation and the information you've brought.

Mr. Poilievre has asked questions about banking support. That's great. I feel he's starting to shift from traditional Conservative ideology.

Of course, I think the lessons learned from the last crisis are important. When the Harper government was in power, and we went through the financial crisis a little over a decade ago, what is your evaluation of the overall supports offered to the banking sector? Were there conditions on that? And what are the lessons learned?

The Chair: Mr. Macdonald.

Mr. David Macdonald: Do you mean the conditions during 2008 or conditions during the present—

Mr. Peter Julian: Yes, the bank supports that were put in place. What's your evaluation of the amount? What were the conditions attached to that, if any? And what are the lessons from those supports that you think we need to think about this time around?

● (1615)

Mr. David Macdonald: There were few conditions, as there are this time around, in terms of accessing some of those supports.

The programs were actually, in some ways, quite similar: the Bank of Canada, particularly, engaging in large-scale repo operations with the banks; CMHC itself engaging in mortgage buybacks; and many of the Canadian banks accessing American facilities, as well, through the Federal Reserve.

During that last period, we had supports. I think maximum supports topped out in the $130-billion range. I haven't really done the full numbers here, but I'm sure that we're in excess of that this time around, although what the banks are using is very different. This time around, the Bank of Canada's repo operations have been much more substantial, and there's been almost no take-up of CMHC's mortgage buyback program. This is in stark contrast to what happened in 2008, when it was the complete reverse and there was much more interaction with the mortgage buyback program.

Now that program continues, and there may well be some.... The deferral of 14% of all mortgages in a deferral situation is extraordinary. That will presumably go down to some degree between now and September, but it may well be that, if deferrals continue, the banks may be inclined to send more of their mortgages to CMHC if they start to go bust.

In that regard, I think it is positive that OSFI has rules this time around in terms of limiting share buybacks from the big banks. That has been a positive change. I don't think the capping of dividends and executive pay really does much, in the sense that three of the five banks already had increases in place. In many cases, dividends will have increased in any event.

I'll leave it there.

Mr. Peter Julian: Thank you.

You raised the point in your presentation, which was excellent, about the prepayment penalties as people are...emerged and not able to keep up their mortgage payments, the penalties, fees and compound interest charges for mortgage deferrals. In fact, we haven't seen the banking sector do anything like certain credit unions. Vancity and Community Savings sort of dropped their interest rates to zero.

What are the impacts when we provide so much support to the banking sector, but there's no responsibility to pass that on to people who are struggling: small businesses in my area, people who are struggling with consumer debt or people who are really having difficulty making ends meet? It appears that they're just going to be part of the windfall profits that go to the banking sector.

Mr. David Macdonald: The deferral program itself is premised on OSFI's exemption of banks in terms of increased....

What would have otherwise happened is that these loans would have been considered non-performing. The moment they become non-performing, all of a sudden the banks need to put up more, in terms of capital, to back them. It's not to say that those people are bankrupt; it's just that the banks need to put up more money to back them. As a result, those are tangible increased costs for the banks, particularly when in some cases 18% of all mortgages are in a deferral position. This change to the OSFI rule that provides material benefit to the banks allows for this deferral program.

I would certainly argue that this benefit that OSFI has provided to the banks could be used, or committees like this one could request that the banks, in trade for this rule change, defer penalties as well as interest charges over the period of the deferral. This would be much more important for credit cards and lines of credit; it could be useful for mortgages, as well.

I think that we haven't really encountered this yet because the deferral program is in place, so anyone who has difficulty paying a mortgage would go into the deferral program. It's really when the deferral program starts to wind down that we'll see this start to play a much bigger role, the penalties for prepayments of mortgages. This is particularly true for fixed-rate mortgages. It exists for variable-rate mortgages, but they're lower, generally.

I think that, in preparation for that, this committee could discuss this with banks and encourage them to waive most or all of the penalties of prepayments of mortgages as Canadians attempt to downsize. If job losses that people thought were temporary become permanent or if the deferral period is over and they still don't have a job and they need to downsize, I think we need to make it as easy as possible for people to do that without undue penalties that would have to be paid to break mortgages.

Mr. Peter Julian: Thank you so much.

The $5 billion that banks have made so far during this pandemic is something that the public certainly observes.

The PBO has just produced a report that is shocking to most Canadians. It shows the concentration of wealth as being much higher, as I'm sure you're aware, than the former government's statistics indicated: 25% of the wealth in the hands of the top 1%.

Do you feel that one of the things we need to do, as we come through this pandemic and out of this pandemic, is envisage a wealth tax on that massive concentration of wealth? Certainly, the Broadbent Institute did an opinion poll, and even the majority of Conservative voters now believe in a wealth tax.

Do you think a measure like that could make a difference in starting to hit this record level of inequality that we're seeing in our country, and build a broader-based, more equal society?

● (1620)

The Chair: Could you give us a fairly tight answer, Mr. Macdonald?

Mr. David Macdonald: I don't think we're at the stage yet of discussing increases in taxation, but I think we will soon be at the stage of discussing cuts in programs in order to reduce deficits, particularly provincially but also potentially federally.

You can balance the books two ways. You can increase taxes or you can decrease expenditures. I think that new thinking around taxation, particularly a wealth tax, is certainly one way we could increase taxes instead of cutting expenditures, which is the other choice, and I think we will see increasing pressure in the fall to do that.

The Chair: Okay. Thank you both.

Before I start the next round, I would remind people that if you do have a key point you want to raise when somebody else is giving an answer, raise your hand. I may catch you. I can't see everybody on my screen at the same time, but raise your hand and we'll try to get you in.

We'll go to very strict five-minute rounds so we can get more people on. We have Mr. Morantz followed by Mr. Fragiskatos.

Marty.

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

Mr. Porter, I want to ask you a few questions. Recently we had the president of CMHC on. He had talked about tightening underwriting requirements for residential mortgages, and then shortly thereafter they did it. I'm just wondering whether you agree with those changes.

Mr. Douglas Porter: It's very interesting. In the early stages of this downturn, we saw the housing market essentially lock down for a while. We saw almost an identical decline in sales and in listings, so there's been very little change in pricing.

Before this all began, it actually looked as though the housing market was on the edge of overheating in some key markets, like Montreal in particular and, to a lesser extent, Ottawa. That, of course, is no longer a concern. I still think that given the lengthy workout we're going to be looking at over the next year or so, there are probably more downside risks than upside risks to the housing market.

The measures that have been taken so far are relatively modest, but I would push back against tightening up a lot further until we see the market settle out over the next year or so. I think there is just too much downside risk to embark on really tough tightening measures at this point.

Mr. Marty Morantz: One thing I'm having trouble reconciling is that you have CMHC, on the one hand, tightening underwriting requirements, and yet through—and I'm not arguing that we shouldn't have the emergency programs—the BCAP you have banks, and commercial loans are being either joint ventured with the federal government or guaranteed, and so loans are being made that wouldn't normally be made under typical circumstances.

Can you reconcile for me why there are two different approaches? Why is one branch of government tightening its underwriting requirements while essentially another branch is loosening its underwriting requirements at the same time?

Mr. Douglas Porter: I can't necessarily reconcile that.

I understand that some of the tightening measures that were introduced by CMHC are of a longer-term nature. I think at this stage they're just trying to protect potentially the most vulnerable debtors from getting in too deep. I don't think they were necessarily aimed at the broader macro housing market.

Mr. Marty Morantz: Just to move on, I want to ask you about Canada's credit rating and whether you have any views on that. In my time on city council we had to meet with the credit rating agencies. They didn't really care much why we were in debt; they just cared about how much we were in debt and whether our balance sheet could support it.

Again, I'm not arguing against the emergency programs, but the reality is that Canada's going to be hitting over $1 trillion in net debt, probably, before the end of this fiscal year. Do you think that our credit rating might suffer?

● (1625)

Mr. Douglas Porter: I think your first point is an accurate one, that the ratings agencies really aren't concerned about why a borrower gets into a situation; they're just looking at the end result.

We've already seen that during the worst of the pandemic, some ratings have already come under question. There actually have already been some sovereign downgrades in the last month or so. Certainly, Canada's not immune on this front. I'm sure the ratings agencies will take a long look at every sovereign borrower because of the dramatic changes we've seen in fiscal policies.

The one thing I would point out is that we have seen significant deteriorations in government finances right around the world as a result of this.

Mr. Marty Morantz: I'm wondering whether you have a sense of what the tax base post-COVID might look like.

Businesses have carryback and carry-forward loss provisions. With the extraordinary losses being suffered, the corporate tax base could be seriously eroded. You could have companies in 2029 not paying taxes because of their losses in 2019 or 2020.

Are you concerned about that? If there is an erosion of the corporate tax base, what does that mean for the rest of the taxpayers in the country?

Mr. Douglas Porter: It depends incredibly heavily on the pace and the strength of the recovery, and I think that's job number one.

You raise an important point. There's quite a consensus around what this year's budget deficit looks like. There's almost no consensus around what it looks like in year two or year three, and again, that depends heavily on the recovery. I think a lot of the emergency programs will roll off, and we will see a fairly considerable decline in the deficit next year, provided we get the recovery we're looking at.

Underlying finances have been wounded as a result of this, and we could be looking at a triple-digit budget deficit next year even with a relatively solid recovery.

The Chair: We'll have to move on to Mr. Fragiskatos, followed by Mr. Cumming.

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

Mr. Wareham, thanks very much for your presentation. You raise a number of ideas, a very nuanced and complex analysis of the current reality and potential ways forward. Give us again a 30-second to 45-second elevator pitch about the main objective you're calling for.

Mr. Jeff Wareham: Thank you, Peter, and thank you for inviting me today.

The nuance is probably important to understand because it has continued through the conversation and the questions. I believe the private sector is going to be an incredibly important part of the recovery, and there are a lot of investors.

In my world I talk to investors all the time, and a lot of investors are looking for the opportunity to actively participate in the recovery, whether it's from a mercenary standpoint, looking at where they might invest and buy things at an inexpensive price, but there's also an altruistic side to it; the private sector wants to help and pull together and support this.

There are massive regional disparities. I've put forward the idea of ensuring the private sector has a voice, particularly non-bank investment funds and organizations that might be trying to raise money for leasing or factoring or trade credit and so on to have the opportunity to....

Rather than simply asking for tax revenues to be put into industries, perhaps government could guarantee programs or fund a purchase whereby money is put into pools, and government supervision is done by private investors, private members of Canadian society, and worked into public-private partnerships to invest in areas such as small and medium-sized companies that are being so substantially damaged by the crisis.

Mr. Peter Fragiskatos: Give me a concrete example. Company ABC finds itself in a very tough spot. How does what you're calling for manifest itself? Who's involved, how does it work and how would it be executed to help companies and the economy in the recovery phase?

● (1630)

Mr. Jeff Wareham: No problem. I think they're two pretty closely interrelated things.

Peter, a simple example would be a manufacturing company. Their clientele is not 1,000 buyers but five, six or seven buyers. A customer whom they've dealt with for years may have always paid on time, or on 30-day or 40-day terms, and may all of a sudden have a substantial crisis on their hands that trickles down from another customer that makes them unable to pay an account receivable. A company that may be profitable and making sales and have a good work force and be strategically critical to a region that's been impacted may, all of a sudden, end up facing insolvency simply because a customer is unable to pay.

Therefore, one of the core elements of what I put forward was the idea of setting up a factoring program. I specifically suggested using our 263 community futures officers around the country who are closely connected to the economic development areas and specifically know who the key operators are in their own markets, and working with them, having a pool of funds that's available for private investors to put forward to help with factoring.

Similarly, an awful lot of our professionals, like dentists for example, are dramatically affected by the crisis because a key part of their business is the dental hygiene area. If you really look at the details of what's being done to dental practices and what they have to spend to set up to handle the aerosols that come from spraying water in peoples' mouths, dental practices, I think, are going to be one of the areas that are worst hit because the costs are enormous, but people aren't really talking about them.

Mr. Peter Fragiskatos: Thanks very much, Jeff. I appreciate it.

I think I have 30 seconds left.

The Chair: You've got time for a quick question. Go ahead.

Mr. Peter Fragiskatos: What would you say to those who would respond to you that the Bank of Canada could organize something like that, or the banks could lead the way there? What is your response to that argument?

Mr. Jeff Wareham: I would say that the banks have a very important role to play because, as I touched on in my presentation, their syndication departments have become somewhat of an old boys' club—no disrespect intended—primarily syndicating their own products through investment advisers. When they represent 80% to 90% of the investment assets, what they really need to do is to wave the flag and get onside with programs that are driven by investor demand and to get out and support private industry.

The government has a role to play in perhaps providing a guarantee with some oversight. The banks have a role to play in getting their investment advisers and their syndication departments behind it.

There are a lot of good ideas out there, and they don't simply extend to the bank-owned investment firms.

Mr. Peter Fragiskatos: Thank you.

The Chair: We are going to Mr. Cumming, followed by Mr. Sorbara.

James.

Mr. James Cumming (Edmonton Centre, CPC): Thank you, Mr. Chair, and thank you to all of the witnesses for being here.

I'll start with Mr. Perrault. In a report on the housing market that you did last month, you estimated that the rebound will be quick, partially because of a rebound in immigration.

I'm now wondering if you would change that prediction at all given the latest changes that CMHC has announced for tightening up of credit.

I might want to send that to Ms. Cooper, as well.

Mr. Jean-François Perrault: No, we wouldn't change that. Our perspective on the changes by the CMHC is essentially that they're moving out of a market that is going to be serviced by the private sector providers. At the very margin, it might have an impact on housing market activity in the urban centres, but we don't think it's going to have a significant impact, as I said, because they're basically freeing up space for the private sector folks to go in. Whether that was the intention or not, I think that's what's going to happen.

The bigger issue in the housing market from our perspective is simply the supply-demand imbalance, which is that the housing market in Canada remains generally under-supplied. Population growth has been really strong. Because of COVID there's been a slowdown in construction activity, so these factors conspire, if you will, to put us in pretty good standing when we reopen and folks are more comfortable going back out.

That's part of what you're seeing, I think, in some of the housing market activity in June and May. There's a sense out there that folks need to jump on a property while they still can, because there still is a shortage, generally speaking.

● (1635)

The Chair: Ms. Cooper, do you want to add anything?

Dr. Sherry Cooper: I do. I think the immigration issue is a very important one for the economy as a whole, and certainly for the housing market specifically. Permanent residents in Canada are typically not welcome at the Canadian banks, particularly new Canadians. They are going through alternative lenders. They're borrowing money outside the country and they're also going into the private sector.

Our assessment is that the CMHC's changes will have very little impact.

Mr. James Cumming: Thank you.

Mr. Porter, you were quoted, I think, as saying that the recovery would be bumpy and that there's never been a recession as widespread as the current coronavirus crisis. Going into this we started to see a slowdown in growth, fuelled, to a large extent, by the resource sector.

How concerned are you about this recovery and about how long it's going to take to get any kinds of growth rates again, given that we've had the coronavirus, and then on top of that a softening in the resource sector and the markets?

Mr. Douglas Porter: Well, of course, we're basically hostage to the virus over the next year or so, but I think that, longer term, the concern is that Canada's potential growth rate had faded to less than 2%. We'd seen very modest productivity growth in recent years. If anything, the medium-term potential growth rate of the economy might be further dampened by this.

If there are any encouraging points to make, it is that we've seen tremendous adaptation by business, by individuals, of technology during this episode. To some extent the future has been brought into the present. Whether or not it's by kicking and screaming, people have had to upgrade their technological skills. Perhaps that might help support productivity over the medium term.

I suspect that the end result of this is going to be slower medium-term growth as a result of the pandemic.

The Chair: You have time for a quick one, James.

Mr. James Cumming: Quickly to Mr. Wareham, prior to coronavirus, I would hear from small businesses all the time that credit availability, access to credit, has always been an issue. I'm intrigued a bit with your notion of the private sector being able to fill some of that gap outside of the major banks.

What kinds of policy or regulatory changes do you think have to happen to make that happen?

Mr. Jeff Wareham: I'd actually say almost none. Again, I'll point back to the fact that probably the biggest challenge is that at one time the pillars in our financial services industry were very distinct. Again, not slighting the big banks, they're an important part of the success of the country, but with their acquisition of the lion's share of the wealth management assets in the country, their conservatism trickled down to compliance oversight. There's enormous pressure on advisers and investment bankers and so on not to put forward a product that is risky to risk-adverse investors.

There is a way to manage that, but at one time there were literally hundreds of syndicated deals brought forward in Canada every year, investing in all manner of industry, through debt or through direct investment into the system. That market has almost completely dried up. I think it's the leasing companies, the factoring companies and so on, that could use an infusion of capital. That infrastructure exists, and it's much less regulated than the banking industry, but it has been dramatically constrained by the move of investment assets onto the big banks' balance sheets, for valid reasons. Again, I go back to moral suasion on the government's part, encouraging the banks to get behind structured products and investment alternatives, where advisers can talk to their clients about putting money back into the economy in ways that were done in Canada for a hundred years.

The Chair: Okay, thank you all.

Following Mr. Sorbara, we'll go to one question each from the following: Mr. Desbiens, Mr. Julian, Mr. Lawrence and Ms. Koutrakis.

Francesco.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

It's nice to see everyone this afternoon.

This pandemic we're in, and the recession that's followed, is obviously quite extraordinary and unique. I look here in my own riding of Vaughan—Woodbridge, where we have certain sectors, and representatives from certain sectors, doing quite well. The retailers, specialty stores, the CP intermodal facility, and a bunch of logistical operators are doing very well and have not been impacted as others have. Unfortunately we have had some bricks-and-mortar retail stores that have been impacted.

I received a call from a young woman yesterday. She's going to be losing her job. The store she works at—I don't want to name the entity— is closing down across Canada, and she's going to be looking for work. With that, she's probably going to be looking to upgrade her skills. In one of the budgets in a prior session, we brought in the Canada training benefit, which was put forward to allow Canadians to upgrade their skills when they have transition.

I think Ms. Cooper mentioned this, and I think another economist mentioned this as well. Looking forward, how important is it for our government to ensure Canadians have access to training to upgrade their skills, especially in those sectors where they're going to be late to come on and have been impacted severely?

I'll throw this out to Mr. Porter first, and then to Ms. Cooper.

● (1640)

Mr. Douglas Porter: It goes without saying that it's incredibly important because barring....We are looking at large chunks of the economy that will remain for a year, possibly two or three years.

As I mentioned in my opening statement, they tend to be sectors that punch above their weight in terms of employment. It could well be that eventually they get back to where they were in 2019, but we have to deal with the very real possibility that there will be large chunks of the economy that are just going to look different even two or three years out.

Mr. Francesco Sorbara: Thank you, Mr. Porter.

Ms. Cooper.

Dr. Sherry Cooper: I certainly agree with Doug that this is an essential component, and it's one that can be done remotely. There's so much training available.

Some large employers that have had to increase their payrolls dramatically, be it Loblaws, Walmart or some of the essential retailers, have gone to the businesses that have been shutting down, where people can't work from home, and making those switches and training, and anything the government can do to assist that is beneficial. That matching is crucially important.

Mr. Francesco Sorbara: Mr. Perrault, fiscal sustainability is very important for me. As an economist by training, someone who watches and reads the public accounts and the budgets year in, year out, we're obviously in a period of time where we need to support Canadians. We need to make sure they don't suffer financial hardship in order to make it through this, and build that bridge to when we can get the economy fully ramped up. About 20% of the economy was taken offline, or put in a frozen position with the pandemic. It's slowly coming back up.

When we look forward, in terms of Canada's fiscal sustainability and how we look at deficits going forward, because we need to continue to invest in Canadians, we need to continue to invest in Canadian infrastructure, broadband, hard assets like subways, roads and so forth. How important is it that we strike that balance of continuing to invest in key investments, not current consumption, but also maintain a good strong fiscal balance sheet?

Mr. Jean-François Perrault: One way to think about your question is to think about the starting point. We got into this with a debt-to-GDP ratio of about 31%. There's no magic GDP number. The reality was that we came into this, and we had a lot of space to support our folks. That was the result of a number of years of efforts to bring it down, so the advantage of having a sustainable fiscal framework is that in times of need like this one, you can draw down on that, and you can make the investments you need to support your economy.

The key thing is that we've done that. At this point I wouldn't worry about that. It's going to sound odd for a bank economist to say this, but I wouldn't worry so much about how quickly we need to get things back under control, because the reality is that we are going to be requiring substantial support, whether it's fiscal or monetary, for at least a couple of years. It's just entirely too early to start thinking about returning to a balance. It's just not the right time to establish a plan to balance.

● (1645)

Mr. Francesco Sorbara: Thank you, Mr. Chair.

The Chair: Mr. Ste-Marie, a single question, and one from Mr. Julian, then we'll go on to Mr. Lawrence.

[*Translation*]

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

My question is for the economists representing the Bay Street banks. We have four of the five with us today.

When we look at the financial results of the big banks, we see very significant profits, not to mention the substantial compensation their executives are receiving. I find an imbalance in tax justice when, on the one hand, the big banks use tax havens perfectly legally for tax optimization purposes and, on the other hand, we are experiencing a pandemic and we are introducing economic measures that cost a fortune, which will have to be paid back.

What argument could you have against a request from Parliament to stop using tax havens that allow you to pay less tax in Canada? This question is obviously for Mr. Porter of the Bank of Montreal, Mr. Shenfeld of CIBC, Ms. Cooper of Dominion Mortgage Centres and Mr. Perrault of Scotiabank.

[*English*]

The Chair: Who wants to go first?

I will say, Gabriel, that these are not the presidents and CEOs of the banks. These are the economists who work for them. However, I'll let them answer as they see fit.

We'll start with Mr. Porter.

Mr. Douglas Porter: Thank you for letting me start.

I guess what I would say is that we have to take a step back and ask what caused this downturn and what we're dealing with. It's obviously a health issue. It's not a credit issue. I think we should be looking at solutions that help us get the economy to grow from this point. I don't believe a lack of credit is at all the issue that the Canadian economy is dealing with, or the global economy.

I think we have to remain focused on how best to recover, at this point. We shouldn't be casting around for villains when the villain is obviously the virus.

The Chair: Mr. Shenfeld.

Mr. Avery Shenfeld: The banks aren't making so much money this year, number one. Banks might like to tell you how well they did, excluding those provisions for potential future loan losses, but those provisions actually count against earnings. First of all, then, this is by no means a banner year for banks.

Someone talked about senior bank executive compensation. I'd like to be one of those senior executives. But all of us are at least compensated, in no small measure, in bank shares, which are down substantially this year. Compensation levels will not be as rosy as the numbers you looked at for last year; I can almost bet that.

Finally, it's not like taxpayer money has been poured into Canadian banks. Canadian banks have not come running to government for taxpayers' money. Obviously, the Bank of Canada has lowered interest rates, and OSFI has helpfully changed capital requirements a bit or loosened up some things, but that's creating lending room that the economy needed. These are measures designed to actually help our clients, which we're certainly happy about, because we want those clients to prosper.

I think the premise of the question is that there's been some magic gift. You need only go back to the recession of 2008 to see that the main program the government did was a program to purchase mortgages off the banks. It let the banks in effect raise money more cheaply than they could have in the market at the time, because the market was very concerned that banks [*Technical difficulty—Editor*] going under.

If you actually roll ahead and ask how the government did on those mortgage purchases, you see they did just fine. They made money. They contributed, actually, to the government. Not everything is a handout.

The Chair: We'll go to Ms. Cooper, followed by Mr. Perrault, and then go on to the next question.

Ms. Cooper, keep it fairly tight, if you could.

Dr. Sherry Cooper: Oh, I can make it very tight, because I'm no longer a bank economist.

I can tell you, though, that having a strong banking system in Canada is a huge advantage for the country. The Canadian banking sector outperforms the rest of the world's banks and costs our government far, far less money than in other countries.

It isn't a good year for banks, but I do agree that there will be no tag days for the Canadian banks.

● (1650)

The Chair: Mr. Perrault.

[*Translation*]

Mr. Jean-François Perrault: Mr. Chair, I have nothing to add to what was said.

[*English*]

The Chair: Thank you.

We'll go on to Mr. Julian.

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

I'm glad folks are proud of the banking system, but when we have a society where almost half the families are $200 from insolvency and families are in record levels of critical family debt, there's obviously a problem. I think the emphasis should be less on making sure we have a great banking system, a gold-plated banking system, and a lot more on actually helping the people who are struggling to get through this pandemic.

My question for you, Mr. Macdonald, is about coming through the pandemic and coming out of the pandemic. One of the big problems is the fact that we have mass abuse of overseas tax havens. I questioned CRA on Tuesday, and they admitted that they don't even have the tools to prosecute companies that are openly engaging in tax evasion through the use of tax havens. The Parliamentary Budget Officer, as you know, evaluates that we lose $25 billion a year, which could go into education, health care, affordable housing and all those things that make a society great.

You framed the issue of either cutting services or having a taxation system that actually responds to the needs of Canadians. How important is it to actually get a grip on these overseas tax havens? How important is it to do things like the wealth tax and make sure that we have a fair tax system in this country so that we're not getting to the point of cutting services but rather enhancing them, not only for a better quality of life but also because it makes smart economic sense?

Mr. David Macdonald: Certainly in terms of international tax havens, they exist because we allow them to exist. We allow them to exist in the sense that we don't require corporate entities operating in Canada to disclose where they declare profits, where they make revenue or where they employ people in this country. As a result, we can't tax them appropriately.

If you are a Canadian organization in Canada, you can't play these sorts of games, because you're required by law to declare where you employ people and where you make your revenue. You pay your corporate income taxes in the jurisdiction where those two things happen; you can't just declare all of your money in the jurisdiction where the corporate tax rate is the lowest.

Internationally, you can; therefore, we allow that. I think one of the big pieces in terms of the closing these types of tax loopholes is fundamental transparency about where companies that operate in Canada make their money and who they employ.

Certainly, their closure is a potential source of government revenue in Canada. At present it's simply being shifted overseas, and no one is paying tax on it.

The Chair: Okay, thank you.

We'll go to Mr. Lawrence.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you.

I'm glad I was preceded by Mr. Julian. I will ask about the flip side of that question.

As we go through the pandemic, we've had a very difficult time. I would beg to differ a little bit on the importance of the debt. When we look at unfunded responsibilities, the debt is close to or even more than $3 trillion at 166%.

Regardless, we have high unemployment and we have low economic growth. I think one of the keys to this, and you can agree or disagree, is productivity and that, of course, of the private sector.

In order to get us out of this situation, both to pay off the debt and to get ourselves back to a higher level of employment and a higher level of growth, we need to enhance productivity. One of the drivers that government can use is to reduce taxes, not increase taxes, to allow Canadians to keep more of the money that they work so hard for, to allow job creators to create jobs and allow business owners to be successful.

Am I incorrect in that?

Maybe Mr. Shenfeld can answer.

Mr. Avery Shenfeld: No doubt, capital spending is important. It's a determinant of long-term productivity. We have to have a competitive environment. I think that we've seen some of the challenges from jurisdictions like the U.S. that lowered corporate taxes. Canada is reasonably competitive in that regard; we're not that badly off there.

I think your fundamental question is right. Ultimately the standard of living of a country is the pie that we divide up. I'm fully sympathetic with the idea that, as we divide up that economic pie, we have to pay attention to how well the people at the bottom of the scale are doing. It's a very important feature. In fact, I think Canadians all agree on that.

Nevertheless, the size of the pie matters, too, and productivity is the key. We have a given population. Productivity is basically just the measure of how much we produce per hour or per person. That's the ultimate source of wealth in any country, so government programs and decisions that impinge on productivity are key.

I would broaden your question. It's not just about taxes. It's not that the lowest tax rate necessarily wins the day, because governments also provide infrastructure. They provide training. These are things that take tax money. It's a balancing act. The government has to have the right highways and roads to move our goods, for example. The governments have to have a good education system. They raise taxes to do that.

It is a balancing act. The full panoply of government decisions that affect output per person is really key to wealth when we think about the medium term.

● (1655)

The Chair: I'm sorry, Philip, we'll have to end it with one question there.

We'll have one question from Ms. Koutrakis, because we have eight people on the next panel, and we have to start on time.

Annie, please go ahead with a question.

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair. I'll be quick.

My question is to Mr. Shenfeld, and Ms. Cooper can also chime in.

What can the government do to accelerate our economic recovery? Can you give some specific recommendations?

The Chair: Mr. Shenfeld.

Mr. Avery Shenfeld: As I think I said in my opening remarks, the single most important thing is actually health policy, because what we're really trying to do here in terms of accelerating the recovery is to get both businesses and households comfortable with the idea that economic activity can resume without everyone getting sick.

It's about things like whether we have the right mask policy in place, for example. A major employer who we just had on one of our conference calls, a major real estate employer, had a policy that people using their bathrooms in their office towers had to have a mask. They were told by that province that masks weren't mandatory and that they basically couldn't impose them.

I think we need to have national policies designed to put us on a common footing. That's the most important thing.

One other thing that I don't read a lot about in Canada is that there is an international race not only to develop a vaccine but to get your hands on it first. I think one of the most important things we're going to do, again in the health area, is to make sure that.... It's going to be every country for themselves here, and that's not just a Donald Trump phrase. We're going to have to make sure that Canada is not waiting for the other billions of people around the world to be vaccinated while we're at the back of the line. That has nothing to do with banking, but in fact this recession has nothing to do with banking either and has everything to do with health policy.

I would add one other point. We've talked a lot about extending credit, but actually, a lot of small businesses don't want to borrow. They're in debt already. They don't want to put any more money on the debt side. If we have a hole in our financial system, I would say that it's more on the equity side. I think we need to come up with innovative ways for small and medium-sized businesses to actually have better access to pooled equity funds, because that's what they really need. They need more equity and less debt.

I would even go so far as to say that we also need to think about when they exit that and try to go public. Our public equity markets have really shrunk in terms of new issuance. We've seen that almost disappear. In the heydays of the income trusts—and I know that was a bad word in Ottawa—we had a lot of companies using that vehicle to go public, and that was a way for the owner to cash in. It may have been a flawed way in part and need rethinking, but I do think we have to think more broadly about not just big companies but smaller companies and getting more equity to them.

The Chair: Okay.

The last quick words go to you, Ms. Cooper. You'll have to close it off.

Dr. Sherry Cooper: I just want to touch on something we haven't mentioned yet, which is the sectors that government can definitely help to grease the skids of economic development. Sectors that will be very important in the growth of the next wave of technology innovation are telemedicine, which we're all engaged in right now; big data; artificial intelligence; cloud services; cybersecurity, a big government issue; and 5G. Compound that with enhanced broadband and computers for everybody and inexpensive tablets for kids. All of that is very important.

● (1700)

The Chair: Okay. That's an interesting note to end on.

On behalf of the committee to all our witnesses, we want to thank you for appearing today and giving us your thoughts, your constructive criticism where it was placed, too, and your advice for the future. Thank you. We wish you well over the summer months.

We will suspend for a few minutes and prepare for the next panel.

● (1700)

_____________________(Pause)_____________________

● (1715)

The Chair: We will reconvene the meeting of the finance committee.

Welcome, witnesses, to meeting number 38, the second panel for today, of the House of Commons Standing Committee on Finance. We are operating under an order of reference from the House of Commons on the government's response to the COVID-19 pandemic.

Just to re-emphasize what the clerk and the folks in the interpretation booth said earlier, one difficulty with these kinds of meetings is that everything has to be translated. When the interpreters are hearing and then speaking over the top of what you're saying, the language has to come in very clearly to them, or it's really hard on the head, to put it honestly. If people could speak fairly slowly and clearly and into their mikes, that would be helpful.

We have eight witnesses on this panel, which is more than usual. I'd ask people, if they could, to keep their remarks to five minutes, or as close to it as they can, so that we have time for questions.

We'll start with the Canadian Steel Producers Association's Catherine Cobden, president.

Go ahead, Catherine. The floor is yours.

Ms. Catherine Cobden (President, Canadian Steel Producers Association): Thank you, Mr. Chair and members of the committee.

My name is Catherine Cobden. I'm the president of the Canadian Steel Producers Association.

I want to thank you very much for the opportunity to share the perspective of the domestic steel industry on the impacts of COVID and our recovery priorities.

Our member companies produce approximately 15 million tonnes of products annually, and we support 123,000 jobs in five provinces, from Saskatchewan to Quebec. Our industry is an important backbone of our national economy.

Furthermore, Canada's steel sector plays a strategically important role in the overall North American economy. We are advanced manufacturers of a 100% recyclable product and a critical supplier to many other key North American sectors.

Today, our industry, like so many others across the country, is facing unprecedented challenges as a result of this pandemic. We truly appreciate the priority that all parliamentarians have given to tackling the pandemic, and we are very grateful for many of the economic measures that the federal government has introduced in support of Canadian businesses and our employees. Some of these have been absolutely invaluable to our members.

As an essential industry, we continued to operate throughout the pandemic to supply our much-needed products to many critical applications. We are certainly proud of our small but important contribution in supplying steel for medical equipment and hospital-grade applications. However, the last few months have been exceedingly difficult for our members. We have seen a dramatic drop in demand from our primary markets, such as automotive, energy, construction and many others, and our members have only been able to operate at about 60% or less of their existing capacity.

On the job front, unfortunately 10% of our workforce has been affected by layoffs, but this is actually a good news story as these layoffs would have been far worse were it not for the Canada emergency wage subsidy program. Our members thank the government and all of you for working together to see this program delivered quickly and, frankly, for the decision to extend the program until the end of August. Our industry views it as a critical lifeline during this unprecedented time.

Moving forward, the steel industry faces a very difficult road to recovery. We are not expecting an immediate return of our business. It's not a “V”. We expect the next couple of quarters, frankly, to be a significant challenge. In that regard, we are urgently sharing with you ideas on how to recover the economy in a way that will support the steel sector's full participation in that recovery.

A top priority for us is to protect our domestic market from unfairly traded imports, either from dumping practices, massive importations or other practices that harm our sector. The world has been stockpiling steel throughout this pandemic, and we remain deeply concerned about the “wall of steel” that is already beginning to surge into our market. It's causing injury to Canadian steel producers and will cause more.

In addition, maintaining market access to the U.S. is crucial for Canada's steel sector. The swift implementation of the new CUSMA, including the automotive rules of origin, is a tremendous opportunity for North American steel and our collective recovery. The North American automotive sector is a valued customer of ours, representing about 25% to 30% of all Canadian steel production. As the auto sector returns to operation, we remain ready and able to support that sector in meeting all the "rules of origin" obligations.

COVID-19 has also taught us the value of a strong Canadian manufacturing base, along with the need for strong North American supply chains. We must carry this lesson forward as we emerge from the pandemic to ensure that manufacturing and these supply chains stay strong and resilient. For the steel industry, this includes considering how things like domestic procurement and infrastructure spending priorities could recognize the social, economic and environmental benefits of using North American steel.

● (1720)

Finally, another important aspect of our recovery is enabling investment that improves competitiveness and productivity, and supports environmental objectives. In today's context, Canada's steel industry is facing challenging conditions to attract investment. The strategic innovation fund has been a valuable tool for our sector in incenting investment. In our case, we saw $250 million of SIF funding leveraged to over $1 billion of project funding in the past. Given this demonstrated importance, we call for SIF's recapitalization as part of the government's COVID recovery response.

Thank you again, Mr. Chair and committee members, for the opportunity to be with you today. I'm happy to answer any questions.

● (1725)

The Chair: Thank you very much, Ms. Cobden.

We'll go next to the Canadian Federation of Independent Grocers, Gary Sands.

Mr. Gary Sands (Senior Vice-President, Small Business Coalition, Canadian Federation of Independent Grocers): Good afternoon. Thank you, Mr. Chair.

I'm the senior vice-president of the Canadian Federation of Independent Grocers. I would like to thank the committee for the invitation to participate in your hearings this afternoon.

Independent grocers across Canada serve a myriad of communities in this country, particularly rural, remote and indigenous communities in which we are the only source of food for people in those areas. As such, independent grocers are a critical linchpin in ensuring food security for much of the country. Independents account for about $18 billion in sales and there are approximately 6,900 independent grocery stores across Canada.

We compete on a landscape that is overly consolidated at the retail, wholesale and supplier levels in a number of categories. At the same time, our members operate on overall margins of an average 1.5%, and that is much lower than other retail sectors. To stay on that uneven playing field, independents must differentiate themselves, and they do so by buy buying local, hiring local, supporting local initiatives and living in the communities they serve.

There is no playbook or manual that exists that could have helped guide the industry through this crisis. In the context of panic buying, labour shortages, the closing of most of the food service business, plus the increases in costs through the entire supply chain, this industry, for the most part, has responded very well by supplying groceries and supplies to Canadians.

That being said, there have been issues around the issue of supply that our members have encountered over the last few months that need to be addressed within industry and government. Independent grocers and independent wholesalers have encountered problems getting access to some products.

We understand that for some products there has been a huge spike in demand, particularly when customers want to buy enough toilet paper to last them for the next two years. However, when our members cannot access poultry, flour, eggs or other essential products, including fair access to PPE, such as hand sanitizers and face masks, then that not only impacts the ability of that independent grocer to continue to stay in business but the ability of those people, especially in more rural and remote communities, to access those essential products. The situation we've experienced has put that at risk and that is unacceptable to us. We hope it would be unacceptable to this committee as well.

Too often, over the past few months, we've had conversations with associations representing supply-managed sectors or companies in the consumer packaged goods areas, and with governments, that were taken aback when we would explain that what they were saying, in terms of supply, was not what our members were seeing. There were two different realities.

There are issues around distribution that need to be addressed and fixed. While panic buying has subsided, we could see a second wave, or at some point, some other pandemic or crisis could again arise. This means we all need to ask what we can learn from the past few months.

This industry, producers, processors and retailers, all responded with dedication and an exemplary commitment to ensuring Canadians had food and essential products. However, there is learning and things we can all do better in the event of another crisis. That includes consumers refraining from panic buying, but it also means wholesalers and suppliers have to ensure there is fair access to products for all retailers.

It also means governments have to ensure there are going to be mechanisms in place that allow our independents to access PPE supplies, both for the protection of their customers and employees. As well, all agriculture and food ministries, federal and provincial, must end their entrenched and systemic preoccupation with on-farm to the exclusion of off-farm. They are fond of slogans such as “gate to plate” or “farm to fork”, but the reality is, and it doesn't matter what party is in power, scant attention is paid to this end of the supply chain.

I would like to conclude by pointing out how the reality for all small and medium-sized businesses has changed and will change as a result of COVID-19. We know this because our members have been open as an essential service. We know what lies ahead for everybody, because we're on that road right now.

Increased costs to enhance consumer and team member safety through rigorous and stringent in-store cleaning, enhanced safety protocols, additional supplies of PPE, including installation of plexiglass barriers, are just some of our new realities. For independent grocers, because we're not part of the on-farm sector, we have received no government financial support unlike other parts of the supply chain.

● (1730)

As well, this committee in particular should be cognizant of the significant migration away from cash on the part of consumers to credit and contactless payments. This has meant, and will mean, a correspondingly significant erosion of the bottom line of most businesses because of the increased percentage they must now pay in interchange fees. Since large chains pay much less in interchange fees as a percentage than small and medium-sized businesses do, this erosion has a disproportionately deeper impact on those without the leverage of a Walmart to negotiate more favourable rates.

It is naive to believe that these billions of dollars siphoned out of the pockets of those SMEs do not have a huge impact on what Canadians pay for goods and services. Of course they do, but with the percentage of credit transactions now so much higher, this will make it a much more difficult journey for many businesses on their road to recovery in the next couple of years.

In the context of COVID-19, we would urge this committee to recommend that the government revisit the current agreement with the credit card companies, yet to go into effect, to reduce fees to an overall average of 1.4%. The payment landscape is much different now. All of us need to work together to put this country back on its feet, and credit card companies need to be part of that solution.

Thank you again, Mr. Chair and members of the committee, for the opportunity to speak with you today. We very much appreciate it.

The Chair: Thank you, Mr. Sands.

We'll go to the Association for Mountain Parks Protection and Enjoyment, Mr. Back or Mr. Karlos.

Mr. Yannis Karlos (Co-Chair, Association for Mountain Parks Protection and Enjoyment): Thank you.

Good afternoon, Mr. Chair and members of the committee.

Thank you for providing us this opportunity to appear before you and for the important work your committee is undertaking. It's much appreciated.

We're here today to provide you with a picture of how devastating COVID-19 has been for businesses located within Canada's mountain national parks. We also have several recommendations to propose to the committee that would provide immediate relief to our businesses, as tourism and revenues plummet.

My name is Yannis Karlos. I'm the co-founder of Banff Hospitality Collective. We own and operate 11 restaurants in Banff. Joining me is Stuart Back, vice-president of operations for Pursuit's Banff Jasper collection. Together we co-chair the Association for Mountain Parks Protection and Enjoyment.

AMPPE is a member-based organization that represents over 1,000 businesses operating throughout Canada's seven mountain national parks. Collectively, we employ tens of thousands of Canadians. AMPPE advocates for accessibility and positive visitor experiences in these parks. We believe in healthy parks. Conservation is fostered when visitors experience nature in a deep and meaningful way.

As recently as last year, our region welcomed over five million people and contributed $3 billion per year to Alberta's economy. Visitors to Banff alone generate about $250 million in provincial tax and $470 million in federal tax revenues annually.

As economic diversification has become a priority in Alberta, tourism's contributions will only increase in stature. As a result, we are seeking to work with governments to do everything possible to support our industry as we navigate this difficult period.

The formerly busy streets of mountain parks towns are nearly deserted. In mid-March, over half of Banff's residents, or an estimated 5,000 people, lost their jobs, and there has been a limited recovery since. On the Victoria Day weekend, typically one of the busiest of the year, we saw an unheard of 92% drop in visitors. The local economies of Banff and Lake Louise are almost entirely reliant on tourism, with that of Jasper close behind. Nearby towns such as Canmore, Hinton, Pincher Creek, Invermere, Revelstoke and Golden also rely heavily on the mountain parks and tourism for their economic well-being.

Sadly, there's limited short-term relief in sight for our towns. A recent study by the Vanier Institute found that 72% of Canadian families are unlikely to travel in the next year. Borders remain closed. Interprovincial travel is being actively discouraged, and flight capacities are a fraction of what they once were. Sixty per cent of visitors to Banff National Park originate from outside of our regional market. Businesses in mountain parks remain squeezed between federal and provincial guidelines, and perhaps most important our business viability is built on summer visitation carrying us through the slower winter season. This was true even before the COVID-19 crisis. I heard someone say recently that losing the summer will be akin to having three winters in a row. The simple fact is that we will need sustained support to survive.

We remain solution-oriented and are deeply committed to our businesses in the mountain parks region. Our recommendations will provide immediate relief to the tourism-reliant communities where we operate.

First, we ask that Parks Canada waive entrance fees to the national parks. This was done in 2017 for Canada 150 and resulted in an increase in visitation.

Second, we recommend Parks Canada extend lease and licence renewals and overholding terms. Local businesses are scrambling to reinvent themselves as guidelines, regulations and visitor circumstances change daily. Extending lease renewals and simplifying terms will enable all parties to focus on recovery efforts.

Third, we recommend that government reinvest in guest experience and infrastructure to support communities within the parks and the welcoming back of visitors. Visitors coming to the mountain parks are seeking a connection with nature through a variety of experiences. Investing in infrastructure and addressing deferred maintenance, as well as our quantified infrastructure deficit, will give Canadians a platform to strengthen their connection to the parks while also providing important stimulus for our local economies.

Fourth, we recommend making our parks global leaders in green and low-carbon visitation by progressing plans for expanded mass transit and passenger rail connections. These projects will help reduce key congestion, lower emissions and protect the environment, while creating jobs and economic opportunity.

Finally, we ask that CEWS, CECRA and the Parks Canada rent relief program be extended for tourism and hospitality-dependent businesses as long as travel restrictions and social distancing requirements are in place. Doing this will create longer-term stability and certainty for our communities and facilitate keeping our people employed.

We would like to thank you once again for your time and attention to the very urgent issues facing our part of the country and our members. AMPPE values this opportunity not only to help you understand the devastating and long-term impacts the COVID-19 crisis is having but also to propose to you some immediate solutions that we very much hope the Government of Canada will seriously consider and act upon.

Thank you. We welcome any questions you may have.

● (1735)

The Chair: Thank you very much, Mr. Karlos. I come from a heavy tourism area myself, and it's not easy.

We turn now to Fairness Alberta and Mr. Bill Bewick, executive director.

Mr. Bill Bewick (Executive Director, Fairness Alberta): Thank you very much for the invitation to appear. It really is an honour to be here today before the House of Commons Standing Committee on Finance.

While everyone's economies are in uncharted waters across Canada, after a five-year downturn, Alberta has been hit extra hard by the COVID-19 crash in energy demand dovetailing with a price war between Russia and OPEC. It seems to most Albertans that if it were central or eastern Canada where a critical economic sector or even a prominent company was temporarily blown into the ditch by international storms, the federal government would be right there with financial and other support.

Thus far, all we've heard coming to Alberta is about $1 billion for reclaiming orphaned wells, as well as some nationwide loan supports that are hard for our energy companies to access. For perspective on that $1 billion, Albertans paid more into the $9-billion auto sector bailout in 2009. What we've seen thus far feels a little more like a nudge into retirement than any kind of stimulus.

As our group Fairness Alberta has shown, Albertans have contributed so much to the rest of Canada, federal revenues in particular, that we believe it's both fair and also in the interest of the federal government and the national economy to give more consideration to the particular issues in our province as we struggle through the worst of this extended downturn. To raise awareness across Canada, we have a billboard right now in Ottawa, on St. Laurent Boulevard, noting that Albertans have made a net contribution of $324 billion since the year 2000.

Every time the government repeats the fact that Canada is in a fiscal position to weather this storm, I think of that $324-billion cushion provided by Albertans. This amount works out to about a $320,000 net contribution per family of four over 20 years. It's really a staggering number. For the members of Parliament who are not from Alberta, that's meant about an average $42,000 benefit to the families in your ridings.

Just for clarity, these aren't just boom-time dollars. In 2017, when we were well into this economic downturn and provincial revenues had just dropped 20%, Canada still got a net benefit of $15.2 billion from Albertans, or $15,000 per family of four.

Now, I do want to be clear. Albertans are proud and grateful for their ability to contribute to the country, just as any province would be, but I believe there are two things that have stoked discontent in Alberta that you should recognize as you consider strategies to pull Canada's economy out of this COVID-induced lethargy. The first is the many ways that federal programs, spending on goods and services, and provincial transfers all unfairly direct spending to other provinces. The second is the target that seems to be on our backs despite these contributions.

Regarding the first point, the annual $15 billion to $27 billion net contribution from Alberta has many elements that we at Fairness Alberta are diving into. Consider provincial transfers: The size of the health and social transfers mean that Albertans are contributing another $3 billion more than we get back for services that are constitutionally provincial. We just wonder if that's fair, given the equalization program adds another $20 billion on top of that, or as the Library of Parliament document that I sent you earlier today shows, the federal government spends far less on goods and services in Alberta than in any other province. We fund about $11 billion of the total, but even with two large military bases and so many indigenous communities, only $5 billion gets spent back into Alberta. Is that $6-billion difference fair?

The second point that fuels anger and discord is of course the target placed on the diverse, integrated, world-leading energy industry that has driven our large fiscal contribution. While competitors internationally innovate and drive, even amidst lower prices, our industry has faced fights over pipelines, tanker bans and GHG-related policies that create large, competitive disadvantages.

The result has been investment in jobs sent to regimes with far worse environmental or labour standards. Russia recently announced a $155-billion new oil and gas megaproject. That's almost exactly the amount that Alberta has had cancelled or postponed in the last decade. This is not progress.

To conclude, it's critical that you think long and hard about the economic impacts of the policies being considered, particularly things like the new clean fuel standards that might cripple the natural gas sector, as well as any stimulus funds and how they are directed.

● (1740)

I'd also ask you to use the lens of whether this is fair to Albertans. Is this unnecessarily undermining their children's chance at future prosperity when over the last two decades we've used so much of their prosperity to strengthen Canada?

We need every province operating at maximum capacity if Canada is going to recover from this COVID crisis. Please remember what Albertans operating at a high capacity has meant to this country in the past, because with your co-operation, we can help make Canada stronger than ever.

Thank you very much for your time. I look forward to your questions.

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

Turning then to the Fédération nationale des communications, we have Ms. Pascale St-Onge, accompanied by Sophie Prégent.

[*Translation*]

Ms. Pascale St-Onge (President, Fédération nationale des communications): Good afternoon. Thank you, Mr. Chair, for this opportunity to speak to all committee members. I am going to give the floor to Sophie Prégent, who is my co-spokesperson and president of the Union des artistes.

Ms. Sophie Prégent (President of Union des artistes, Fédération nationale des communications): Good afternoon, my name is Sophie Prégent and I am president of the Union des artistes.

The Union des artistes represents 8,500 active members. They are performers, singers, actors, hosts and dancers. I will not hide from you that the pandemic we are currently experiencing has had an impact on 100% of our members.

All performers have been affected. Some have managed to get through a little better, but very few. That is why the Canada emergency response benefit has been an extremely quick and effective remedy for the performers' realities. Thank you for that. The CERB has been extended, and it is a very good thing for our sector. However, this only brings to light the precarious situation of performers in our Canadian society, because, every time the CERB is extended, artists tell themselves that they can breathe easy for another eight weeks. One day, we really should think about looking into a more effective and lasting way to help all the artists and self-employed workers who are living in extremely precarious situations.

I sometimes hear on the radio that, in some sectors, the CERB can lead to awkward situations and have a negative effect on our society, since some workers prefer to continue to receive the good old Canada emergency response benefit rather than to return to work. I can assure you that, in the arts sector, we have no one like that. The reason is quite simple: the longer you are in lockdown the longer you are not seen, and the longer you do not work the more it works against you. When you work, you are seen, and to be seen, you have to work. There is no downside to the CERB in our profession, and people would be willing to go to work for less money than it provides.

Thank you very much for introducing the CERB. It meets a need, but one day, we will have to agree to face the facts and find a lasting solution for our artists, since that is what it is really about.

We might consider an income that could complement rather than work against the CERB. If people have some income, we could make it possible for them to have some more and still add the Canada emergency response benefit, a bit like communicating vessels. We believe that would be one viable and desirable solution.

With that, I give the floor to Ms. St-Onge, who can complete my remarks.

● (1745)

Ms. Pascale St-Onge: Thank you, Ms. Prégent.

I am president of the Fédération nationale des communications et de la culture. We represent over 6,000 people working in the media, arts, culture and event planning sector, including theatre designers and festivals.

These individuals have been hit hard by the crisis, including independent journalists, for whom the current crisis comes on top of the crisis in the media. Most media organizations have had to lay off many people, as has been the case in many other sectors. Almost all independent journalists have lost their contracts. That is why the CERB was and still is so important to them. COVID-19 comes on top of a major crisis across the entire media sector, but also the cultural sector, due to competition from the digital giants.

Here are some key facts about the self-employed. In April, 50.2% of self-employed workers experienced a decrease in hours worked, and in May, it was 42.9%. It is even worse in the cultural sector, and it is not going away anytime soon.

Our message today is first and foremost to thank the government for the speed with which it provided assistance to those we represent. We also thank them for extending that support for eight weeks.

We should start thinking now about what will happen after August 31, because in my sector the recovery will not happen right away and it will take a long time. We do not know if the audience will be there. Economic recessions are terrible for media advertising revenue.

I will stop here. Ms. Prégent and I will be happy to answer any questions you may have.

Thank you.

[*English*]

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

We'll turn to the Independent Broadcast Group, with Joel Fortune and Luc Perreault. I'm not sure who's making the presentation, but go ahead and introduce yourselves.

● (1750)

Mr. Luc Perreault (Strategic Advisor, Independent Broadcast Group): Thank you, Mr. Chairman.

My name is Luc Perreault. I'm the strategic adviser for Stingray, a Montreal-based company that owns and operates a portfolio of broadcasting and music-based services, including Stingray Music, available on cable and satellite and through various applications. We also own and operate over 100 radio stations across Canada. We're a global company active in 103 countries, with over 1,200 employees worldwide.

I have to switch languages now, so this requires a little bit of gymnastics.

[*Translation*]

I appear before you on behalf of the Independent Broadcast Group. With me is Joel Fortune, our association's legal counsel.

Our association represents 10 independent Canadian broadcasters operating in the television, radio and digital media sectors. We serve diverse and varied communities in all regions of Canada.

[*English*]

COVID has hit industries that depend on advertising very hard. We estimate that the broadcast advertising market has shrunk by 50% or more since January.

Before COVID-19, the Canadian ad market was already challenged by the growing dominance of large non-Canadian digital platforms, such as Google and Facebook, which are cutting into the broadcast ad market, much like what has happened in the newspaper industry. COVID-19 has made the situation much worse.

You also need to consider the high levels of concentration of ownership and vertical integration in our domestic market. A small number of the same companies control a large portion of broadcast revenues in all business lines via their multi-platform assets.

[*Translation*]

For example, in 2018, Canada's four largest media network companies—Bell, Rogers, Shaw and Quebecor—accounted for 73.4% of the $86.2 billion generated by media economic activity.

In the cable sector, the five largest broadcast distribution companies accounted for 88% of the sector's revenue. The same companies accounted for 91% of private Canadian conventional television revenue and 83% of total discretionary service revenue.

[*English*]

While independent broadcasters such as Stingray represent a smaller segment of the business overall, we're still fundamentally very important. Independent broadcasters represent fully 40% of direct employment in the Canadian broadcasting sector. We represent 69% of jobs in commercial radio, 39% in discretionary television and 14% of jobs in conventional television.

There's a multiplier effect as well. In a recent study, it was estimated that the independent sector accounts for more than 28,000 full-time positions annually in Canada through our direct operations and through our production and international distribution activities.

This is why we strongly support the extension of the Canada emergency wage subsidy. The CEWS has been critical for many independent broadcasters to maintain employment levels, especially for businesses exposed to the drop in advertising revenue.

We have also proposed additional measures also targeted to our industry.

First, we propose an enhancement of the existing tax deduction for advertising on independent Canadian broadcasters. The deduction would be increased to 130%. This would help level the playing field in an environment that heavily favours Canada's largest broadcasting groups.

Second, we support the extension of the news content tax credit developed for the print industry to the news programming produced by independent broadcasters.

Third, we support the reimbursement of the 600 MHz transition costs for independent broadcasters. These costs are being incurred to free up spectrum for other uses, including mobile use. All of Canada's largest media conglomerates also operate mobile phone businesses, so they will benefit from this transition. Independent broadcasters bear the same costs, but will not see the benefit, and they should be compensated.

[*Translation*]

We know that other initiatives have been put forward to support our industry, such as removing tax deductions for advertising purchased on foreign digital platforms such as Google and Facebook. We believe they make sense and are worthy of your consideration.

Thank you for hearing us today. We are ready to answer your questions.

● (1755)

[*English*]

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

We'll go to the second-last panellist, the International Alliance of Theatrical Stage Employees. We have John Morgan Lewis, international vice-president, and Arden Ryshpan, executive director.

Go ahead.

Mr. John Lewis (International Vice-President and Director of Canadian Affairs, International Alliance of Theatrical Stage Employees): Thank you.

I'm speaking on behalf of the IATSE, which is the largest union in the entertainment industry, representing over 150,000 technicians across North America, including 26,000 in Canada. Our members work in both the film and television and live performance sectors. We are the cinematographers, set dressers, scenic artists, carpenters, stagehands, hairstylists, costume designers and just about every other behind-the-scenes position you can name.

As you've heard, our industry was the first to go down, and it will be the last to come back, particularly in the live performance sector. IATSE members in Canada are experiencing wage losses in the range of $120 million every month. Due to the freelance nature of our work, fewer than 2% of our members are receiving support through the Canada emergency wage subsidy. Many are contract workers and are not eligible for employment insurance, so the only support available to a large portion of entertainment workers has been the CERB.

I want to express my sincere thanks to the Government of Canada for the creation of this benefit. It has truly been a lifesaver. I was relieved to hear this week's announcement that the CERB would be extended for eight more weeks, but I need to make clear that the industry is a long way off from being ready to reopen. Most theatres will not be reopening until the spring of 2021. Live performances cannot restart until government okays large crowds.

Workers will need the CERB extended until the industry is allowed to reopen to full audiences. Alternatively, the implementation of a universal basic income would also address support as well as retention, particularly in retraining workers who are just starting out in our industry and whose employment is typically more sporadic.

The majority of IATSE locals belong to CEIRP, the Canadian Entertainment Industry Retirement Plan, which is a group RRSP plan with $700 million in assets. We have requested that the Department of Finance and the Canada Revenue Agency create a limited window of emergency relief by allowing repayable RRSP withdrawals like what presently exists under the home buyers' plan and the lifelong education plan.

This emergency relief mechanism would have the benefit of making cash available to Canadians in need. Like the home buyers' plan and lifelong education plan, this temporary program would take the form of a repayable loan, and the funds would be made available between now and December 31, 2020, or extended due to the pandemic.

Prior to the pandemic, film and television production levels in Canada were at historic highs, fuelled in large part by the increase of foreign service work and the dramatic increase in industry capacity and infrastructure. The industry has been working collaboratively to ensure that we are ready to return to these levels and even higher when work resumes.

We should not be content with simply returning to those previous levels of production. Now is the time for the federal government to partner with provinces to invest in this industry in order to bolster our capacity. The demand for audiovisual content, particularly on streaming sites, is growing worldwide, and Canada is in a unique position to take advantage of this growth. Our crews and talent are recognized around the globe as being world class. Now is the time to be bold and work with our industry to expand our capacity to create good-paying jobs for the future.

The last point I want to mention is a concern for the industry, particularly the domestic producers. It is the ability to secure insurance in an environment where there's a real risk of a production's being shut down due to COVID. Without adequate insurance, the industry will not be able to reopen. Domestic producers have a proposal before the federal government that, in very broad terms, is asking the federal government to act as an insurance backstop whereby producers could contribute to a pandemic-coverage insurance pool that would total $100 million and be administered by the federal government.

IATSE and other labour groups support this proposal, with two caveats. The first is that workers should be paid out first for any outstanding wages and benefits, and should also receive some form of severance should a production go down. Safety must also be a priority, so the second caveat is that any producer taking advantage of the program must adhere to an industry-negotiated safety protocol that ensures the health and safety of the cast and crew.

Now I'll defer to Arden Ryshpan.

● (1800)

The Chair: Go ahead, Arden.

Ms. Arden Ryshpan (Executive Director of Canadian Actors' Equity Association, International Alliance of Theatrical Stage Employees): Thank you very much.

IATSE and the Canadian Actors' Equity Association are in a coalition along with our colleagues at the Associated Designers of Canada and the Canadian Federation of Musicians. We've begun to work on some ideas for some additional short-term supports to our sector, and I'd like to share a couple of them with you now.

They include relaxing restrictions on our arts organization's ability to access funds from its endowment, beyond those currently identified as unmatched funds; temporarily amending the Income Tax Act so that live performance ticket purchases are treated as charitable donations; devising and implementing federal tax credit incentives for live performance organizations, similar to the types of tax incentive policies that exist for film and television production across Canada; additional assistance to help attract live audience attendees by providing theatres with funding equal to 50% of the average on the previous five years' ticket sales, so that they may reduce ticket prices in order to attract audiences; lastly, working with all arts and culture stakeholders to design, implement, and fund a national marketing campaign aimed at encouraging Canadians to return to the various arts and culture venues as patrons and audiences.

In these difficult times, people have turned to what we do for solace and entertainment. They have listened to music. They have watched artists perform online from their homes and stream previously recorded theatrical productions in extraordinary numbers. The importance of arts and culture in the lives of Canadians has never been greater, and neither has the need for support to the artists who are providing that entertainment.

We'd like to say thank you very much for giving us the opportunity to speak to you today on this important matter. John and I, of course, would be happy to answer any questions you may have.

The Chair: Thank you both.

Before I turn to the last witness, I'll give members a heads-up on the speaking order for the first round. First will be Mr. Cumming, and then Ms. Dzerowicz, Mr. Ste-Marie and Mr. Julian.

Turning to Triodetic Ltd., we have Mr. Morroni.

Mr. Lawrence Morroni (Marketing Manager, Triodetic Sales, Triodetic Ltd): Good afternoon, honourable members of the Standing Committee on Finance. We appreciate the opportunity to talk with you.

Triodetic is a structural engineering company based outside of Ottawa in Arnprior, Ontario, where we design, engineer and manufacture. Founded over 60 years ago as a spaceframe architecture company with projects throughout the world—Ontario Place Dome, the glass wall at the John F. Kennedy Presidential Library and Museum, the Melbourne Arts Centre Spire—Triodetic was invited 40 years ago by the Canada Mortgage and Housing Corporation to develop a foundation solution for permafrost soil for aboriginal housing needs.

We designed and manufactured a steel spaceframe steel foundation system called Multipoint Foundations to support buildings on unstable soils such as permafrost, flood plains and brownfields. The Multipoint Foundation system works like a floating raft slab, protecting the structural integrity of the building despite the differential settlement of the soil. Since then, we have been supporting housing and commercial projects throughout Canada, the U.S., Norway, and Russia.

Mr. Peter Chabursky (Manager, MultiPoint Foundation Division, Triodetic Ltd): Recently, after the success of the Multipoint Foundation system in northern regions—in Alaska and northern Canada—it was adapted to brownfield and infill projects for low-income housing programs. One that was successfully implemented was on the Lower Mainland of British Columbia in the Vancouver area. We developed, with our modular manufacturing partners, a housing program to fill the need for local housing. Within a matter of months, low-income housing was set up in brownfields in the interior of Vancouver.

We're promoting that idea. That's why we're here to advise the committee that Canadian technology is available to do this effectively. Some of our partners are in Alberta, so we try to help the Alberta economy in that respect. We use Canadian-made steel for our foundations, so we're supporting the Canadian industry. We're supporting the steel manufacturers and also the aluminum industry at the same time.

We have an opportunity to grow even further and to assist the Canadian government in this unfortunate situation with the COVID pandemic. Some of our partners are able to develop rapid response buildings that can be used in multiple venues. They can be used as triage centres. They can be used as housing facilities. They can be used as storage facilities.

We're here to inform the committee that with their assistance and their input, with our partners we can help them to be better prepared in the future and to use these building for other projects. It's very beneficial for all. It will help the Canadian economy because, again, we're using Canadian steel, which is made here. We bring it into Arnprior. We cut it here. We roll it here. We galvanize it here in Canada. Then it goes out.

It's not only in Canada. We're also working with housing projects even in California, so we are able to export our expertise and our technology to other fields. That's basically why we're here to inform you and to advise you that we're ready to work with anybody.

● (1805)

The Chair: Thank you.

We certainly thank all the witnesses for their presentations. As you can see, this panel is quite a mix of witnesses, but there's a benefit in that other witnesses can see first-hand the challenges that other industries, other sectors, other individuals have across the country, and the challenge of finding solutions.

We will have to go to five-minute rounds instead of six, and we'll start with Mr. Cumming, followed by Ms. Dzerowicz.

Mr. James Cumming: Thank you, Mr. Chair.

I'll start with Mr. Bewick. You talked a lot about the discord in Alberta and the frustration that was felt from Albertans, even pre-COVID, because of the slowdown in the marketplace and the difficulties that the resource sector has seen. We've heard from many witnesses about how important that resource sector will be in the recovery for the country, and I've never known Albertans to want to take a handout.

Could you elaborate on what would help Alberta from a regulatory standpoint and as non-monetary assistance that the federal government could participate with?

Mr. Bill Bewick: It's no secret that there's a huge problem with the lack of pipeline access, all of the hurdles that have come up since, and more hurdles that the government is considering putting forward through Bill C-48 and Bill C-69. That does mean that all of our oil prices are discounted at a huge rate, because we have a captive audience down in the U.S. that is our sole purchaser. There's that, and then there's the tech resources issue.

Recently, there's so much uncertainty. Everybody understands that Canada has always taken environmental responsibility very seriously, and the sector takes it very seriously. There just needs to be a clear path and clear goalposts that don't get moved. To get those investors back, we need to have confidence that this time the government won't be changing the goalposts.

Mr. James Cumming: If we can get that right, are you of the opinion that Alberta can come out of this, lead the country again and participate fully with both transfers and stimulating the economy by getting people back to work?

● (1810)

Mr. Bill Bewick: Absolutely. The oil and gas sector is actually only about 25% of our economy. We have diversified considerably over the last 30 years through various means, including a lower regulatory burden and lower taxes on companies. Alberta is raring to go.

Of course, when you have the third-biggest proven reserves of oil and it's a product that's highly in demand across the world, it's inevitable that it's going to carry a big weight in your national economy. If we can get that functioning at a somewhat competitive level, then everything else is going to take off. I'm extremely confident about that. We will be back to providing a lot of support to the rest of Canada in terms of jobs here for people who are underemployed in their home communities, or with manufacturing jobs that spin off to those communities and all the net transfers our higher incomes are able to provide for the rest of the country.

Mr. James Cumming: What are you hearing from the resource sector on the loan programs? It was suggested that it would be days. Then it became weeks, and now it's months, and we still haven't actually seen the details on a lot of these loan programs. Is that adding to the frustration with the province and with that energy sector?

Mr. Bill Bewick: Yes. I mean, the $1 billion that has been earmarked for potential reclamation is helpful, but as I've pointed out, look at how much Albertans contribute to national revenues. We paid about $1.4 billion or $1.5 billion into the $9-billion auto sector bailout in 2009. We paid more to help bail out Ontario's auto sector than it looks like we're getting to help our own sector at this critical time. We certainly hope more is coming, but so far it's been pretty quiet.

Something else we've pointed out at Fairness Alberta is that the fiscal stabilization fund also really needs reform. Retroactive payments have been unanimously agreed to by the premiers. We hope we see some action on that as well.

The Chair: This is your last question, James.

Mr. James Cumming: Okay.

If we get this right, Bill, it sounds to me like a lot of that discord would fade if government gets out of the way and lets business get back to gaining market access and being able to build up and do the things Albertans want to do. Would that be a fair assessment?

Mr. Bill Bewick: Absolutely. That's the biggest part of it. Also, though, we want to be able to be a massive economic engine for the country.

We would also like to see some reforms on a couple of programs, though, to make the way in which the funds are distributed around the country more fair. Certainly, the first step is letting us get back to being a major source of wealth for the country.

The Chair: Thank you both.

We will go to Ms. Dzerowicz and then Mr. Ste-Marie.

Ms. Julie Dzerowicz (Davenport, Lib.): I want to say a huge thanks to everyone for their excellent presentations.

My first question is for the International Alliance of Theatrical Stage Employees and the Canadian Actors' Equity Association.

Thank you for being here. I'm very blessed in my riding to have a huge community of artists, creators and those who work in the culture industry. You both have done a wonderful job of articulating their stress, their worries, their concerns and I think some of the great ideas that are coming out in terms of how we proceed. I want to delve down a little bit into your ideas.

Mr. Lewis, you talked a little about retraining workers. I would like you to elaborate a little, because I think it's important for us to understand. We do appreciate the comment you made that your industry was one of the first to go down and will be one of the last to come back. I think we recognize that it will be some time before we see the full sector come back. We're trying to explore certain ideas. Could you talk a little bit more about what you meant by retraining?

Mr. John Lewis: I live in the riding next to yours, and yes, we do have many Toronto members. Technology is changing rapidly in the industry, in theatre and motion picture and television, and the ability to stay on top of that is crucial. We're growing so exponentially. The industry is growing by leaps and bounds in many sectors across the country. We are dedicating tremendous resources to training and retraining to maintain people in the industry.

The concern is that if our industry continues to stay shut down, many of our members have skills that are transferable to other industries. We have carpenters. We have painters. They can leave and go and work in the construction industry. The concern is that if this downturn is prolonged and there isn't support, we may lose crucial people in the industry as we come out of it and as we look to grow.

We now are developing training programs to attract diverse communities into the industry as well. With the COVID shutdown, we've had to put those programs on hold. The xoTO program run by the Toronto school board and the City of Toronto is a great example of that. Unfortunately, we've had to put a hold on that.

● (1815)

Ms. Julie Dzerowicz: Mr. Lewis, you also mentioned—and I thought it was a good proposal in terms of partnering with the provinces—bolstering audiovisual resources in order to create some good-paying jobs in the future. Could you elaborate a little on that? Then I have a couple more questions.

Mr. John Lewis: We are seeing a fundamental change in viewing habits around the world. The growth of audiovisual streaming services is not going to change any time soon. We are close in proximity. We are a friendly place for large U.S. studios to go.

One thing that was holding us back was not having a lot of infrastructure in the industry. We did, but it wasn't enough, so you've seen in the last number of years a large number of studios being built in Vancouver, Toronto and other locations. We're seeing that, and we need to invest more in that infrastructure to increase our capacity. There are many large feature films that bypass Canada. We get a lot of television and we get a lot of features, but we don't get what we call the real tent-pole features in Canada.

There are things we can do to tweak the tax credits. There are some provinces, like Quebec, Manitoba, Ontario and British Columbia, that have been very aggressive on tax credits. When tax credits were first introduced, when Paul Martin eliminated the shelters and brought in tax credits, it was always envisioned to be a fifty-fifty split between the federal government and the provinces. It's no longer a fifty-fifty split. I think we have to look at refining that.

We have a capacity to really grow this industry. We're really at a tipping point where we can take this industry to another level.

Ms. Julie Dzerowicz: Okay. That's wonderful.

On the insurance proposal that you mentioned, David Weaver also proposed that. I know that proposal has gone to the government, but could do me a favour, Mr. Lewis? Could you please make sure that you formally submit that proposal to our committee afterwards? It just allows us to take that into consideration as we make recommendations.

Mr. John Lewis: Absolutely.

Ms. Julie Dzerowicz: The other thing I want to give voice to, because I've heard it a lot, is that there's a lot of stress within the community around the CERB. I know there was a lot of relief when it was extended for eight weeks.

I do want to let you know that our Prime Minister has mentioned this. There is an understanding that there are industries that are going to take longer to come back. There's also an understanding that there are many workers who don't have access to EI. As well, we know that there are three million people without jobs. We have to find some sort of ongoing mechanism to continue to support workers and to continue to support those without work in Canada. I just wanted to make sure I gave voice to that point.

I have, if I can, one more quick question.

The Chair: Make it very quick.

Ms. Julie Dzerowicz: It is to Ms. Cobden from the Canadian Steel Producers Association.

Ms. Cobden, I know you mentioned dumping practices, and you were worried about that. My understanding is that one of our committees—I think the justice committee—was considering Bill C-17. There was a provision around dumping practices there. Was your association consulted, and if you were, what was the outcome?

Ms. Catherine Cobden: Yes, in fact, we were concerned with the original proposal that was related to the Special Imports Measures Act that was included in a recent bill from Justice. We worked with many members of Parliament, including our steel caucus and the chair of that caucus, and we were able to communicate our concerns.

Essentially, I think the implications were just not thought through in the sense that this was going to give a relief valve to imports and egregious imports. We did not want that, obviously, nor did anybody else. We're really happy that those provisions, which were the worst for us, were addressed. Obviously, the status of the bill is what it is, but the provisions themselves that would have really caused a significant problem to the Canadian steel producers were removed.

Ms. Julie Dzerowicz: Thank you.

● (1820)

The Chair: Okay, thank you.

I believe we're going to Ms. Desbiens or Gabriel Ste-Marie.

Go ahead, Ms. Desbiens.

[*Translation*]

Mrs. Caroline Desbiens (Beauport—Côte-de-Beaupré—Île d'Orléans—Charlevoix, BQ): Thank you, Mr. Chair.

My thanks to my colleague Mr. Ste-Marie and to the witnesses for their expertise.

As the Bloc Québécois critic for arts and culture, I will essentially focus on that sphere of activity.

We applaud the fact that the CERB has been extended. As Ms. Prégent said, and, as all your speakers and representatives have said on many occasions during the consultations, it will clearly not be enough, simply because most of the economic activity for artists and workers in the creative industry takes place during the summer.

It is often during that period that things get really busy, so that you can put a little aside, in a little piggy bank, as they say, in preparation for the quieter periods that sometimes happen in the cultural sector in November or through the winter.

My question is for Ms. Prégent or Ms. St-Onge. In the next sessions of Parliament, we might be able to convince the government to create a special CERB or, even to see the extended CERB like an investment. My introduction will be a long one, but I will listen to you afterwards.

In 2017, we learned that the culture industry was contributing $53 billion to Canada's GDP. This is the Standing Committee on Finance, so it is very helpful to provide such significant numbers. It is a little more than agriculture, so it is quite astounding. It shocked me personally; I was surprised to see it. You could consider that extending the CERB is a way of investing in economic benefits in the future. With no culture, there will be a $53 billion hole in the country's budget for next year.

Ms. St-Onge and Ms. Prégent, what do you think of the possibility of seeing it as an investment?

Ms. Sophie Prégent: I will start, if I may.

Of course, that would be helpful for our sector.

I tend to say that we often talk about an anglophone culture and a francophone culture in Canada and in Quebec, but, honestly, culture as such does not exist. What exists are creators of culture. It essentially takes human beings before it can become a national identity.

Sometimes, I get a little annoyed and I say that we have to start stop talking about culture as if it was a jewel in our national crown, our Canada. Culture is by definition intrinsically about the artists and about people. We have to think globally, but, at a certain point, we really have to focus our thinking and ask ourselves who are the people that contribute to our culture. Who are those people?

Too often, we say that we have to improve the socio-economic conditions for the artists, but that is always part of our overall collective thinking. I would like us to take that down to the people with families and with children, those who never manage to earn their living in the sector. At the moment, my impression is that a lot of money is invested in culture, but much less that…

Mrs. Caroline Desbiens: It doesn't come back.

Ms. Sophie Prégent: Exactly. Much less that permeates all levels of the cultural sector, our organizations, those that subsidize us, for example. We just have to think that the most fertile ground is lower down.

Mrs. Caroline Desbiens: What do you think about the danger of losing artistic expertise, as artists run into financial trouble and feel obliged to go elsewhere in order to feed their families? I feel that a lot is lost in that respect. What do you think?

Ms. Sophie Prégent: It is the worst thing that could happen.

Mrs. Caroline Desbiens: Absolutely.

Ms. Sophie Prégent: It is the worst thing that could happen. It's already happening with music. Unfortunately, almost all musicians have a second job.

● (1825)

Mrs. Caroline Desbiens: And those jobs are often in the restaurant business, which is not operating either.

Ms. Sophie Prégent: Exactly. That is closed too. All the people with the creative power and talent are going to do something else. When that happens, we will certainly not be talking about identity and culture any more. There will no longer be one and we will find something else.

Mrs. Caroline Desbiens: There will no longer be one, and as we are at the Standing Committee on Finance, there will be no GDP either.

[*English*]

The Chair: I wonder if Ms. St-Onge wants to add anything.

We're nearly out of time, but go ahead.

[*Translation*]

Ms. Pascale St-Onge: I will be very brief with this.

I would like to expand on the issue of economic impacts. The impacts that you mention are the direct impacts of the cultural industry. However, we must not underestimate the power of attraction of the creative industry in Canada on foreign investments and on the quality of life and the social cohesion.

What you were saying about the loss of expertise is what we are hearing on the ground. A number of our members, both in the cultural sector and in the media, are seriously thinking of changing their fields. That would be a dramatic loss for democracy, for the diversity of voices, for our country's creativity, and for innovation. In fact, the cultural sector is also a source of innovation that inspires all our other industries in Canada.

Mrs. Caroline Desbiens: The repercussions are also felt in the tourism industry in particular, which is a major retention factor—

[*English*]

The Chair: Sorry, Ms. Desbiens, but we're out of time. We have to move on to Mr. Julian.

I believe Mr. Greg McLean has joined us. He'll follow Mr. Julian.

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

Thanks to all our witnesses, and we hope your families are safe and healthy.

I'm going to start with Mr. Lewis. I represent part of Hollywood North in Burnaby, British Columbia. It has more studio space than anywhere else in Canada, so IATSE is extremely important to our community.

I'm in constant touch with people from the sector. Jagmeet Singh is the neighbouring MP, and we fought very hard to make sure that the CERB was extended, but that's only a temporary solution.

You've outlined a number of things that should be the next steps. One of them is having access to UBI, a universal basic income, so that artists and folks in the film sector are not worried about whether or not next month everything will be cut off. You've also talked about a variety of supports that can be put into place.

How important is it that the government act now to make sure that our film industry and arts industry can thrive coming out of this pandemic?

Mr. John Lewis: I think it's crucially important.

Many years ago a prominent left-wing politician, Hugh Segal, talked at my university about a universal basic income. I think the time has come to relook at that.

I think it addresses issues for people working in the arts, because there's always this vulnerability, and I think that's what my colleagues from Quebec were just referencing too. It isn't just COVID; there's a constant vulnerability in earnings and how we undervalue and underappreciate people who work in culture and the arts.

If there's a silver lining, maybe this allows us to re-examine the notion of the value of people who work in the arts culture industry. The time is now, when we have great opportunities.

You can see in Burnaby the number of sound stages that are being built. That's not by accident, and what I'm hearing is that we need more. If there is a way that the federal government can partner with the industry to build more, that is what we need.

If there are ways that we can tweak the tax credit to bring even more work.... I think there's a role for provinces and the federal government in terms of this insurance issue, which is crucially important for domestic producers. They need that in order to start back up again. Without it, it's going to be a very precarious restart.

[*Translation*]

Mr. Peter Julian: Thank you very much.

My next questions go to Ms. Prégent.

Ms. Prégent, my family and I are fans of yours out here on the west coast of Canada. We have followed your career. Thank you very much for joining us.

I would like to ask you the same question about the CERB and the creation of a guaranteed minimum income for artists.

To what extent could that help our artists finally get out of this crisis, wherever they live in Canada?

Ms. Sophie Prégent: Actually, a system like that already exists. In Europe, for example, they have intermittent workers. I don't know exactly how it works. Whether it's called a guaranteed minimum income or something else, this pandemic is highlighting the precarious lives our artists and creators in the cultural sector are living, whether they are on the East Coast or the West Coast.

So, clearly, I feel that we have to turn our thoughts to a proposal that would be permanent. It's terrible, but it has taken a pandemic for us to think in the longer term. Let's be smart and sensitive and let's try to look into the future so that this crisis can serve some kind of useful purpose.

We could certainly study ways to do it, but at some point, we are going to have to recognize the reality of self-employed workers, who represent 60% of our society. They are in a second class of workers, who, at the moment, have no social safety net. Four out of 10 workers have one, while six out of 10 do not.

● (1830)

Mr. Peter Julian: Thank you.

[*English*]

My final question is for you, Mr. Sands.

You raised the issue of interchange fees. Other countries basically have put handcuffs on the banks' gouging of people. I know of many small businesses that are impacted by the high cost of access through interchange. How important is it that the government, given that they've provided about $750 billion in supports to the banks, actually require the banks not to gouge small businesses on interchange fees?

Mr. Gary Sands: We feel very strongly about it. I don't think there's an issue that's more important for all small and medium-sized businesses in Canada.

I do want to start off by saying that the government has brought about a new agreement, which was to go into place in April and has been delayed. That was definitely an improvement over the agreement that was in place with the previous government, but there's still much more to be done. The gap that exists between what the main street small businesses in this country pay and what a company such as Walmart pays is indefensible. It's inexcusable.

I want to go back to the grocery sector and have members understand the context of this. These independent grocers—I'm going to have to pick my sector, but I know that I'm speaking for all small and medium-sized businesses—are at margins of 1.5%. The new agreement that is supposed to come into effect is to provide an overall rate of 1.5%. That's an overall rate, and that's disingenuous, because the rates for premium cards actually drive that higher.

How do you make money? How does a small and medium-sized business in this country make any money when your margins are so tight? On the interchange fees, if Walmart can get 0.89%, why can't other small and medium-sized businesses in this country get the same? We've never had a clear, concise answer given. It's almost a deafening silence.

The amount of money we're talking about is billions of dollars, and I'm saying to this committee that we need to take another look at this, because in the post-COVID landscape there are going to be a lot of potholes on that road to recovery, and we don't need the credit card companies putting up any more roadblocks. That's what exists now. They have to be part of the solution. If they're not, they're part of the problem.

The Chair: Okay. Thanks to both of you. We're well over time.

We'll go to Mr. McLean, who will be followed by Mr. McLeod.

Mr. Greg McLean (Calgary Centre, CPC): Thank you very much, Mr. Chair.

First of all, I'm going to ask Ms. Cobden some questions. It was an excellent presentation from my favourite witness at these meetings.

Ms. Cobden, the first thing I have to ask you about is the customers of your members and where the actual products end up eventually. For the Canadian steel producers, can you tell me what percentage of their production actually goes into the extractive industries in Canada?

Ms. Catherine Cobden: Thank you very much for the question. It's nice to see you again.

In fact, as I'm sure folks are aware, the energy sector is an incredibly important sector customer of ours. Yes, it's one of our top three. Markets for us are the energy sector, the automotive sector and the construction and infrastructure sector. All of these sectors are extremely important, so I do want to thank you for the opportunity to explain the importance of the role of the energy sector in this country to the Canadian steel producers.

● (1835)

Mr. Greg McLean: Thanks, Ms. Cobden.

If I can continue with that, if you could envision an economy where we were doing less drilling for oil and gas than we are currently, or that we were last year, how much employment would that take out of your industry?

Ms. Catherine Cobden: First of all, let's not talk about the drilling levels of today, because it's a very deep and difficult circumstance. There are a good number of Canadian steel producers that rely very heavily on the energy sector's prosperity. Their strength is our strength. Like it is with all of our markets, the better they do, the better off we are.

As well, the most important aspect of that is their commitment to using Canadian steel. That is a message that we continue to put out there, which is that the Canadian steel producers are a great partner for all of these customers. We're in it with them for the very long game, and we hope to see them come back to a very healthy position very soon.

Mr. Greg McLean: I appreciate that very much, and so do many of my friends here in western Canada.

You mentioned the trade mechanisms that are happening with our trading partners like the United States through CUSMA. There is the issue of the carbon leakage that will happen because of the carbon tax, and the number of jobs that will bleed off your industry because of the mispricing of Canadian steel versus American steel, which is one market at this point in time.

Can you explain how many jobs aren't going to come back from COVID because of that mechanism?

Ms. Catherine Cobden: Let me first explain that CUSMA is an extremely important deal for us. You mentioned CUSMA. It's an extremely important agreement. We want its implementation. We're looking forward to July 1. We want all parts of CUSMA to come into full play as soon as possible, including, as mentioned in my remarks, rules of origin.

The carbon issue is a very interesting one. The Canadian Steel Producers took a leadership position on this issue just a few months ago, just before the COVID situation hit. Part of our thinking was that we wanted to be very good actors and help green the supply chain for Canada's energy sector as well as all of our other markets that I've mentioned.

You may or may not be aware that we made a collective goal. The members of the Canadian Steel Producers Association adopted a goal, as we call it, an aspirational goal of net zero by 2050. We want to work with our customers, particularly our energy customers and our auto customers, etc., to help them.

Mr. Greg McLean: Ms. Cobden, I asked about the number of jobs that would drift to a different jurisdiction if we have to cost carbon into the steel mechanism.

Ms. Catherine Cobden: Yes, it's part of our quest on the net zero to find solutions to reduce our carbon footprint. We don't anticipate losing and don't want to lose any jobs. That's part of the point.

Mr. Greg McLean: You talked about money. The strategic innovation fund in particular has been a boon to a lot of industries and has helped them in many respects.

Given the strangulation and the finances that are going to happen going forward, unless we actually find new revenue sources for the federal government, how do you see the government allocating funds to what it used to support, given what it's looking at supporting going forward? That's after $250 billion to $260 billion so far of COVID financing.

Ms. Catherine Cobden: I understand that choices have to be made. We made important choices around the emergency wage subsidy and the important role it has played.

As it pertains to SIF, though, our view is that we really need to attract the right investment in this country. In our current climate that will be very, very difficult.

We have a proven track record with SIF. With the strategic investment fund we were able to demonstrate significant investment attraction to four times the amount of level put in. I'm very confident that this was a good choice. I understand choices have to be made. That is certainly one that we are behind, and we hope will get recapitalized.

The Chair: Next is Mr. McLeod, followed by Mr. Lawrence.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chairman, and thank you to everyone who presented today. I want to ask the Independent Broadcast Group a couple of questions.

I represent the north. I've had a lot of opportunities to talk with the media in the north. More specifically, I have had many chats with the indigenous media in the north. I can still turn the radio on in the Northwest Territories and hear indigenous languages spoken on a regular basis. We have 11 official languages, nine of which are indigenous. I can turn on my TV and listen to people and watch them speak their language.

It's very important to have indigenous language shared and promoted through the use of media. I can also hear messages being passed on to people who are out on outpost camps, traplines and hunting. It's still a tradition that we use.

We've seen many challenges with radio stations. A number of smaller community radio stations have shut down. We had 33 community radio stations. We got to the point where half of them have closed because of new technology, and the cost is unaffordable.

I believe you have members in your broadcast group that are indigenous.

What challenges have you seen with the COVID outbreak? What has it brought in terms of new challenges to indigenous media that they've faced in the last little while?

● (1840)

Mr. Luc Perreault: Thank you for the question.

APTN is a full member of the Independent Broadcast Group, but they're solely focused on television, not radio. The radio business is a very, very tough business, and with COVID, if I take the example of Stingray, we're going to see revenue decline about 50% to 60% compared to last year. Unfortunately, we had to let go a little over 100 employees temporarily, because even with the wage subsidy, maintaining operations is very difficult.

I understand what you're facing in the northern territories, because operating a transmitter north of Yellowknife is as expensive as operating a transmitter in downtown Toronto, and your audience obviously is not the same. To restore that level of service that you used to have, in my opinion, you should take the view of operating what we would call community radio stations that can be subsidized by provincial and federal authorities. I know that's something—

Mr. Michael McLeod: Would that be your recommendation? I'm asking because my next question was going to be on how some of these challenges can be addressed by the indigenous media.

Mr. Luc Perreault: The non-profit aspect of community radio makes it open for provincial and federal subsidies to maintain operation. I can relay the message to the folks at APTN, who can further the discussion with you, but that's one recommendation I would look at.

Mr. Michael McLeod: Thank you very much.

Mr. Joel Fortune (Legal Counsel, Independent Broadcast Group): If I can intervene, one of the key funding mechanisms for indigenous radio in the north has been the northern aboriginal broadcasting program, which is funded by Canadian Heritage.

Funding to that program has really remained static since the 1990s, and it's not a lot of money—it's less than $10 million in total—for quite a range of indigenous broadcasters across the north. Just with inflation since the 1990s, you can imagine that actual real dollars going to those organizations have declined over time. I know that's a fundamental issue for indigenous radio across the north.

Mr. Michael McLeod: Yes, I hear that concern all the time.

Thank you very much.

The Chair: Next is Mr. Lawrence, who will be followed by Ms. Koutrakis.

Go ahead, Philip.

Mr. Philip Lawrence: Thank you.

My first question is for Mr. Bewick.

I'd like to ask him a harsh question, but one that I think is raised far too often.

What would happen to Alberta if the oil and gas industry was stopped today?

• (1845)

Mr. Bill Bewick: As I said, Alberta has diversified a great deal since the 1980s, I think in large part due to lower taxes and lower regulations, but also from spinoffs from the wealth created by that oil sector. We are in a place where we have other things we do, of course, but it would have a pretty drastic effect, just as it would in any province if 25% of the economy was a certain industry and that industry disappeared tomorrow. It would be a pretty dire recovery for a decade at least, but Albertans are resourceful and hard-working and I'm sure we'd find a way to struggle back.

Looking at it the other way, it would be a real lost opportunity for Canada to continue to profit and have spinoff jobs from an industry that provides a product that the world is going to be wanting in copious amounts for another three decades at least.

Mr. Philip Lawrence: For sure. Thank you, Mr. Bewick.

Ms. Cobden, what would be the impact to your industry if Alberta's oil and gas industry ended today?

Ms. Catherine Cobden: Again, just to reiterate, Alberta's energy sector is a very important market for Canadian steel, so for it to continue to be prosperous is certainly a very important objective of ours.

We think of our marketplace in thirds—the auto sector is a third, the construction and infrastructure sector is a third, and the energy sector is a full third of our marketplace, so it would be very significant, clearly.

Mr. Philip Lawrence: Thank you.

Mr. Sands, what would happen if Alberta's oil and gas stopped? What would be the impact on the grocery stores in Alberta, and across the country, really?

Mr. Gary Sands: It would significantly increase prices. The cost of transporting goods is a significant one in terms of the bottom line. It would have a huge impact on our industry, particularly because many products are seasonal and there are imports.

Mr. Philip Lawrence: Thank you.

Mr. Karlos, do your organizations—and I have to say that Banff is among the most beautiful places in the world—receive any money from the federal government or the provincial government? If that money disappeared tomorrow, what would be the impact on the parks?

Mr. Stuart Back (Co-Chair, Association for Mountain Parks Protection and Enjoyment): Clearly, being a federal national park, there's certainly money that flows into the park for the infrastructure there, the park's infrastructure, but the result of that is the economic activity, that $3 billion, and $250 million in provincial taxes and $470 million in federal taxes.

I think it's important to note as well that about 40% of the business in that region, the $3 billion, comes from Alberta, from the wealth of successful [*Technical difficulty—Editor*]

Mr. Philip Lawrence: Thank you very much for that.

To our friends with the theatre alliance and the stage employees, I have to say that I absolutely love live theatre. Thank you for all you do.

To what extent do you receive any subsidies from the federal government or the Province of Alberta, and what impact would there be if those were taken away tomorrow?

Mr. John Lewis: Perhaps I'll take that question. Arden, please feel free to join in.

The federal government and all provincial governments have some funding formula for most arts organizations through the Canada Council for the Arts, and there are similar provincial agencies. In addition to that, industries themselves will make direct contributions to specific art festivals and that sort of thing. I'm sure there is a significant contribution from the industry in Alberta, but I'm just not aware of that information.

• (1850)

The Chair: Okay. We will have to move on.

Next is Ms. Koutrakis.

Annie.

Ms. Annie Koutrakis: Thank you, Mr. Chair, and thank you to all our witnesses this afternoon.

My question is for Mr. Bewick.

Mr. Bewick, thank you for your presentation and for highlighting the contribution made by Albertans since 2000 by way of equalization payments and for which all Canadians are thankful. We all know that Albertans are going through an exceptionally difficult time. Our government is working hard to find solutions and to provide the help that is required during this difficult time, not only to Albertans, but to all Canadians from coast to coast to coast.

I'm curious to get your thoughts on whether you agree with the current equalization formula, which was implemented by the Harper government and in which Jason Kenney was a senior minister and, just to remind everyone, both of whom were MPs from Alberta. I'm curious to get your thoughts on that, please.

Mr. Bill Bewick: Sure. Just two days ago, Fairness Alberta released an analysis that had eight ways to reform equalization. I encourage everybody to have a look at fairnessalberta.ca. There are always economists and think tanks that often put out one or two flaws in a program, but I think we've put together a very comprehensive list that in three pages gives you a really good primer on the key elements of the equalization program that are problematic for some people, including the recipient provinces.

So no, we definitely think there are some significant reforms that could be made within the program. Some of them would benefit Alberta. Actually, the first four would have some impact on Alberta, and the other four wouldn't, so long as Alberta is not a recipient province. There would still be ways to make the program fairer and generate more support for the concept—it is in the Constitution—across Canada.

Ms. Annie Koutrakis: In the interests of time, would you be able to walk us through...? We don't all have time to go onto the site right now.

Mr. Bill Bewick: Yes, sure.

Ms. Annie Koutrakis: Maybe you could elaborate on just one.

Mr. Bill Bewick: The first problem, which I touched on a little bit in my comments, is that the health transfers and the social transfers are a $75-billion federal program which goes to provinces to cover provincial services. Because Albertans pay a higher proportion of income tax, we end up actually subsidizing that program by $3 billion. Now, that's $3 billion that goes from Alberta taxpayers, through the federal government, to other provincial governments to cover what is a provincial jurisdiction. There's a duplication of equalization, because there's also an equalization program that's meant to redistribute funds to provinces to ensure that they can provide good services. We'd like to remove that duplication.

We also think the unchecked growth on the program...$20 billion now, and it grows with GDP, regardless of how close provinces are getting. The other big point is that despite the fact that fiscal capacity has been shrinking pretty significantly over the last few years, particularly due to the energy downturn, the equalization program keeps growing. In theory we could all be within 1% of each other, but the lower half would get a full $20 billion.

One last thing to think about is that it focuses on equalizing the fiscal capacity of provinces to pay for their services, but it doesn't think about what it costs to deliver those services. We're trying to find a way to make sure everybody can deliver relatively equal services. It doesn't make any sense to ignore that it might only cost 85% as much to run a hospital or to run a service in a certain province compared with, say, Alberta or Toronto or Vancouver. We really need to think about making sure that we reflect the cost to deliver those services.

The Chair: This is your last question, Annie.

Ms. Annie Koutrakis: Thank you.

Mr. Sands, during this COVID-19 crisis, many Canadians have begun to increasingly rely on e-commerce platforms to meet their needs, including buying groceries online. I expect that grocery delivery will be a highly valuable service for many Canadians, in remote areas specifically, once the COVID crisis ends, and specifically for those who may have limited mobility. Do you see an opportunity here for the independent grocers to maybe offer some delivery services or some other kind of service that may be a market niche?

Mr. Gary Sands: Yes, for sure, and independents are already doing that. The independents are up against the chains—the Loblaws, the Walmarts, the Sobeys—and their niche is to differentiate. That's what I was talking about earlier. They hire local, support local and buy local. That's really their niche.

You bring up an interesting question that I'd love to talk to the committee more about sometime—I'm sensitive to the time today—and that's about the growth of e-commerce, which can operate everywhere and at all hours. You have to juxtapose that with the realities of businesses. This is not just independent grocers; it's also the other businesses in your riding, bricks and mortar. They're paying fees and premiums. They have to adhere to bylaws and myriad other regulatory and financial challenges that the e-commerce giants, mostly from outside of the country, don't have to deal with. It's an interesting question.

To circle back to your question, yes, that is something we're adapting to. It's like the migration away from cash. There is still a need for independent grocers to have that strong bricks and mortar presence in communities across this country.

● (1855)

The Chair: Thank you, both.

I don't think we've had a session where we haven't heard something about the e-commerce giants from outside the country.

Before I go to Mr. Ste-Marie, I have a question for the Canadian Steel Producers Association.

Ms. Cobden, looking ahead at recovery, how prepared are Canadian steel producers' clients to invest in Canadian facilities for long-term viability? What's necessary for the Canadian government to do to ensure that the investment becomes part of a recovery strategy?

Ms. Catherine Cobden: Indeed, attracting the investment needed to make that happen is tricky. It's tricky today, it was tricky yesterday and it will likely be tricky tomorrow. It's why we feel very strongly that there's a big opportunity for us to attract that investment if we work together to stimulate it. That's where our recommendation around recapitalization of the strategic innovation fund comes from. It has been a very successful fund.

There's a lot of good, strong competition for that, by the way, but in the steel industry we are happy to compete for that support. It does bring investments to our industry and to our markets. It's extremely important.

Beyond that, there are things that can stimulate our individual marketplace. We have different ideas on that too. They're not related to steel itself but to large consumers of steel.

The Chair: Thank you for that.

I guess one other part of that is, if the federal government is not there for the steel industry, what happens with the international clients you would have?

Ms. Catherine Cobden: I think that, again, this comes back to how we attract the investment here. There's no question that our industry is competing with their international colleagues all over the world for that investment. Anything that can be done that brings Canada to the forefront of bringing these dollars to our industry for that recapitalization of our sector is critically important to us. If that doesn't happen, the investments won't come, and we will not continue our quest to be the most competitive and the most productive; so they're linked.

The Chair: Thank you for that.

We'll go to one question from Mr. Ste-Marie and one question from Mr. Julian, and then we'll wrap it up.

Mr. Ste-Marie.

[*Translation*]

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

Mr. Speaker, my question is for Ms. St-Onge. Ms. Prégent can add to the answer if she wishes.

As we have already said, we are satisfied up to now that the Canada emergency response benefit has been extended by eight weeks. However, we are concerned about what comes afterwards, especially for workers in the cultural sector, all the more so because, for that sector, the summer has been a washout, as has been mentioned. In addition, support measures for culture do not get to the workers easily. I am also thinking about our media, especially about the independent and regional media.

Ms. St-Onge, what does the government have to do?

Ms. Pascale St-Onge: The government can do a lot to help the media and culture. First, everyone is thinking about a program to support self-employed workers in a longer term, meaning a program other than the CERB, either a variation of it or a guaranteed minimum income. Now, as we know, establishing a new program can take time. So we have to make sure that, when the eight additional weeks are over at the end of August, the workers do not find themselves with no income. In fact, at the moment, they really need the CERB. It is allowing them to pay their rent, buy food and feed their families. I am really asking you all to keep that in mind. It is very important. Our people are going to need that income for a lot longer.

Specifically with regard to the media, there are also a number of measures that the government can take. I remember that, when the payroll tax credit for the print media was established, the expert panel and the Senate committee recommended that the base level of eligible payroll be raised and that the tax credit be set at 35% rather than 25%. In the current crisis, it is even more urgent to do that. I would even suggest extending it to newsrooms and the broadcasting media, which are also currently experiencing a major drop in advertising revenue.

Finally—and this goes for culture and the media alike—as the current crisis is going to give rise to a crisis in public finances, I believe that Canada no longer has the luxury to do without revenue from the tech giants, either through income tax, other taxes, or even by introducing new mechanisms. Digital should provide opportunities for culture and for the media. The giants are occupying so much space at the moment that they are preventing the growth of our media and our culture. They are threatening the very existence of our media. They must therefore contribute to our system in the same way as Canadian stakeholders do.

● (1900)

Mr. Gabriel Ste-Marie: That is clear. Thank you.

Ms. Prégent, do you want to add anything?

Ms. Sophie Prégent: No, I feel that Ms. St-Onge has said what needs to be said.

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Mr. Julian, go ahead, and we'll have to wrap it up after you.

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

Thank you to all our witnesses. It's been a very interesting discussion.

My final question is for you, Ms. Cobden.

Brian Masse, our industry critic, and MPs like Scott Duvall and Matthew Green have been talking about the importance of having the steel industry involved in an overall industrial strategy.

In Canada, we haven't done a very good job compared to other countries. How important is it for Canada to finally develop an industrial strategy with one of the key components being steel producers and the steel industry?

Ms. Catherine Cobden: I think it's one of the lessons we need to take forward from this pandemic. We've lived through a horrible circumstance here, but one of the bright spots in it is the understanding of the importance of manufacturing in the Canadian economy and the role it can play to have the capabilities in our own country to make and create necessary and essential goods. I think that is a really important aspect. Steel producers are the largest manufacturers. We're a significant footprint in that regard, so a strategy that really takes shape and understands the aspects of how we continue to grow our business and be successful is obviously something that we would support.

The Chair: Thank you.

I have just a couple of points.

Mr. Bewick, could you send us those eight points you mentioned on equalization?

Mr. Bill Bewick: I can do that.

The Chair: Mr. Karlos, you mentioned four points to assist parks. I know you didn't get to elaborate much on it. If you could send those to the clerk, as well, they will be in the record. Send them to the clerk, and we'll pass them on to Finance.

Triodetic, you were asked no questions. We just met prior to this panel with bank economists. They certainly said that health is one of the areas that is key to the recovery, dealing with the health side of this.

Have you approached anyone or has anyone approached you on what you indicated your company can do in terms of quickly setting up medical facilities and those kinds of things? I think you have a very, very interesting proposal that would certainly apply to Mr. McLeod's territory up north where there are problems with permafrost and everything. Have you been approached on the health side about what your company can do?

● (1905)

Mr. Peter Chabursky: Actually, we have. It's been happening since this pandemic was announced in March. The paperwork has been in the works. The designs have been in the works. They've just come across our table now in the last week, actually finalized.

We're working with a steel-frame manufacturer in Ottawa to create these quick, deployable rooms, hospitals or buildings that our foundations can go on to. You have a steel structure and a steel foundation that will be able to go basically anywhere in Canada. It will be containerized. Again, it can be used by any provincial government, any ministry, any municipal authority that needs support and help in terms of quarantine.

Say we have the workers coming in to pick our fruits and vegetables. We need to have a secure place for them. That will be available as a facility. If you need to do some triage up north, especially in the Arctic regions, this either can be deployed by a barge or can be sent up in the back of a Hercules airplane because it's all containerized.

We are working very diligently. It's coming to fruition as we speak. I can't say anything else. There are certain legalities that I cannot divulge right now. It's in the works, and we're thankful for the support from the Canadian government in this project.

I think you, as a committee, are aware of what's going to be happening pretty soon.

The Chair: Okay.

Thank you, all, for your presentations.

This was a fairly mixed, wide-ranging panel that's covered a lot of bases. I think it shows how complicated things are in this pandemic time.

On behalf of the committee, I thank everyone for their presentations, for taking our questions and also for the constructive criticism that was laid out. We appreciate it from all angles. Thank you again.

The meeting is adjourned.