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• (1405)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Welcome to meeting number 18 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference of Tuesday, March 24, the committee is meeting to discuss the government's response to the COVID-19 pandemic.

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

For the best sound and the best procedure, when we go to questions, please wait until I recognize you by name. Unmute your phone, and then go to your questions. Try to specify who your question is for. It makes it a little easier when we're on a teleconference such as this.

I should explain to members, who will have seen that the notice of meeting has changed, that the first panel is for two hours with five witnesses. Because the Canadian Bankers Association could stay for only an hour, I split the second two-hour panel into two one-hour panels so that we could do the appropriate questioning of the Canadian Bankers Association and the credit unions. Then the second hour-long panel will follow that which is on your list. That's what happened in that regard.

With that, if witnesses could hold as tightly as they could to five minutes in their remarks, that would be helpful.

Welcome to all of the witnesses. We'll start with the Canadian Chamber of Commerce and Susanna Cluff-Clyburne, senior director, parliamentary affairs.

Susanna, the floor is yours.

Ms. Susanna Cluff-Clyburne (Senior Director, Parliamentary Affairs, Canadian Chamber of Commerce): Thank you, Mr. Chair.

As you know, my name is Susanna Cluff-Clyburne and I hold the small and medium business file at the Canadian Chamber of Commerce. I'll be sharing my time this afternoon with my colleague, Leah Nord, who is the director of workforce strategies and inclusive growth at the chamber.

Thank you for the opportunity to speak with you today regarding the impact of the COVID-19 pandemic on small and medium businesses and the government's response to it.

Today's March employment data from Statistics Canada lays out a sobering picture of just how badly Canadians and the businesses that employ them are being hit by this crisis. With small and medium businesses providing nearly 90% of all private sector employment in Canada, we know they are being hit the hardest. However, we didn't need today's data to tell us that. All of us are hearing from SMEs every day about how this crisis is, or will be, affecting them if they don't get help.

We are impressed at the rapid response of the federal government to the COVID-19 crisis. We are also heartened by the co-operation of parliamentarians from all parties on getting done what needs to be done to get income assistance to Canadians and tools to businesses to help them get through and out of this crisis in the best possible shape.

Income support programs for individuals appear to be working well. The Canada emergency response benefit proves what government can do. It is a testament to the will of the government and the hard work of public servants to get desperately needed help to Canadians.

Not surprisingly, at the Canadian Chamber of Commerce what we hear most about, though, are programs targeted to businesses. Of those, the emergency wage subsidy has caused the most confusion and concern. We're relieved that the government has listened to the concerns businesses had first with the level of the subsidy and more recently with the eligibility criteria.

Yesterday, we learned of welcome changes to the program that would see many more businesses able to benefit from it. We are particularly relieved that the government clarified that not-for-profit organizations and registered charities are eligible employers for the subsidy and announced flexibility for them in reporting their revenues. This will help organizations like chambers of commerce and many others to keep serving those who rely upon them.

However, there remain some hurdles to be cleared before employers and employees can begin to benefit from the subsidy. The first is recalling Parliament as soon as possible to pass the required legislation. The second is getting the assistance to eligible employers. This needs to be done in a matter of days, not weeks. In weeks many businesses simply won't be there. There is also the harsh reality that if your business has been ordered to close to prevent the spread of COVID-19 and you are employing nobody as a result, this subsidy will not save your business or your employees' jobs.

Programs introduced to provide access to more capital for entrepreneurs involve them accumulating more debt when their businesses are failing through no fault of their own. Some of those that are in a position to take on more debt, for example, through the Canada emergency business account, are finding themselves unable to qualify for reasons that quite simply don't make sense.

One small business in Alberta that employs far fewer than the 100 employee definition of a medium-sized business has a payroll that exceeds the \$1 million limit by \$13,000, so it cannot qualify. It's laying off staff and cutting back on its operations rather than hiring additional staff for its busy season as it had hoped. If an incentive to make it as easy as possible for businesses to qualify for support programs and to get that help to them while they're still around to use it ever existed, today's employment data is surely it.

We ask that Parliament rapidly reconvene and approve the Canada emergency wage subsidy and we urge the government to get those urgently needed funds moving to businesses now.

I'll now turn it over to Leah.

• (1410)

Ms. Leah Nord (Director, Workforce Strategies and Inclusive Growth, Canadian Chamber of Commerce): Thank you.

I'd like to join my colleague Susanna in thanking the committee for inviting the chamber to speak this afternoon on SMEs. I would like to add that one of the most important aspects of the response to the crisis, and what will likely be one of its greatest legacies, is the Team Canada approach that has been taken: all governments, all parties, all businesses, all labour, all Canadians. As Susanna said, and to state the seemingly obvious, the statistics on the workforce numbers are stark, and we have to look no further than this morning's labour force survey data for March of 2020. Since March 15, there have been more than five million applications for federal income supports and, to be honest, I'm just going to skip over the rest of the bullets here on the data.

We are still in the midst of the crisis and will be for the foreseeable future. We still don't know yet for how long, but we are beginning to see the light at the end of the tunnel. Without disrespect to our Canadian chamber members who are still in the thick of the crisis, I would like to say a few words about the transition and recovery, particularly as they relate to SMEs. We do know that the workforce will be different after this crisis. At this point, any other projections are conjecture. What we do know is that SMEs are the economic engines of this country. Pre-crisis, 98% of the businesses in this country were SMEs and they were responsible for the majority of the employment and employment growth across the country.

How we are going to get out of this crisis, through the transition and into recovery, is simple. We need solutions by small business for small business, by communities for communities, and these solutions need to be driven by local and real-time data, including labour market information. The Canadian chamber's network consists of 450 local chambers and boards of trade across this country. They serve as hubs for over 200,000 SMEs. They can provide space, facilitated time and standard tools through which a workforce planning initiative, developed by our colleagues at the U.S. Chamber of Commerce Foundation, could be utilized. This program, known as the talent pipeline management initiative, can provide a way forward, a way through. To borrow wording from the recently launched Canadian Business Resilience Network, we can move from persevering to again prospering.

Through the question period today, I hope to be able to provide some more information about this initiative and what it can do for Canadian business and the economy as a whole.

Thank you.

• (1415)

The Chair: Thank you very much, Leah and Susanna.

Next, from the Canadian Federation of Independent Business, we have Dan Kelly.

Go ahead, Dan.

Mr. Daniel Kelly (President and Chief Executive Officer, Canadian Federation of Independent Business): As I'm sure everyone knows, these have been incredibly difficult times for small and medium-sized firms across the country. I've spent 26 years working with and for small businesses and have never seen anything like this. This challenge started with small and medium-sized firms. With these economic circumstances and challenges, unlike previous recessions or economic turmoil which typically starts with large companies and trickles down to smaller companies, it has been the reverse, starting with main street and moving its way up to Bay Street.

We at CFIB have been absolutely flooded with calls from small business owners. Many of them are almost paralyzed as to what they should do next. We typically receive about 50 calls per day from small business owners and that's now up to 800. Just last week alone, we had five small business owners talking to us about suicide. That is how dark this has quickly become for so many small business owners who, of course, we all know have an incredible responsibility on their shoulders to help not only their families who rely on the business for their source of income, but also the families of their employees. I can't underscore enough just how dark and dangerous these days are for so many small business owners.

I provided the committee with a deck and slide 3 of that deck shows some brand new data that we've collected at CFIB. We've now done four surveys, one each weekend, of the impact this is having on small firms. One thing I think the committee should know is that only about 20% of Canadian small and medium-sized firms remain open; 80% of small companies are either fully closed or largely closed as a result of trying to do their part to slow the curve. Much of that, of course, has been ordered by government.

Cash flow is a major concern for small businesses, and their long-term business finances are also worries. On slide 5 we share that 30% of businesses right now do not have the cash flow necessary to pay even their April bills, let alone the bills that are going to be coming forward in the months ahead.

I will say that there have been a variety of helpful programs that have been established. I do wish that these programs had started earlier. We have been, of course, pushing and pleading for some further support. The largest concern for small business owners right now, the number one cost, is wages and we've lost some ground. Many layoffs have happened as a result of the fact that there haven't been programs in place to support wages at a much earlier stage. That 10% subsidy that was implemented a few weeks ago is a helpful measure, no doubt, but it took us some time to get to the 75% figure, and even more time to get the details right. We still don't have the program out there.

I say that knowing that there are tons of civil servants and political leaders who have been working tirelessly to try to put these measures together and are doing two years of work in two days or two weeks. However, a lot of this is now too late for businesses, and the prospect of their rolling back some of the layoffs is limited.

We asked our members about the Canadian emergency wage subsidy. This was done this past weekend before the additional details that were rolled out just a day or two ago. About 30% of small businesses said this CEWS would help them, but 36% of our members said no, they would not be helped by it. Others were unsure.

How will the Canadian emergency wage subsidy help small businesses? The largest group said that it would help them retain staff who are still on their payroll. That was 44%. A third of our members said that it would help them retain all of the staff who are on their payroll. Fewer said that they would be able to recall staff as a result.

In terms of the roadblocks, though, to those businesses that are not going to be helped by the emergency wage subsidy, the largest group said it was just too late. They've already done their layoffs

and now reversing everything would be too complicated even if they did qualify. The next largest group, 30%, said they just can't afford to wait up to six weeks to get the money. Another 21% said they worry that it would be too difficult to demonstrate the 30% test. Many of them have seen revenues drop much more than that, but the 30% test has been quite a blunt one for many firms and they're just not sure that they're going to have the evidence to provide the CRA to make sure that they qualify. Then still others know that they're not going to qualify because their sales drop has been less than 30%.

● (1420)

We're pleased to see other measures being put in place, such as emergency business accounts, but all of these programs have major design challenges. We're trying in real time to iron some of them out. In the case of the Canadian emergency business account, unfortunately the threshold of \$50,000 to \$1 million does cut out a large number of micro-sized businesses, as well as some that have a million dollars in payroll, such as large restaurants. We're urging government to expand and change some of these programs to allow more businesses to access them.

Our preferred option, of course, with the Canada emergency wage subsidy, is eliminating the 30% test altogether, particularly for small and medium-sized firms, and making it more akin to the British program that allows you to enter without additional paperwork or evidence to be demonstrated.

I'll cut my comments there. I have a lot of data on all of the major programs. We're grateful to the government for the steps that have been taken to date and grateful to the opposition parties for suggesting helpful amendments, and we're willing to work side by side with all parties to improve these programs to support some of the businesses that are hanging on by their fingernails.

Thanks so much.

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

We will turn now to the Fédération des chambres de commerce du Québec and Mr. Milliard.

[Translation]

Mr. Charles Milliard (Chief Executive Officer, Fédération des chambres de commerce du Québec): Good afternoon to all members of the Standing Committee on Finance. Thank you for the opportunity to speak to you today in the context of the health crisis brought on by COVID-19. My name is Charles Milliard and I am the chief executive officer of the Fédération des chambres de commerce du Québec. With me is Alexandre Gagnon, director of the labour and occupational health and safety unit.

I remind you that the Fédération is both an association of chambers of commerce and a provincial chamber of commerce. Thanks to our vast network of close to 130 chambers of commerce and 1,100 corporate members, the Fédération represents more than 50,000 businesses operating in all sectors of the economy and in all parts of Quebec.

As you know, the current crisis is unprecedented in our modern times, and its economic and social repercussions will inevitably be damaging for a long, long time. The effects on our economy are obviously being felt immediately. To mitigate these effects, a swift response by the government was needed to find support measures to assist both Canadians and businesses, while keeping within the operational capacity of Canada's public service so that the measures can be put in place as quickly as possible.

However, let's say respectfully that the devil is often in the details, as the saying goes. Sometimes, quick adjustments are required, which the government has done in the past few days. I would therefore like to commend the government and parliamentarians for listening to employers' concerns in Canada and, more specifically, in Quebec.

The changes announced yesterday to the wage subsidy are obviously welcome and they address many of the concerns of employers. Allow me, however, to suggest a few areas for improvement for your consideration.

For some businesses, particularly those in the professional services sector, the full effects of the crisis will be felt several months after reopening, due to the billing and service agreements they have. But the support measures will no longer be in effect. We therefore encourage you to extend the three-month eligibility period for the wage subsidy so that they can apply the measure at the time that is most critical for them.

For some employers, the loss of revenue criterion is also difficult to apply. For start-ups, the crisis will have a greater impact in terms of arrested growth and deferred revenue expectations, making it difficult for venture capital providers to finance them. Players like those will have to look to the future rather than to the past to observe the impact of this crisis.

Offering a loan convertible into a grant on the condition that no layoffs are made and that all employees are retained until three months after the crisis could therefore be an interesting alternative that would keep innovative businesses on track.

We also applaud the government's willingness to reimburse employers for their contributions to employment insurance, public pension plans and, for Quebec employers, the Quebec parental in-

surance plan. This will reassure employers about the cost of their labour and make it possible to avoid many layoffs...

• (1425)

[English]

The Chair: Charles, could I interrupt you for a minute? The interpreter can't keep up with your speed. You'll get a speeding ticket if you're not careful, so just slow down a little.

Mr. Charles Milliard: All right, I will.

[Translation]

We also applaud the government's willingness to reimburse employers for their contributions to employment insurance, public pension plans and, for Quebec employers, the Quebec parental insurance plan. This will reassure employers about the cost of their labour and make it possible to avoid many layoffs and to look forward to a quicker economic recovery. Beyond the promise of support, the money will obviously need to get to employers as quickly as possible.

Loans made possible by the BDC and the EDC partially meet our members' needs. For an SME, having a substantial additional loan is sometimes not an option. It only delays the impact of the crisis on businesses. Flattening the economic impact curve is necessary, but it will still have an impact in the long term, and it also means a more sluggish economic recovery.

Uncertainty and fear at the prospect of repaying a large additional debt could force many employers to make very tough decisions rapidly. For many businesses providing essential services, the crisis does not involve declining revenue, but an explosion of costs caused by more difficult procurement, heightened security procedures and, in some sectors, the obligation to provide additional compensation, comparable to the amount paid by the Canada emergency response benefit, in order to motivate employees.

The government has repeatedly said that it is considering converting some loans to direct assistance. We encourage you to communicate the criteria for doing so quickly, if it is the case, and to include financial institutions in the overall development process, where they are involved.

Many of the measures announced will help us get through the crisis, but we need to start thinking about reopening. Increased and accelerated investment in certain sectors could help get Canada back on track. We encourage you to consider awarding more government contracts as soon as possible, particularly in the areas of information technology, research, technological innovation and transportation infrastructure. A crisis is also a way to think differently and to innovate in order to increase Canada's productivity and facilitate its entry into the fourth industrial revolution.

In conclusion, strong and rapid economic recovery will require business networks capable of informing and supporting our businesses. Chambers of commerce across Canada are being hit hard financially by the current crisis, while businesses are demanding them more than ever.

Unfortunately, we cannot expect Canadian employers to be able to support chambers of commerce as they did before. With this in mind, we encourage you to think with us about how to support these key networks of NPOs dedicated to economic development, but also to operationalizing the decisions you make as parliamentarians.

Thank you.

[English]

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

Turning now to Moodys Gartner Tax Law, Mr. Kim Moody.

The floor is yours, Kim.

Mr. Kim Moody (Chief Executive Officer and Director, Canadian Tax Advisory, Moodys Gartner Tax Law LLP): Good afternoon, committee members. Thank you for the opportunity to discuss the government's response to the COVID-19 pandemic, and specifically as it relates to small and medium-sized businesses.

My name is Kim Moody. I'm the CEO of Moodys Tax. I have a long history of serving the Canadian tax profession in a variety of leadership positions. Our firm's clients are private businesses, and I can certainly confirm Mr. Kelly's earlier observations about how dire the situation is for businesses. It's real.

Again I want to commend the government for its tireless efforts to respond to the challenges for which there are no rule books. I am also appreciative of seeing how the government is willing to change course or update its original positions as it learns and the situation evolves. However, this is a moment in our country's history that demands—and I think it actually requires—all of us to put our interests aside to work together to help those Canadians who are suffering. The issues facing Canada are too difficult for a small group to have all the answers. Accordingly, our government doors need to be wide open for involvement by any persons or bodies that can constructively provide timely and effective alternatives or imperfect solutions to the many challenges.

With that in mind, the two key objectives I believe the government should be looking to achieve are, first, to increase the speed of delivery of the assistance and, second, to make it simple and fix the imperfections later.

To help as many Canadian businesses and Canadian individuals as possible, my suggestion for these objectives can be summarized in one sentence: If any Canadian needs access to the CERB or if any Canadian business needs access to the wage subsidy, send them the cash and create metrics that would result in a clawback of up to 100%, similar to what we have already with the old age security program and the Canada child benefit.

Let's discuss the CERB first.

It's great news that Canadians who need the fund can already apply and get access to it, so government did a great job with the

speed of the program. Here is a small suggestion, though: Don't restrict who can apply. We just need a clawback.

If you use a clawback measure, such as the CPP limit or an individual's 2019 employment income, even if people at high income levels get access to the CERB, they will have to pay it back fully as part of their 2020 income tax filing. The worst-case scenario is that the government has provided an interest-free loan. The only thing the government needs to do is to determine the metrics for the clawback and then add that to the legislation. With this in place, every Canadian could get access to funds and the government would have a full backstop to prevent abuse.

I will now turn to the wage subsidies.

A wage subsidy is a great idea and is needed by small businesses. However, even if the government had months to develop this policy, it would be nearly impossible to prevent the wage subsidy from going to businesses that don't actually need it but will nonetheless qualify, and vice versa. Designing a subsidy that doesn't inadvertently shut out deserving employers would also be very challenging. If a business declares a need for the wage subsidy, I believe we should provide that subsidy and then look to claw back up to 100% of the wage subsidy based on certain metrics.

However, the subsidy should come with conditions. For instance, businesses should agree to cap salaries of all employees, especially the shareholders. We wouldn't want businesses getting the wage subsidy to pay the CEO or the owners, for example, a \$1-million salary. That's just not right. Also, an attestation should be obtained from businesses that employees would have to be laid off without the wage subsidy.

I also don't think the wage subsidy is needed—

● (1430)

The Chair: I'll just stop you for a minute. Somebody has a mike not muted. We're getting a lot of background noise. Could everybody please check their mute buttons?

Okay, Kim, go ahead.

Mr. Kim Moody: Thank you.

I also don't think the wage subsidy is needed for every employee across all sectors. If an organization only requires support for a few employees, just support what is needed, not the entire organization.

Those are what I think are my imperfect solutions.

Turning now to the proposed 75% wage subsidy, unfortunately draft legislation is still not available to the public and I would encourage its release ASAP. It is critical. I am not sure why it's being restricted to such a small group of people and media.

Based on the releases by the Department of Finance to date, there are significant problems with these proposals. Unfortunately, given my time limitations the problems are too numerous to list today, but interested readers or listeners can look to our firm's blog on the topic. In my written notes I've provided a hyperlink to that blog.

The long list of issues that we discussed in the blog can be put into two very general camps. The first camp is the speed of the delivery of the needed financial assistance. Three to six weeks is simply way too long. However, I appreciate the predicament the government is likely in. I loosely understand that the government's ability to deliver funding cannot easily be accelerated given the constraints with technology, and there is likely not enough time to come to an effective agreement with our Canadian banks to help accelerate the delivery of such funds.

The speed lever is likely not one that can be easily pulled, but creative out-of-the-box thinking can help here. For example, allow reductions against the payroll income tax remittances like the 10% wage subsidy provides for, or immediately refund previously remitted payroll and/or GST-HST remittances for a limited period. These can all likely assist in speeding up delivery of funds.

The second camp is the complexity camp for the 75% wage subsidy program. The revenue decline test, with various amendments announced yesterday by the Department of Finance, is far too complex with more questions than answers for the average business owner to figure out on their own. For example, such a revenue decline test does not deal with many businesses that are start-ups, such as technology companies, which may not have any revenue but have many employees. These companies operate with the expectations that they'll have revenue later in their business cycle, but they will not meet the revenue decline test as currently outlined.

The revenue decline test, without a doubt, will require professional help for many to ensure that their attestations are correct to confirm their eligibility and to avoid the harsh penalties if they get it wrong.

There is plenty of opportunity to pull the reduced complexity lever, in my opinion. Of course, pulling that lever will result in imperfect solutions and some leakage, but I ask you, what is worse: one, putting immediate financial assistance in the hands of desperate small business owners with a system that is a little rough around the edges in terms of eligibility and delivery, but cuts a wide swath; or two, crafting a more perfect system that will deliver funds to people who perhaps need it more than others and that can reduce the incidence of bad actors, but comes with tremendous complexity?

In these very challenging times I choose the simple, but less perfect solution. There will be plenty of time for perfect or better solutions later. Implementing a complex system like the proposed 75% wage subsidy will prohibit the success of what I believe should be the intention of government, which is to provide financial assistance to business owners who need it now.

Canadian small business owners, who are obviously the lifeblood of our country's economy, need financial help now. Like most Canadians, small business owners are worried and scared, and in some cases their lifelong efforts, which required blood, sweat and tears to build, are in danger of disappearing along with their employees' ability to earn a living. If they were provided with real and simple assistance to get them through this difficult time, they would be in a much better position to ensure that their lives would remain intact, along with their employees, and they would be in a much better position to get themselves and our country ready for the economic recovery that will inevitably occur.

Thank you.

• (1435)

The Chair: Thank you very much, Kim.

We go to our last witness on this panel, from the Quebec Employers' Council, Yves-Thomas Dorval.

Yves-Thomas, go ahead.

Mr. Yves-Thomas Dorval (President and Chief Executive Officer, Quebec Employers' Council): Hi, and thank you very much for inviting me to share our point of view on this issue. I will deliver my remarks in French, but just before I do, I just want to highlight the fact that the Conseil du patronat du Québec, the Quebec Employers' Council, represents more than 70,000 employers who have activities in Quebec. It can be a Canadian business with activities in Quebec or Quebec-owned companies and so forth.

We represent all sizes of our employers' organizations, all types. These can be public, private, or can be non-profit organizations and co-operatives, and so forth, in all regions and in all sectors.

Our organization is first a *regroupement* of our trade association sectors, associations of employers in different fields. Of course, we also have large corporations as members, but for the purpose of our discussion today I will focus more on the SMEs.

[Translation]

Thank you.

The world is currently facing a health crisis that none of us have had to get through before. There are no historical references behind us to help us better define how to proceed. The challenges presented by this situation are many. Over and above health and humanitarian considerations, this is obviously also an unprecedented economic crisis for the interests we represent.

I will not repeat the suggestions my colleagues made just before me, since we agree with most, if not all of them, particularly those put forward by my colleague Charles Milliard of the FCCQ.

All businesses are affected in one way or another by the current situation. Whether they operate in essential or non-essential services, all businesses are affected. Some sectors are feeling it more than others. This is the case, for example, for everything related to tourism, events, travel, passenger transportation in general, restaurants—in short, all organizations where customers or employees come together in a limited space and do not provide essential services. Essential services can be included, since in their case, we're talking about organizational problems, issues with access to human resources and, above all, the costs of providing their products and services, which have increased enormously. This is also one aspect that the subsidy and assistance program does not address.

We can add, particularly in Quebec, the closure of construction sites. Tens of thousands of small businesses operating in this sector are obviously facing a total work shutdown.

The agri-food sector is fragile; it is affected by such things as the availability of workers and the issue of seasonal foreign workers who can come to help with planting and later with harvesting. Among the impacts on small and medium-sized enterprises, there are specific challenges. First of all, there is a great upheaval at all levels, and their survival is threatened in a number of cases. According to our information, if the shutdown is further extended in Quebec, 25% to 40% of small businesses will probably not be able to survive. There are issues of liquidity, and sudden and sharp drops in revenue in many cases, particularly because of closures in sectors considered non-essential. There are the problems of having to lay off employees. For those that are still operating, the issues are the loss of revenue, the new measures to protect their employees' and customers' health, the need to reorganize work, the absenteeism of affected employees, the management of telework where possible, the accelerated digital transformation, and sometimes the loss of major customers such as large corporations.

● (1440)

We forget, but according to one study, in Quebec, a large company buys an average of \$728 million from 3,000 small and medium-sized businesses. That is huge. It's a whole ecosystem in which the activities of SMEs are sometimes directly linked to those of a large corporation and the disruption of supply chains.

We must not forget the concerns of entrepreneurs, their personal anxiety, their health, and that of their families and employees.

Governments have taken action and implemented measures, adjusting them as needed. The Conseil du patronat du Québec, or CPQ, appreciates what the government, all public servants and all partners are doing. A number of measures for businesses have been put in place by governments, particularly the federal government:

loans and loan guarantees, deferred tax payments, deferred regulatory requirements and, of course, the emergency wage subsidy, which the business community requested and greatly appreciates.

The eligibility criteria for the subsidy have been expanded, for non-profit organizations among others, and we thank you for that. While further amendments are required, I implore parliamentarians to pass the bill as quickly as possible. Of course, it would be appropriate to make changes to improve it, particularly with respect to businesses that are not affected by reduced revenue but by increased costs. However, these improvements must not slow down or stop the passage of the bill.

Our second recommendation is to take steps to ensure that registration and eligibility for the program and the release of money from it can be done as quickly as possible. Six weeks is far too long. Too many businesses will not make it through the “Valley of Death”.

It will also be necessary to explore the possibility of introducing assistance programs specific to the sectors where the effects will be long-lasting. I am referring specifically to those who work in areas that require customers or employees to be in limited spaces, to those who cannot meet the physical distancing or protection standards. We should not underestimate the value chain of the ecosystems in which small businesses operate.

Reopening will also need to be a concern, particularly in terms of the effects on businesses both large and small. As my colleagues have said, the decline in revenue for some companies will not necessarily occur in the short term or in the immediate future. The decline in revenue could occur later, when they receive payments or in subsidiary activities. Consideration should therefore be given to extending the duration of assistance programs.

Once again, we are very concerned about reopening and we have several suggestions on this subject. Rather than listing all those measures, I prefer to give parliamentarians the opportunity to ask us questions, which I will be pleased to answer.

● (1445)

[English]

Thanks very much.

The Chair: Thank you very much, Yves.

We will turn to questions from members now. We do have time to go with a six-minute round for the first panel, and five minutes after that, and I think we can get everybody on. My list is this, which I hope we're all on the same wavelength about: Mr. Cooper first with the Conservatives; Mr. Fraser with the Liberals; Mr. Ste-Marie of the Bloc; and then Mr. Julian of the NDP.

Mr. Cooper, you're on. Go ahead, Michael.

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

I'll direct my questions to Mr. Kelly, as well as the witnesses from the Canadian Chamber of Commerce.

One of the issues with the wage subsidy is that the claim period overlaps the reference period. In other words, the claim period that is coming up begins in mid-April and ends in mid-May, and what that would require is businesses to keep employees on their payroll for April without fully knowing whether they in fact would qualify for a wage subsidy as a result of a 30% decline in their revenues. Do you share this concern?

Mr. Daniel Kelly: Yes, I do think that does hold some concern, but I don't think that's the only uncertainty with the program. What we're hearing from so many businesses is their fear of the uncertainty around the 30% test and whether they're going to meet it. For some, it's whether or not their sales are actually going to decline by 30%, because they're not quite sure.

We certainly appreciate the government's fix to lower that threshold to 15% for March, which will help a lot of businesses, and we're grateful to Minister Morneau and his team for making that happen. However, for other businesses, the issue is the documentation that would be required. For a lot of businesses, even knowing precisely how far their actual booked revenue is going to decline is not the easiest calculation to make.

The CRA is not known for being particularly lenient, and I totally get that, because there are attestations and government is taking some risks so it needs to remind taxpayers about the possibility of cheating and the consequences of that. However, its repetition of that over and over again has led to a fear factor among businesses that if you don't have the paperwork to be able to demonstrate your gross revenue loss at that particular moment or afterwards, or if you've made a mistake, you're going to be facing jail time or massive penalties. It is now at the point where a lot of business owners who would likely qualify are worried about even applying, because they're not sure how they're going to be able to demonstrate this. The more rules and paperwork we put in place to do this, the fewer businesses that really do need the support will be able to actually keep their employees whole and hang onto them while this is going on.

• (1450)

Mr. Michael Cooper: Thank you.

Ms. Susanna Cluff-Clyburne from the Canadian Chamber of Commerce.

Ms. Susanna Cluff-Clyburne: I concur with what Dan said.

We're starting to get questions now from some small businesses because of the gap between the original 10% and the 75% being such a leap, and asking if the government would consider sort of a mid-ground subsidy for companies that can only demonstrate a 20% or 25% loss in revenue. I concur that the 30% is certainly causing a lot of angst, and there is some concern that companies are probably facing more harm if they can't demonstrate it than from just not applying at all.

Mr. Michael Cooper: Mr. Kelly, you said you would support abolishing the 30% threshold altogether. What metric would you support in place of that, if any?

Mr. Daniel Kelly: I think a preferred metric ideally is not to have that 30% test. When I looked there were 20 EU countries with similar wage subsidies in both amount and structure to Canada's. It's a mix of those that have a sales or gross revenue decline and those that have kept it really clean and have zero additional requirements that way. The British program is an 80% wage subsidy for all employers regardless of their size and circumstances. That to me is the cleanest way of doing it. Larger firms with more sophisticated access to tax and accounting advice may be able to manage that fairly well. I might suggest that you look at a threshold for smaller companies, perhaps with a couple of hundred employees or fewer, that could become exempted from the 30% test. That is one way this could be accomplished to ensure there isn't a risk or fear on the part of business owners from using it.

Remember, there are some firms that have major sales declines, but for many it's a very uneven way of understanding the impact this is having. There are tons of businesses that won't have a problem with the 30% test because their sales have fallen below the floor because they have zero sales, but for many it's going to be very imprecise and risky to go ahead and end up not meeting those challenges. Not only are you facing the penalties from government, but you are facing the potential bankruptcy of your firm, because if you have gone ahead and been paying your employees full wages and you don't get the subsidy, your business is done.

The Chair: Thank you.

Go ahead, Mike.

Mr. Michael Cooper: How much time do I have?

The Chair: You have less than a minute, but go ahead and ask a quick question.

Mr. Michael Cooper: I'll ask the Canadian Chamber or Mr. Kelly regarding partnership earnings and the fact that partnerships wouldn't necessarily appear to qualify under the wage subsidy program. Would you support temporarily allowing business partners to become wage-earning employees?

The Chair: Mr. Kelly.

Mr. Daniel Kelly: Yes, we absolutely do. There are many businesses that draw dividends from their firms and not a salary and, therefore, their personal income will not be covered by the wage subsidy, whereas if they paid themselves a wage, it would be covered. Therefore, I think there should be the ability for business owners and family members in the business to convert that on a similar basis—not having them, as Kim was saying, just decide to pay themselves a million-dollar salary and have that covered, but, within the confines of the program, allowing them to convert to a salary what they might have taken in dividends during this period, so that the business owner has some income for himself or herself.

• (1455)

The Chair: We'll have to end that round there because we're a little over time. I would mention, though, on the 30%—this wasn't mentioned by anyone—that the 30% has been dropped to 15% for the month of March. I hope people know that it's only for the month of March. Maybe that will change too, but the 30% has been dropped to 15% for the month of March.

I'm sorry, Sean Fraser, I made a mistake. I'm going to have to drop you down the list because Ms. Annie Koutrakis is first on the Liberal list.

Annie.

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

I would like to thank all the witnesses for their presentations at today's finance committee meeting. I hope that they and their families are staying healthy and safe. I have two questions. The first is directed to the Canadian Chamber of Commerce and to the Quebec Employers' Council.

[*Translation*]

My second question is for the Fédération des chambres de commerce du Québec and the Canadian Credit Union Association.

[*English*]

First, based on the feedback that we see from your members, how reassured are they in general that the federal government is doing what is necessary to keep the economy going before we get to the recovery phase, given that the programs are adding close to \$300 billion in relief, or 15% of GDP?

[*Translation*]

Here's my second question. How are your members reacting to the recent announcement that the eligibility requirements for the Canada emergency wage subsidy have been expanded? For example, Air Canada announced yesterday that it plans to rehire 16,000 employees.

[*English*]

The Chair: Okay. Who wants to go first?

Susanna, you go ahead first, and then we'll go to Yves.

Ms. Susanna Cluff-Clyburne: What we're hearing right now from our members is a lot of confusion and a lot of questions. I think it goes back to what Mr. Moody was saying in his presentation, which is that the complexity is really causing a lot of concerns right now, so it's really too early to say.

All we're hearing is “What about this? What about that? What does this mean? What does that mean?” So I think it's really too early to make an assessment of whether enough is being done. I think everyone agrees that the government has acted with great speed, which is appreciated, but as in everything—and I think one of the other presenters said it—the devil is turning out to be in the details.

If you were to ask that question in another couple of weeks, I would probably have a much more fulsome answer for you, but right now we just don't know, because people are trying to sort it all out.

Ms. Annie Koutrakis: If it's okay, it would be really great if you could come back to us with some figures, when you do have them. I think that would be helpful for everybody.

Ms. Susanna Cluff-Clyburne: I would be happy to do that. We're actually in the field right now with a Statistics Canada survey that we're partnering with them on, so we should be in a position to do that.

The Chair: You can send that to the clerk, Susanna, and he'll distribute it to the committee.

Mr. Dorval.

[*Translation*]

Mr. Yves-Thomas Dorval: First, most of our members were very pleased when the government announced the Canada Emergency Wage Subsidy of 75%. It should be noted that, although a number of members will use them, the vast majority of members weren't necessarily very satisfied with the loans and loan guarantees, since they involve working capital, short-term cash flow and layoffs. So the members are very happy. Of course, the latest improvements announced by the Federal Minister of Finance this week were also extremely well received. I must tell you that the CPQ is a non-partisan organization.

That said, there are certainly issues—and several were brought to your attention—regarding the need for clarification to ensure a proper understanding of the matter, or regarding uncertainty and the ability of businesses to better define certain aspects. We often receive two types of calls: what am I allowed to do and how do I proceed?

Our role as an organization is to help our members to find answers and to be able to follow up.

As an organization, we also receive complaints, of course. Most of the time, these complaints come from businesses that fall through the cracks. That's normal. It's difficult to tell you statistically how many businesses will be happy, but certainly some can't apply. At the same time, the government won't be able to meet all needs with its current approach. We understand this. However, I believe that improvements can continue to be made.

Lastly, we're becoming concerned about the fact that we must keep going. If you speak of deferrals, tax remissions, taxes and contributions, and if the recovery is very slow, many businesses won't be able to meet their tax and other obligations by August 31. Additional deferrals must then be considered.

• (1500)

[English]

The Chair: Annie, you have time for one question.

Ms. Annie Koutrakis: Just as a point of clarification, I meant to ask Mr. Kelly the first question but gave an incorrect witness name. I apologize for that.

Mr. Kelly, would you be able to provide some comments on my first question?

The Chair: Do you want to summarize it, Annie?

Ms. Annie Koutrakis: Yes.

Based on some of the feedback you've received from your members, how reassured are they in general that the government is doing everything it can to make sure that we're looking to when the recovery stage starts, given that we've already invested \$300 billion in relief?

The Chair: Mr. Kelly.

Un-mute your mute button, Dan.

Mr. Daniel Kelly: Thank you, got it. I've been laughing at all the reporters and now I'm doing it myself.

It is an incredibly difficult job that you have to try to get the balance right between dealing with the health care emergency and dealing with the economic emergency that COVID-19 has created. I think the government has been moving positively toward getting the measures right for the emergency phase, and I think many of the right tools are in place.

The big gap that we see right now for our members is with respect to dealing with some of their fixed costs, most notably rent. That is a huge concern for small business owners and does fit in with the nature of your question as to what's going to prepare us for the future to help us recover as quickly as we can. Wages are the largest expense. Fixed costs like rent are the second-largest expense in most small companies, and that's where the shoe is pinching. The emergency business account can play a role. We like the \$10,000 forgivable portion of that.

Provincial governments need to step up to the table as well. We also need to work on an orderly plan to allow small businesses to reopen in a safe manner because, with the emergency services rules as they are, if everyone was prepared for this to be a couple of weeks and that couple of weeks is now into a couple of months, a third of our members are telling us that they will not survive and will permanently close their doors, so your point is an excellent one.

I don't think we've put enough attention on that piece yet to try to ensure that businesses are well prepared to reopen, but I'm encouraged that the Prime Minister was starting to talk about it this week.

The Chair: Okay. Thank you all.

We'll turn to Mr. Ste-Marie first, and then out to Vancouver and Mr. Julian.

Mr. Ste-Marie, you have six minutes.

[Translation]

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

First, I want to welcome all the witnesses and thank them for their presentations.

We're learning a great deal. We can see from your presentations how much the health crisis is significantly affecting our economy. We can also see the importance of acting quickly.

Mr. Milliard, when you made suggestions and identified possible solutions, you spoke of the importance of extending the wage subsidy and support measures to over three months, if necessary. You also spoke of the importance of ensuring greater flexibility in terms of the need of justify the loss of revenue to access the wage subsidy. A step was taken in this direction. However, I want you to elaborate on this and to provide examples of what could be done.

I also greatly appreciated your comments on start-ups. You suggested that we look at future revenue rather than past revenue and establish a loan that can be converted into a grant if jobs are maintained. I want you to elaborate on this.

I also want to know whether you think that the current proposal for covering the fixed costs of SMEs is adequate. What can we introduce?

The question is for Mr. Milliard. I then want to hear from Mr. Kelly from the CFIB or from Mr. Dorval from the Conseil du patronat du Québec.

• (1505)

[English]

The Chair: If I could just interrupt for a second, somebody has some background noise. Could you mute your phones? It almost sounds like somebody is playing in the kitchen or kids are playing, so mute all your phones.

Okay. Go ahead.

[Translation]

Mr. Gabriel Ste-Marie: Mr. Milliard, can you respond?

I then want Mr. Dorval or Mr. Kelly to add to the response.

Mr. Charles Milliard: Thank you, Mr. Ste-Marie.

You asked many questions. I want to share my short speaking time with my colleague, Alexandre Gagnon.

I want to say that we welcome the drop to 15% for March. However, quite frankly, this should be the case for April and May, in order to include even more small businesses affected by this crisis. Whether the drop is 15% or even 30%, some businesses, such as professional services firms, have trouble demonstrating this within the three-month period, given the nature of billing and payment cycles. An extension would be needed.

In terms of SMEs, our organization and other organizations are very pleased with many of the programs currently available, particularly the SME loan and guarantee program with the BDC.

We're wondering about a number of issues. Will the money be allocated on a first come, first served basis? The amounts aren't unlimited. Will it be based on the real needs of businesses or will there be a territorial representation factor? Otherwise, some parts of Canada may not receive their fair share of the total amount.

I'll leave the floor to my colleague, Mr. Gagnon.

Mr. Alexandre Gagnon (Director, Labour and Occupational Health and Safety, Fédération des chambres de commerce du Québec): Good afternoon. My name is Alexandre Gagnon.

Charles Milliard said a great deal. However, I want to emphasize that some professional services employees and even some manufacturers have an order book and that they can send out invoices for March or April. They'll be affected in the future. They'll have trouble finding new customers after the crisis, which will make the impact even more significant in the ensuing months. If businesses could receive three months of wage subsidies in May, June and July, for example, instead of in March, April and May, depending on the situation of each business, this could offset major losses when they experience the real impact of the crisis.

[English]

The Chair: Mr. Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie: Do Mr. Kelly or Mr. Dorval have anything to add?

Mr. Yves-Thomas Dorval: Yes. I have something to add.

Several aspects still haven't been considered. My colleague just listed a number of them. I spoke a little about them earlier when discussing the measures coming to an end, such as grants, other programs or the deferral of tax payments, taxes and so on. Regarding all these aspects, the governments are currently telling us that the recovery will be long and gradual. Some businesses will be able to restart, but a significant proportion of them won't be able to do so. I'm thinking in particular of businesses and enterprises whose business model includes gatherings of people in small spaces, such as restaurants, tourism businesses and events. All these organizations will suffer negative effects for much longer.

Other businesses can keep generating revenue because they can keep running, in particular through telework or with an order book. However, that order book will quickly empty, and the impact on revenue will come later. There's also the increase in costs.

Some aspects still haven't been considered, and these aspects will cause problems for businesses. Once again, I'm asking parliamen-

tarians to work together to pass the bill quickly so that some provisions can be set in motion as soon as possible, even if it means making improvements later on.

• (1510)

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

[English]

The Chair: We will have to end that round there. We are substantially over time.

Mr. Julian, you're up next. Then we'll go to Mr. Cumming in the next round.

Mr. Julian.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thanks, Mr. Chair.

Thanks to all our witnesses. This is important testimony, and all of us hope that your families are safe and healthy. I appreciate all of the testimony.

I'll start with Mr. Kelly. I have four questions.

First, we know from the Minister of Finance that they are already working on putting in place the wage subsidy, so the issue of when the legislation passes is immaterial as they are already putting in place the steps. The finance minister also reports that it could be as long as six weeks before money is made available. That must be a concern in terms of how quickly the government responds to the crisis and how quickly businesses are able to access money.

The second question actually comes from somebody you know well, Gord Johns, the MP for Courtenay—Alberni. He is our small business critic. He raised the issue that a constituent, Shelly Lee Fader, who owns Jiggers Fish & Chips in Ucluelet, applied for the loan she needed for her business, but because of the payroll requirement, she fell \$483 short of the minimum payroll requirement, so it has been rejected by the system.

My second question is really around the regulations. Do they not need to be much more flexible, both in terms of loans and also in terms of the wage subsidy and that 30% threshold? You can imagine the number of businesses that will be \$483 short on actually attaining that 30% threshold and what that will mean for their businesses.

My final question is around rent abatement. Denmark, Australia and France have put in place programs of rent abatement for businesses. Gord Johns and I have written to the finance minister asking, as part of that shared measure, that the federal government put forward a program to reimburse a portion of rent abatement for small businesses. That would help property owners, of course, give more flexibility to the business owners who rent from them. Do you think that a rent abatement program, as what other countries have done, would be important for the small business sector?

The Chair: Mr. Kelly.

Mr. Daniel Kelly: Thank you very much for the questions.

The time to receive the wage subsidy is of very significant concern. I will point you to slide nine of my slide deck. For those who are saying they would not be helped by the wage subsidy, the primary reason is that it is already too late, because it took some time to get the program in place. The second-largest reason is that it will be too late for them from this point forward before the money is in their hands, as they just don't have the cash flow to be able to survive.

When asked about that, the government has pointed business owners to the CEBA, the Canada emergency business account, as a way of bridging that gap. I think for many it will help. I will point out that the program just opened up today, and we are already hearing concerns from business owners about some of the process steps in that. I see that in real time on Twitter.

The payroll requirement is the number one concern we have about that. There should be no floor. Micro-sized businesses should absolutely be allowed to apply to set up those accounts. I think that's absolutely critical, as well. The million-dollar upward threshold needs to be raised significantly in order to allow medium-sized firms to access it, too.

On the flexibility of all these programs, I think Susanna from the chamber got it exactly right. Having a cliff at which you actually get some money at the 75% level or get zero if you're below that 30% is unfair. There should be a graduated level of support if the impact on your firm perhaps is less.

On your final question, on rent abatement, we are very much supportive of measures to reduce costs. Small firms right now just don't need deferrals of some of their expenses. They need some of these costs to be taken away.

The NDP in Ontario have put forward a proposal that sounds quite similar to what you're suggesting, using the 75% figure from the wage subsidy. They're saying that on the first \$10,000 in rent, the commercial renter should have 75% forgiven by the provincial government. That could just as easily be done by the federal government. However, the feds and the provinces, I think, especially where businesses have been ordered to shut down, do need to step up to the table.

● (1515)

The Chair: Peter, you have time for a quick question.

[*Translation*]

Mr. Peter Julian: The NDP, including Gord Johns and I, and the Bloc Québécois asked the government to provide a subsidy for the fixed costs of small businesses. We're looking at about \$10,000.

Could this subsidy be significant for small and medium-sized businesses in survival mode?

Mr. Charles Milliard: I'm sorry. I missed the first part of your comment, but I understood your question.

I believe that this type of support can be beneficial to SMEs. Our request isn't very complicated. We want the most direct measures possible.

As I said in my presentation, we obviously don't want to displace loan guarantees and loans. However, small and medium-sized businesses are having real issues with cash flow. These businesses are under so much pressure that, as this time, they need any direct assistance to pay bills or wages.

[*English*]

The Chair: Thank you, all.

We'll go to the second round, which is a five-minute round. We'll hold people to five minutes.

We'll start with Mr. Cumming, and then Mr. Fragiskatos, Mr. Morantz and Mr. Fraser.

Mr. James Cumming (Edmonton Centre, CPC): Thank you, witnesses, for taking time out of your busy schedules to appear today.

I've heard some pretty consistent themes that there's been speed on announcement but slowness on execution. For the small business people I'm talking to, not a dime has hit their accounts yet, other than some deferrals, which is very concerning.

Mr. Kelly, what would you think of the idea that we floated of having GST remittances over the past year rebated to small businesses so they could at least get some level of cash flow into their accounts in the short term? I'll ask Ms. Cluff-Clyburne the same thing as well.

Mr. Daniel Kelly: What I like about that proposal is that it actually puts dollars in the pockets of business owners that they do not have to repay. That is the kind of support the small firms really need right now. It's similar in some ways to the \$10,000 forgivable portion of the new Canada emergency business account. I give credit to the government for making that part possible, but we believe that should be an upfront grant to the business, just like your proposal to refund the GST/HST money to the business that has collected it. It is an uneven amount, though, because there are some businesses that do not have to collect the GST or HST on certain products. The idea of some base-level support to all very small businesses to deal with some of their fixed costs, in addition to your helpful idea, I think [*Technical difficulty—Editor*].

● (1520)

The Chair: Susanna.

Ms. Susanna Cluff-Clyburne: I would totally agree with what Dan said. The government has already started on that path with eligible employers, under the emergency wage subsidy, being able to receive back their CPP and other federal payable deductions.

I would also like to put forward another concept. This just shows how desperate some small business people are, and it is in the realm of a taxation issue. We're hearing from some members who want to be able to use their RSP savings to save their businesses, but want to be able to do so without taking the withholding and income tax hit as a result of doing so, on the understanding that they would put the funds back into the RSP once things improved again.

Mr. James Cumming: Great, thank you for that.

It just tells you how desperate it is and how these businesses absolutely need something now.

I want to turn to Mr. Moody.

Mr. Moody, from your brief, it seems there's a lot of complexity to the system and no money is flowing. It should be relatively easy to administer source deduction offsets on this wage subsidy. Could you comment on that? It strikes me that it would be a fairly elegant solution to keep that cash flow in the hands of the small businesses.

Mr. Kim Moody: Thank you, Mr. Cumming. I do agree with that. It was in my opening remarks.

I actually like quite a lot what the government did on the 10% wage subsidy. That is exactly how cash was put in the hands of small business owners. I think there's something there with respect to the 75% as well. I do agree that we should look at that as an option.

Mr. James Cumming: Are there any suggestions you might have around fixed costs, particularly around rent? Is there anything you can think of from a tax position that could be creative, that would be some form of abatement or some form of tax credit?

Mr. Kim Moody: That's a great question. I spent many, many hours thinking about how a lot of our clients are certainly in that position. I don't have any brilliance on that, unfortunately, but I'll continue thinking about it. Sorry about that.

Mr. James Cumming: Wayne, do I have any more time?

The Chair: You're pretty nearly out, but finish your question.

Mr. James Cumming: I'll go back to Susanna on this whole idea that, for all the small businesses I've talked to, rent is a significant issue. Other than the potential credit on the loan, the \$10,000 if you pay it back within two years, do you have any other suggestions on how we could administer something that would give them some relief?

Ms. Susanna Cluff-Clyburne: We are hearing a lot about putting money directly in the hands of landlords themselves. I think we heard a suggestion from one of the other panellists today on that. It could be a shared federal, provincial and territorial responsibility. A lot of SMEs we're talking to would feel much more comfortable if that were a process that would be examined and executed.

The Chair: Thank you, all.

We're turning to Mr. Fragiskatos, and then to Mr. Morantz.

Mr. Fragiskatos.

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

This question is directed to the chamber and to the CFIB.

We have seen banks respond in some meaningful ways to the crisis, but do other organizations have thoughts on what else banks could do right now to assist businesses, in particular small businesses? I've spoken to many constituents, owners of small businesses, long-standing owners, successful owners, people who have been in business for 10, 20, 30 years but have been turned away by banks.

I'm just wondering if the chamber and CFIB could shed some light on that question. What else could banks do right now to assist small business owners?

• (1525)

The Chair: We'll start with the chamber, but first, we are getting background noise again, so people should check to make sure the mute button is on.

Go ahead, Susanna.

Ms. Susanna Cluff-Clyburne: Well, from our perspective, what we're hearing from our members is that the banks may need a little prodding from the government, particularly for the BCAP, as well as the Canada emergency business account.

What we're hearing anecdotally is that businesses are starting to make inquiries about the official process for the fund that started today for the emergency business account. The banks are using the same criteria for assessing these loans as they would be using for their shareholders' money or their investors' money to lend out the money. What is particularly galling to some of our members is that this is actually taxpayer money that is underwriting these loans.

We've suggested that the government ease up on the eligibility criteria, and also be more flexible in terms of, for example, as has been talked about, the definition of payroll criteria. Some entrepreneurs pay themselves through dividends, which results in the issuance of T5 documentation. That is not being accepted currently by some banks as eligible payroll.

I think the government needs to help the banks be a bit more open to some of this help that businesses desperately need.

The Chair: Mr. Kelly.

Mr. Daniel Kelly: Yes, there are a few things from us on that front, in addition to supporting all of the things that Susanna just mentioned.

Dividends are featuring very heavily. I'm besieged with calls from business owners who have paid themselves with dividends. They have very few staff, or they contract out work, as in the case of a construction company. They're ineligible for the Canada emergency business account. That is a government policy, I believe, and something that needs to be fixed.

I also suggest that banks should be asked to add \$5,000 to the Canada emergency business account. With the federal government contributing \$10,000 that's forgivable, the bank could be asked to contribute \$5,000, and the provinces should be asked to contribute some money to that as well. I think it would be a terrific vehicle for them and it would help.

I believe banks should also do two other things. They should automatically increase the lines of credit of the businesses that already have them. That would be very helpful.

Finally, just as a completely different proposal, Visa and Mastercard have increased the limits for tap transactions from \$100 to \$250, but the holdback to that is that the banks that issue the card need to make that happen. Otherwise, Visa's and Mastercard's efforts are not going to accomplish anything. Also, Interac needs to do the same thing. Given that there are large grocery [*Inaudible—Editor*] right now, if everybody could tap their card at the counter when they're buying their groceries, you're going to have a lot fewer fingers on keypads. That would be a measure to protect people against COVID. Raising those tap limits to \$250 would be a very, very helpful thing for many small firms, and of course for the public.

The Chair: Very quickly—

Ms. Susanna Cluff-Clyburne: It's Susanna again. I apologize, but perhaps I could add one more thing.

With so many businesses now moving into non-customer-facing transactions, a lot of credit card transactions are being conducted over the phone. A 1% additional fee is charged by the credit card company for those manual transactions. If that were waived during the course of this crisis, that would very much help small businesses.

• (1530)

The Chair: Okay, thank you, all.

We'll go to Mr. Morantz.

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

Thank you, all, for your presentations.

Mr. Moody, I want to circle back to some of the things you said in your original statement. I want to preface this by saying that this morning I had a Zoom call with some of our local chambers of commerce here in Winnipeg, and I have to say there's much confusion out there right now. The wording on the government's websites has changed on a number of eligibility requirements. The eligibility requirements for the wage subsidy are extremely confusing. Eligibility for the CEBA we talked about already today, and there's the question of the floor being too high and so many businesses being left out.

You talked about a clawback and I'm wondering if you could elaborate on how that could be structured. What can we do now to streamline this?

I also want to circle back to Mr. Kelly's comment that he thought it was almost too late for the wage subsidy.

On the GST, we have been asking now for weeks for the government to simply refund GST up to six, or now 12, months. It seems to be an elegant interim solution to the funding shortfalls that businesses are finding. I'm wondering if you could comment on that, and maybe even speculate as to why the government hasn't commented or taken any initiative on a refund of the GST.

There's a lot packed in there, but I'll let you run with it.

Mr. Kim Moody: I'll start with the first question, with respect to fast changes. I'll put that into what I call trying to find credible sources of information. I've been pretty vocal about this. There's no shortage of changes. Everybody's drinking from a firehose and the changes are coming pretty quickly.

We're dealing with stuff that is very complex. The average person simply cannot interpret tax legislation—that's usually reserved for tax lawyers and tax accountants who have years of experience. To try to put all the stuff into plain English, you're relying on press releases that are put out by the Department of Finance in many cases. The Department of Finance is doing its best, I certainly know that, but there are errors. As a matter of fact, yesterday there was an error that caused significant angst in the tax community and it was all because they missed the word "not" when they talked about the emergency wage subsidy. The Department of Finance quickly changed that.

This stuff is difficult, and finding credible sources of information is difficult. I would submit that the government's websites are great and should be relied upon rather than the media.

The second thing is legislation. We need the 75% wage legislation now. It's not good enough to rely on the Department of Finance press releases, which change quite rapidly.

As far as a GST refund is concerned, I mentioned that in my note. Technically, that's littered with a whole bunch of technical issues that geeks like me can identify rather quickly, but it's a good alternative. As I mentioned in my opening remarks, I think we need to get creative and put monies in the hands of business owners.

Mr. Marty Morantz: There was a great deal of confusion, and people were concerned about whether they were going to have massive fines or potentially jail time. We need to find a way now to streamline these programs. I think the time to wait is over.

I have a different question for Mr. Moody, about looking forward to when we start climbing out of this horrible mess that we're all in together. What would your view be on a temporary exemption from the capital gains tax, particularly on the sale of publicly traded shares, as an economic stimulus to get the economy moving again, as opposed to a centrally controlled government stimulus program? Which do you think might be more effective?

• (1535)

Mr. Kim Moody: Well, it's creative. I like the thought. There's a lot of thought coming out from people right now. I saw one on allowing people to withdraw money from their RRSPs, for example, and pay it back over time without tax consequences.

I think any creative thought like that, and the one you suggested, should be on the table. It's pretty easy to cut ideas. It's a lot harder to come up with good ideas, so I commend you for thinking of that. Canada is going to need a lot of creative thought to get out of this horrible mess.

Mr. Marty Morantz: Thank you.

The Chair: Mr. Fraser is next, and then we're back to Mr. Ste-Marie and Mr. Julian for one short question each.

Mr. Fraser.

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

I'll start off by addressing an item that Mr. Cumming led off with. He indicated that he felt we were sort of fast on announcements but slow on execution. I'll remind those listening that I think now is the time to be fighting the global pandemic rather than having political parties fight one another. I'll also remind him of the fairly expeditious rollout of the CERB, which has seen millions of Canadians apply in a matter of weeks. The emergency business account is available as of today, and I've spoken with business owners. Despite some real obstacles that have been raised on this call, today also happens to be the day when millions of Canadians will see their additional GST cheque a month ahead of schedule and will receive the Canada child benefit ahead of schedule, as well. With respect, despite some very real challenges on the wage subsidy to get businesses the liquidity they need expeditiously, I'll remind him that things have been moving at torrential speed to date.

One of the things that some of our witnesses mentioned that could serve as an obstacle to continuing the expeditious rollout of programming is the fact that we really do need legislation and we need it as quickly as possible. I'll direct this question to the Canadian Chamber of Commerce.

I assume it would be your view that any sort of political gamesmanship directed towards anything on this wage subsidy legislation, other than actually improving the quality or rollout of the wage subsidy, would be inappropriate at this stage. Would you agree with that statement?

The Chair: Susanna, go ahead.

Ms. Susanna Cluff-Clyburne: What I will say is we think that parliamentarians need to get back together as quickly as possible, either in the format they adopted for the passage of the other legislation or another format, but it needs to be done now. We think that

Parliament needs to be recalled as quickly as possible to pass the legislation to get this done.

We can't let the perfect be the enemy of the very good. I think that we are going to be dealing with this for a long time, and there will be necessary changes made to current programs as well as new programs introduced. All we ask is that parliamentarians get together and get it done.

Mr. Sean Fraser: Thank you very much for that advice. I hope we're able to find a way to get it done within a matter of days, or less if at all possible.

Mr. Kelly, turning to some of the surveys you've done of your members, did you actually conduct a similar survey before some of these new measures were announced, to understand what the impact on the small and medium-sized business community across Canada would be if we didn't have, for example, a wage subsidy program or the emergency response benefit? Is that something you actually got information about, how your members viewed their fortune previous to these announcements being made?

Mr. Daniel Kelly: Yes, we've now done four surveys of our members. Each weekend we are going to our membership. We have 110,000 small and medium-sized companies as members. We have asked them about their views of what's happening on the COVID front, what the impacts are and also what their recommendations are to the government and other public policy-makers to help address the problem.

The number of businesses which, prior to that, said they were likely to fail—they thought they would be able to survive only a month—did drop once the wage subsidy was announced, because many of them saw that as a lifeline to help guide their business through this very difficult time. It was the number one measure that CFIB recommended right after the 10% pay was announced. We pushed and were pleased to see that rise to 75%. We're pleased to see the additional clarity that has been provided. It is not a perfect measure. It's not going to help every business owner, but it will still help thousands of business owners make it across the finish line, who I believe would otherwise have failed.

I do think we can do better. I would encourage governments to continue to be open, as they have been, to making further changes and adding supports in other areas, but the measures that have been taken by the government will certainly save many companies from outright failure.

• (1540)

Mr. Sean Fraser: Thank you very much for that and, more important than your testimony today, for your feedback as some of these policies have developed. I really appreciate hearing directly from representatives of the small business community.

Mr. Kelly, in the interest of getting money in the hands of individuals quickly, it seems we're fairly far down the path of the current program design of the wage subsidy. I'm wondering if you have any view on this.

If we work closely with the banks, which will see essentially a promise by the federal government to pay 75% for eligible businesses, do you think there might be an opportunity to lean on our major financial institutions, and perhaps credit unions as well, to front that money if they know that it's backed by a federal government commitment to make good on the 75% wage subsidy? An eligible business owner could walk into the bank and essentially have access to money tomorrow that would be returned by the federal government through that business once the wage subsidy payments are flowing.

Mr. Daniel Kelly: I think to a certain extent that is already happening, where businesses are going to try to get some upfront loans. I have to tell you that the biggest help you could give businesses to ensure that they have the confidence to borrow money, either through the Canada emergency business account or on their own, or using shareholders' own resources such as the value of their home in order to pay that, is by removing the 30% criterion for small and medium-sized firms. If your government were to do that, at least for the very small guys, who don't have accounting procedures as sophisticated as those of some of the larger players, I think more and more businesses would have the confidence that they're going to get that money, eventually if not today, and they will be able to hold out.

I would invite the government and the opposition parties... I agree with the statement that we don't want this wage subsidy legislation delayed. We need to get it across the finish line very soon to have the certainty for businesses to use it. If we could fix that eligibility criterion, that 30% rule, at least for the smaller or medium-sized guys, I think a whole bunch of the problems would melt away. I'd ask you and your government to consider just that.

Mr. Sean Fraser: Thank you very much for that. I appreciate it.

The Chair: Thank you, all.

We'll go to one question from Mr. Gabriel Ste-Marie, one from Mr. Julian and then Mr. Poilievre.

[*Translation*]

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

Mr. Milliard, you spoke of the importance of start-ups, the realities involved and the possible solutions to meet their needs.

Can you elaborate on this, please?

Mr. Charles Milliard: Thank you for your question.

I believe that we're now in a constructive mode where we're trying to perfect the model. I think that these measures must be adopted in a truly diligent manner, and we must all do our due diligence.

However, we must acknowledge that some businesses are being left behind. I think that start-ups and research and development companies are included in this group simply because their investments are based on a promise of future profitability. These businesses have a hard time demonstrating a loss of revenue because most of them had no revenue in March 2019, for example, or even last January. Ironically, these businesses are the future of the Canadian economy and the Quebec economy. These businesses surely include the future Google or the future Canadian Apple. The current wage subsidy program, which is based on lost revenue, pushes these businesses aside somewhat.

At the federation, we proposed a type of loan to help these organizations pay wages. These loans could be converted into grants if the businesses do what they're supposed to do and the employees are still at work after a certain period. In this way, we would reach the last bastion of people who are somewhat excluded from the current measure.

I urge you to consider this proposal and to try to speed up its implementation, so that the money reaches the businesses as quickly as possible. The money must move from the parliamentary discussion stage to the reality of businesses across Canada.

Thank you.

• (1545)

Mr. Gabriel Ste-Marie: Message received.

Thank you.

[*English*]

The Chair: Thank you, all.

Mr. Julian, you can ask one question and then Mr. Poilievre will start another five-minute round.

Peter.

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

My question is for Mr. Moody.

Mr. Moody, you talked about putting in place conditions, for example, capping salaries, so we don't have multi-million dollar payouts when there is public support for businesses. I certainly agree. When we look at the United States' example, support for businesses is dependent on a series of measures, maintaining jobs and benefits and ensuring there are no executive bonuses, stock buybacks and dividends. Essentially, that support goes to ensure the employees are being maintained, and that helps the entire community.

Do you think it's a good thing that we put in place those kinds of conditions to ensure the subsidies and support that we provide to businesses actually go into the communities themselves?

Mr. Kim Moody: I think generally the answer is yes, but I would like something like that to occur under the simple proposal that I discussed in my opening remarks.

In my view, we need a simple solution and we need a speedy solution. What we have right now is a slow solution and a very, very complex solution, being the 75%. To add another layer of prohibitions on top of an already very, very complex 75% solution is something that I guess could happen, but I would prefer that prohibition would occur under a simple model.

The Chair: Thank you, both.

We'll go to Mr. Poilievre for five minutes and Ms. Dzerowicz will wrap the panel up with five minutes.

Go ahead, Pierre. Are you there, Pierre?

Does somebody want to take that round for the Conservative side? I'll go to Ms. Dzerowicz and then come back to whoever wants to ask a question for the last round for the Conservatives.

Ms. Dzerowicz, you're on.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair, and I want to thank everyone for their excellent presentations.

I also want to thank all of you, because I think each one of you started off your presentation by thanking the government for our quick work, for our fast work and for the tremendous programs that we've put into place. I really appreciate that. In a five-week time period, we have been dealing with an unprecedented pandemic, and we have put in some historic programs that have never been created in Canada before. Thank you for acknowledging all of that.

My first question is for the Canadian Chamber of Commerce.

This morning, one of the big news items was that Statistics Canada said that Canada lost over a million jobs in March. Our unemployment rate is up to 7.8% and everybody's anticipating it's going to get a little worse. I believe it was you, Ms. Nord, who mentioned that the workforce will be different as we start coming out of this pandemic.

What should we be doing in the coming months to transition Canada's workforce to meet the needs of a changed workforce as we come out of this pandemic?

Ms. Leah Nord: Yes, the workforce will definitely change. It will not look the same. There are a few trends that will happen.

Jobs and skills will shift. There could possibly be an increased focus on automation. The importance of skilling, upskilling, both work-integrated learning and learning-integrated work, and endurable skills will all be important for individuals. I think it comes back to, first and foremost, the labour and supply side of this. I think what's going to be important in the coming months—because we don't have a road map; we don't have a framework; we don't know what's going to happen—is to ensure that small businesses are at the table during the discussions and are able to look at this information and labour market information as well.

The labour force survey data is incredible. It showed us numbers that we've never seen historically, and it indicates trends. However, within all of your constituencies, for example, they don't know what to do with that data. It has to be drawn down to that local level. It has to be integrated into what's happening to them at that level in order to be able to respond.

Thank you.

• (1550)

Ms. Julie Dzerowicz: Thank you.

How many minutes do I have left, Mr. Chair?

The Chair: You have pretty near two minutes.

Ms. Julie Dzerowicz: Perfect.

I think it was also the Canadian Chamber that mentioned this. It was mentioned that the team Canada approach has been outstanding and has been unprecedented in history. We have our federal government, our provincial governments, our corporations—basically all sectors—working together to ensure that we are 100% on side in terms of how we can provide support to our small businesses and Canadians at this time.

I would love it if the Canadian Chamber of Commerce would comment on appreciating that this is important. In the coming days, do you think it is important for us to continue to have this team Canada approach? What advice would you have for us on this matter?

Ms. Susanna Cluff-Clyburne: Hi. It's Susanna from the Canadian Chamber.

Get Parliament back together and get the legislation passed so this help can start getting out to businesses. I think that's our first ask. Absolutely, we need to continue on in this vein as long as we're in this crisis, because it's the only way we're going to get through it in any type of good shape.

Ms. Julie Dzerowicz: Thank you very much.

The Chair: We will end it there.

On that point, Susanna, I did have a note from the government whip just a few minutes ago saying that Parliament will likely sit on Saturday starting at 12:15 p.m. That's good news if that all holds together.

Is Mr. Poilievre back?

Then does Mr. Cumming, Mr. Cooper or Mr. Morantz want in for a couple of quick questions?

Elizabeth May, if you're still on the line, if you want one, we'll give you one question at the very end.

Are any of the Conservatives on the line?

Mr. Cumming, go ahead.

Mr. James Cumming: I'll direct my question to Mr. Kelly. Before I do that, Mr. Fraser, to your earlier comment, that's the response I'm getting from small businesses, that they want a more timely response so they can carry on with their business.

Mr. Kelly, I want to go back to you on the idea of fixed costs. I'm hearing a lot from the hospitality sector in particular. They're shut down completely, and they're faced with rents and utility costs and just deferrals. Do you think the current program with the CEBA is sufficient, or should there be some thought about expanding that, either in size or in how much of that loan is rebatable?

The Chair: Mr. Kelly.

Mr. Daniel Kelly: Yes, you're absolutely right. Of the tools that the federal government has put in place, I think CEBA is the most logical one to allow some support of payments for rent and other fixed costs. My specific suggestion for CEBA is that the government eliminate immediately the wage thresholds, at least the bottom four, so those who pay themselves with dividends or micro-sized businesses can access it, and raise the top threshold to something a lot more meaningful than \$1 million, because it's cutting out way too many small companies—not even medium-sized firms but still very small employers.

We need to make sure that the upfront... The \$10,000 forgivable loan portion, which I think is one of the most attractive features of the CEBA account, in my view should be an immediate grant from government to allow businesses to use those dollars to pay some of their fixed costs. I would further suggest that banks and provincial governments contribute to that.

As this drags on, that \$10,000 should be revisited and perhaps become \$20,000, because businesses are going to have additional fixed costs as this COVID effect continues.

• (1555)

The Chair: Thank you.

Ms. May, we'll let you in with a question there. We have three minutes left.

Ms. Elizabeth May (Saanich—Gulf Islands, GP): Can you hear me?

The Chair: Yes, we hear you.

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

The segue was perfect for my question, because it's exactly to the point that was just being made, and I think it was by Mr. Kelly. I'm dealing with so many businesses locally, and it's the fixed costs and the cash flow that aren't addressed by wage subsidies. I'm wondering if he could speak further to this idea of getting money into the hands of small businesses, many of which—particularly, as you mentioned, in the hospitality industry, restaurant businesses—have been shut down by the pandemic, and wage subsidies just don't give them a lifeline. Neither does a \$40,000 interest-free loan, because they fear that when the moment comes to pay it back, this lifeline will have just delayed their bankruptcy, as opposed to helping them avoid it.

Could you expand on those points and suggest—again, as you were doing—some specific measures that would be a real lifeline to these businesses?

The Chair: I'll turn to you, Mr. Kelly.

Mr. Daniel Kelly: Ms. May, as usual, you're exactly right in terms of the situation in which many businesses find themselves.

Businesses are afraid of taking on debt. When a third of small businesses report they are worried that, because they are shut down, they will never reopen, it is a little tough for them to consider taking on additional debt at this time, which they will be personally on the hook for potentially down the road. Even if the loan is guaranteed by government, it doesn't give them the breathing room to help. They need these costs taken away; they don't just need loans.

I think the Canada emergency business account is a good vehicle, and having the banking partners deliver it is also the right measure. My suggestion is that the upfront piece be \$10,000 whether or not you're able to borrow anything. If we kick in \$10,000, and we get other parties, such as banks and provinces, to kick in money, that would allow the smallest guys to participate and access that money. There are so many self-employed people who are absolutely desperate right now, and we need to make sure that there are some dollars in their hands so they can make it through.

I talked about the CERB challenge as well, because many self-employed people have a trickle of income coming in and they're now finding themselves ineligible for that. I know the government is talking about a fix there, but that can't come soon enough.

The Chair: I am sorry, but we are going to have to end it there.

I want to thank all the witnesses for coming and giving their views and ideas. We heard a lot of good information on this panel. In the various meetings we've had, we've heard constructive criticism. We appreciate that and ideas to move forward with. Again, thank you.

I'm not sure if the next panel is available yet.

If the Canadian Bankers Association and the Canadian Credit Union Association are on the line, we'll do a sound check.

• (1600)

Okay, we'll officially call this panel together. We have an hour with this panel, so we have to be fairly tight on the time frames, especially for questions. We'll go to five-minute rounds of questions on this one.

We have with us the Canadian Bankers Association and the Canadian Credit Union Association.

Starting with the Canadian Bankers Association, Neil, do you have an opening presentation, please?

Mr. Neil Parmenter (President and Chief Executive Officer, Canadian Bankers Association): I do, Mr. Chair.

I'm joined on the call today by Darren Hannah, vice-president, finance, risk and prudential policy for the CBA.

I'm pleased to have this opportunity to appear before this committee, albeit in a slightly different format than we're accustomed to.

I want to start off by sending best wishes to the members of this committee, their families, colleagues and constituents during this difficult time. On behalf of our board and our more than 60 member banks, we hope everyone stays healthy and safe.

The economic upheaval caused by the COVID-19 outbreak is the most urgent crisis Canada has faced in recent memory. To confront the financial dimensions of this challenge, Canada's banking sector has worked in lockstep with the federal government, the Bank of Canada and regulators to implement a series of relief initiatives for the millions of Canadians whose lives have suddenly been altered by COVID-19.

Banks assembled quickly to help, with the members of the Canadian Bankers Association immediately announcing comprehensive programs to support individuals, businesses, employees and communities as we come together to manage today's financial uncertainty and economic disruption. For personal banking customers, Canada's banks are offering immediate relief to impacted clients on all forms of lending: mortgages, lines of credit, personal loans and credit cards. As of April 8, 13 CBA member banks have provided help through mortgage deferrals or skipping a payment to almost 600,000 Canadians.

CMHC data shows that the average monthly payment of Canadian homeowners is approximately \$1,326. This means that the cash flow freed up from deferrals completed to date is roughly \$770 million per month, or \$2.3 billion per quarter. This keeps money in the

pockets of people who need it now. Banks have publicly reported that more than 90% of those seeking a deferral are approved.

Banks have also taken decisive action to help an additional 200,000 Canadians manage credit card payments, with multiple banks announcing various programs to defer payments for customers along with heavily discounted or low fixed interest rates. Our members have worked to ensure that Canadians have access to term loans, lines of credit and other products that carry lower interest rates and can suit their unique circumstances. In addition, banks are taking steps to ensure credit scores are unaffected by deferrals and skipped payments, and many standard fees for a range of services are being waived. Combined, these efforts are worth tens of millions of dollars more each month.

Canada's banks are proud to serve three million small and medium-sized businesses, having authorized more than \$247 billion in credit to this sector as of September 2019. In response to the current strains on businesses, member banks have extended operating lines of credit and introduced a range of flexible measures for these loans, including deferrals. Most recently, banks have announced that they have now opened the enrolment process for the Canada emergency business account, which will provide qualifying business customers access to a \$40,000 line of credit with 0% interest until December 31, 2022. This lifeline, which banks have worked with government to implement, can serve as an effective bridge until the 75% federal wage subsidy program is available.

Canada's banks are in a strong position to deliver relief programs and provide support to Canadians during this challenging time. Banks are continuing to lend to businesses and personal customers and hold significantly more capital entering the COVID-19 crisis than they did entering the global financial crisis. From the end of 2009 to the end of 2019, the total capital of banks in Canada more than doubled, from \$163 billion to \$336 billion. The current provisions for credit loss among Canada's largest six banks stands at more than \$10.4 billion.

More than 275,000 Canadians are employed in banks across the country, and they are doing an outstanding job helping customers by staffing branches, answering phone lines at contact centres and maintaining the critical back office infrastructure that keeps Canada's payment network running. As a case in point, banks worked closely with the government to offer wider access to online enrolment for direct deposit from the Canada Revenue Agency, which ensures more Canadians are able to receive the CERB quickly and securely. As of yesterday, more than 663,000 Canadians had newly enrolled to receive relief payments via direct deposit, getting much-needed relief more quickly than waiting for cheques. We have also mounted an awareness campaign in concert with the Canadian Anti-Fraud Centre for the public about scams that prey on the uncertainty of our times.

Hundreds of bank employees have been redeployed to work directly with customers experiencing hardship to tailor customized plans to help them manage their finances. Our members have introduced programs to meet the needs of health care workers, ensure seniors have priority line and contact centre access and that vulnerable populations continue to be served. Canada's stable, well-regulated banks can provide this high level of engagement and support because of their strength.

- (1605)

In 2019, banks and their subsidiaries paid \$30 billion in salaries and benefits; provided \$21.3 billion in dividend income to millions of Canadians, pension funds and charitable endowments; and paid \$12.7 billion in taxes to all levels of government in Canada.

For hundreds of years, Canada's banks have helped Canadians through many challenging times, working in partnership with governments of all stripes and building global recognition for our financial strength, stability and resilience. Without question, these are unsettling times that have put so many Canadians under great strain. Our country faces an unprecedented and monumental challenge.

Canada's banks will continue to work hand in hand with government, regulators, customers and communities to ensure that Canada emerges through this crisis resilient, strong and growing.

Thank you, Mr. Chair, and I look forward to members' questions.

The Chair: Thank you very much, Neil.

Before I go to Martha, I'll remind you that the first round of questions will be five minutes. We will start with Mr. Cooper, and then we will have Ms. Dzerowicz, Mr. Ste-Marie and Mr. Julian.

We'll turn to the Canadian Credit Union Association. Martha Durdin, you're on.

Ms. Martha Durdin (President and Chief Executive Officer, Canadian Credit Union Association): Thanks very much.

Good afternoon. Thank you very much for the opportunity to speak with you today about helping Canadians during these difficult times.

My name is Martha Durdin, president and CEO of the Canadian Credit Union Association, or CCA. With me, virtually of course, is our VP of government relations, Michael Hatch.

CCA is the national trade association for 233 credit unions and caisses populaires outside of Quebec, which provide deposit, loan and wealth management services to almost six million Canadians across Canada. Credit unions are regulated, 100% Canadian-owned, full-service financial institutions. They employ roughly 60,000 people across Canada and manage over \$246 billion in assets.

Credit unions represent 10% of the financial sector, but in small business they have nearly 20% market share nationwide and close to 50% in the Prairies. In Manitoba, for example, outside of Winnipeg, that market share is close to 60%. In about 400 Canadian communities not served by banks, credit unions are the only bricks-and-mortar financial institutions. As financial co-operatives, credit unions have stepped up to assist their communities during this time through a range of community support programs, and that is always the credit union way.

Credit unions have taken decisive action to stabilize our financial system and help Canadians. They've moved rapidly to deliver financial relief by reducing credit card and loan interest rates, implementing mortgage deferrals and increasing tap limits to slow the spread of COVID-19. Credit unions have reduced credit card interest rates by 50%, to just under 10%, with deferred payments for up to six months. Canada's largest credit union, Vancity, has reduced its rate to 0%. Our credit unions report that 98% of those seeking relief have been approved.

The credit union sector has spoken frequently with regulators and governments to help meet the challenges Canadians face. We've been impressed with the government's swift work to create relief measures and are appreciative of its willingness to listen to stakeholders and adjust measures as necessary.

Particularly with regard to the Canada emergency business account, known as CEBA, we were pleased this morning, after two weeks of work with Finance and EDC, to be told that all credit unions will be brought into this program. This has the potential to help hundreds of thousands of small businesses, and we fully support that. It will be of utmost importance that the government follow through on this commitment to onboard every Canadian credit union into this program swiftly this month.

I don't have to tell you that small business owners are in crisis across the country. I can share the example of one of our credit unions' clients who got in touch, Tauna and Greg Butler, who have 30 years of hospitality experience. They recently bought a small hotel in B.C., taking on a mortgage to invest in and grow their business. They employ 15 people and, until this crisis, were happily tracking on their business plan. Today, they're closed. They have laid everyone off and are struggling with expenses and two leases, which are also small businesses: a brewery and a restaurant. They are struggling to pay their rent.

This is just one of the stories of hundreds of Canadians who bank with credit unions and are in urgent need of a bridge to the other side of this crisis. If credit unions were not part of this, they would be shut out.

We have made some progress this week on CEBA, but we urge the government to ensure that all businesses that qualify can access this program this month. As the government continues its response to COVID-19, we ask for an approach that includes all Canadians, no matter where they choose to bank.

Today we are asking for your assistance in implementing measures that will help credit unions provide the support that hard-working Canadians are entitled to and need now more than ever.

• (1610)

As you know, the business credit availability program, BCAP, is one other component of the business liquidity plan, to which all our members can apply. It will be important for this program that the largest financial institutions not be allowed to swallow up 100% of the funding allocation before smaller players like credit unions can gain access on behalf of their members.

We understand that taxpayer dollars are finite, but access to BCAP and other programs must be shared equitably across all players in the financial sector so that they can be delivered equitably to all Canadians across the country. This will ensure that the government can deliver on its commitment to help those in crisis, and that Canada's financial sector remains healthy, competitive and diverse throughout and after COVID-19.

Canada's credit unions are standing by to help you help Canadians. We appreciate your commitment to continued dialogue and remain ready to assist in any way we can.

Thank you for your time. My colleague Michael and I will be pleased to answer any questions. On behalf of our board and credit unions across Canada, we wish you and your families all the best in a safe environment. Thank you.

The Chair: Thank you for that presentation.

We'll start with five-minute rounds so we can get in as many questions as possible.

We'll start with you, Mr. Cooper.

• (1615)

Mr. Michael Cooper: Thank you very much, Mr. Chair. I will direct my questions to Ms. Durdin or Mr. Hatch of the Canadian Credit Union Association.

It certainly is encouraging to see that it appears progress is going to be made in getting credit unions on the list of approved lenders through EDC, with respect to CEBA. When the program was announced, only 11 credit unions were on the list, excluding 95% of credit unions across Canada and excluding all credit unions in my province of Alberta, making it much more difficult for literally tens of thousands of small businesses in Alberta and tens of thousands of small businesses in other parts of Canada, particularly in western and other rural parts of Canada, to access these vital interest-free loans.

You stated, Ms. Durdin, that all 233 credit unions will be on the approved list of lenders. Could you explain how the process is going to work? I understand that an expedited process has been in the works for some time. Could you elaborate a little on the process to get credit unions on the list?

You further indicated you'd like to see this happen by the end of this month, and understandably so, in light of the urgency of small businesses needing that liquidity. Do you have any assurance that all 233 credit unions will be on the list by the end of this month? Could you elaborate on that?

The Chair: Go ahead.

Ms. Martha Durdin: Thank you for the question.

The credit unions are being onboarded in phases. We began with a group of 11 credit unions last week, and that process is in the works now. We expect them to be completely onboarded by the end of the weekend. There is another group that was already credited with EDC, so it brings the total in this first phase to about 21 credit unions.

EDC and Finance have confirmed that they will roll this out in phases. We're looking at a group of 30 next, and then we'll move on to another group, which does mean a lot of effort to roll out 200 more credit unions. It's unclear how long that will take, but it's not days; it's likely weeks which, for Canadians and for our members, our small businesses, isn't really fast enough.

As of today, we're also working on a parallel track with our centrals. As you know, in our structure we have provincial centrals, which may be able to expedite that process, as well as Concentra Bank, which is a wholesale OSFI-regulated bank owned by credit unions. We're hoping that may alleviate the administrative burden on EDC and facilitate that.

Our centrals, our credit unions and CCUA are willing to do whatever it takes to expedite this process and onboard credit unions quickly and efficiently. It feels like it's very slow. We'd really like to ensure that we can move quickly to get this done.

The Chair: You have time to ask a very quick question, Michael, but before you do, I would just ask people to double-check the mute button on their phones again. We are getting some clicks as a background noise, so I would ask anybody who is not speaking, to put their phone on mute.

Go ahead, Michael.

Mr. Michael Cooper: In terms of moving slowly, what are the main impediments that are resulting in this delay? Also, can you speak to the total exclusion of Alberta credit unions and whether that's going to be rectified by the end of this week?

Ms. Martha Durdin: Actually, Servus Credit Union, in northern Alberta, has already been contacted, and they're well into the process. Conexus is on the list for the second phase, so they will.... Actually, I'm sorry. Let me correct that. Conexus and Servus were on the first list, and they have been in touch with EDC and Accenture, which is working with EDC, and that work is ongoing. I expect they'll be up and running by the end of the weekend, if they aren't already. That's working fairly well.

I think what's taking time is just the capacity of the officials and the consultants who are working on this.

• (1620)

Mr. Michael Hatch (Vice-President, Government Relations, Canadian Credit Union Association): If I may, the exclusion, prior to this event, of any credit unions in Alberta was merely a function of the fact that no Alberta credit unions happened to previously get on EDC's approved list of lenders. There were, as was mentioned, 11 credit unions on that list prior to this because, for whatever reason, in the past those credit unions chose to transact with EDC in one form or another. None of them happened to be in Alberta, so that's the only reason for the exclusion of Alberta credit unions in the very early phases.

As Martha said, the biggest members are now being onboarded, and the rest will be by the end of the month.

The Chair: Thank you. That's very valuable information.

We have Ms. Dzerowicz next.

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

I want to start by saying a huge thanks to both the Canadian Bankers Association and the Canadian Credit Union Association for joining us today. It's really important for us to hear from you. We are very proud that Canada has probably the best banking system in the world, and we know that our financial institutions are key to helping us get through this pandemic and get our economy back on track.

We know that our banks and our credit unions have been engaged with our Minister of Finance and government officials to discuss flexible options to support Canadians in general and Canadian businesses during this difficult time. I think both of you have done a wonderful job of saying how you've stepped up to provide support during these last few weeks.

I will say, though, that we are still hearing far too many stories of small and medium-sized businesses walking into their bank to ask for a mortgage, loan or line of credit deferral and being rejected. They're not seeing the flexibility that they're hearing is supposed to exist right now at their financial institutions. We're also hearing from renters. Many of them are long-term customers at a particular bank. They don't own property, but they are looking for some flexibility on some of the financial instruments that they might have with the bank, whether it's a loan or a line of credit. Again, too many of them are telling us they're not being successful. I know there have been extraordinary efforts done so far. There seem to be some inconsistencies in different parts of the country.

I'll direct my question to the Canadian Bankers Association.

What will banks do to continue to address the need and meet the flexibility that Canadians and Canadian businesses are asking of banks today?

Mr. Neil Parmenter: Thanks for the question. I appreciate the opportunity to answer.

The challenge here, as you can imagine, is that everyone's financial situation is unique and different. People have different credit products, deposit products, and it takes some time to figure out, particularly if someone has had an immediate loss of income or job, what the right product for them is. As I detailed in my remarks, I think that banks have mobilized quite quickly over the last three to four weeks, since this crisis began, to try to maximize the amount of flexibility that people have.

In essence, what people need is access to low-interest forms of credit. There's been a lot of talk about credit cards and those sorts of things, but there are also a lot of other products available, such as personal lines of credit and personal loans and those sorts of things, that can offer a lower interest rate, and those might make sense for the individual customer.

On the notion of flexibility, as again I highlighted in my remarks, I think the banks have worked tirelessly to explore different alternatives and creative solutions for people, building off some of the things they've learned just in the normal course. On things like mortgage deferrals or skipping a payment and those kinds of options, many banks offer those at all times. Banks recognize that people can be displaced from their jobs through a variety of reasons. People are given a variety of options to either skip a payment or defer mortgage payments or others, so flexibility is clearly the name of the game.

I think everyone is reacting to an incredibly dynamic situation. With the scale of the situation and the immediacy, banks are working very hard generally to try to offer and extend maximum flexibility to their customers, understanding the enormity of the challenge they face.

• (1625)

Ms. Julie Dzerowicz: Thank you for that, Mr. Parmenter. I appreciate that.

I want to get in one more question in very quickly. I want to say that I appreciate the work that the banks have done so far, and I want to acknowledge it. I want to ask you to please continue to be as generous and as flexible as possible, because we are hearing so many of these stories.

The next question I have is this. I know that the Bank of Canada has cut interest rates down to 0.25%, which means that the cost of capital and products has been greatly reduced. Many Canadians, as I know from a lot of emails to me from Davenport residents in my riding, are wondering if banks can do more to reduce the rates on credit and loan programs to provide more breaks for Canadians, many of whom are in economic distress and have lost much of their investments and savings. Is there anything more that banks can do to support Canadians at this time?

Mr. Neil Parmenter: Again, if you look at some of the credit and loan products, you will see very low interest rates. The same is true, frankly, with home equity lines of credit and other products that I'm sure folks in your riding are taking advantage of.

I think banks are working tirelessly and as quickly as they can to mobilize a variety of different creative offerings for customers to offer maximum flexibility at a time when they need access to low-interest credit.

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

We will go to Mr. Ste-Marie and then to Mr. Julian after that.

[*Translation*]

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

My questions are for the Canadian Bankers Association.

My first question is as follows. During the current crisis, many more purchases are being made online, and most of them are being paid for with credit cards. As we know, credit card interchange fees are generally higher for online purchases than for physical payments. The European Union caps these interchange fees at 0.3%, whereas here the rate is closer to 1.5%, and can even be as high as 3%.

In your opinion, can Canada cap these fees in the same manner as the European Union?

[*English*]

Mr. Neil Parmenter: I understand the question and the ask.

Looking at the interchange fees in different jurisdictions is always challenging, because looking at an individual product in isolation often doesn't represent the breadth of the options.

In a lot of these jurisdictions and markets, on debit, for instance, there is interchange on debit payments. We don't have that in

Canada. At the best of times, looking at different jurisdictions to try to compare apples to apples when it comes to interchange across a suite of payment products is certainly not comparing apples to apples.

[*Translation*]

Mr. Gabriel Ste-Marie: I gather that your association has no interest in limiting credit card interchange fees.

Your members will receive a great deal of support—

[*English*]

Mr. Neil Parmenter: Just to be clear, the Canadian Bankers Association wouldn't have any influence or role in setting prices for any products.

[*Translation*]

Mr. Gabriel Ste-Marie: Okay, thank you.

I was saying that your members will receive significant government support, either in the form of cash or through the purchase of assets that have lost all value.

Can your members consider making an additional effort to support the government, for example by no longer using tax havens to avoid paying all taxes on profits generated in Canada?

• (1630)

[*English*]

Mr. Neil Parmenter: I mentioned the amount of taxes paid by Canadian banks. All Canadian banks operate within the confines of the law, so I'm unfamiliar with the reference you're making to other tax jurisdictions.

[*Translation*]

Mr. Gabriel Ste-Marie: I acknowledge that this is being done legally. In my opinion, just because something is legal doesn't necessarily mean that it's moral, especially when we consider that the banking system is protected in Canada. I'll take your answer as a no.

Thank you.

Mr. Chair, this concludes my questions.

[*English*]

The Chair: Thank you, Gabriel.

We will turn next to Mr. Julian.

In the next round, we'll start first with Mr. Cumming and then Mr. Fraser.

Go ahead, Peter.

Mr. Peter Julian: Thanks, Mr. Chair, and thanks to our witnesses for coming. We certainly hope that you and your families are safe and healthy.

My questions will be to Mr. Parmenter and Mr. Hannah. Thank you for being here today.

The banking sector has received over \$46 billion in profits, so Canada has been very good to the nation's banks, but we are in a crisis now. Millions of Canadians are without work. Often they are struggling to keep food on the table and a roof over their heads, and they are dependent on lines of credit or credit cards in order to make ends meet and feed their families. Many of these people are front-line workers who are going to dangerous situations every day and struggling to keep a roof over their heads and food on the table.

We are seeing financial institutions in the credit union sector stepping up. Vancity, the largest credit union in the country, has moved to 0% interest on its credit cards. It is waiving penalties and waiving fees, and many other credit unions have done the same thing, so I have three questions for you, Mr. Parmenter.

First off, will your members agree to go to 0% , as we've seen with Vancity, and waive penalties, fees and interest fees for the next 60 days as Canadians struggle to cope with this crisis?

Second, has finance Minister Morneau asked members of the Canadian Bankers Association to do that—to waive interest, waive penalties and waive fees?

My third question you probably will find easier to answer. I and Brian Masse, who is our industry critic and the member for Windsor West, have pressed the government to take action, to use the tools the federal government has in terms of banking and the banking sector. If the government required members of the Canadian Bankers Association to waive interest, waive penalties and waive fees, do you believe members of the Canadian Bankers Association would respect those requirements from the government?

Thank you for answering these questions.

Mr. Neil Parmenter: Thanks very much for the questions.

As you heard me detail in the opening remarks, banks have taken a variety of different actions, including cuts on interest rates and flexibility and deferrals and all those sorts of things. In many cases, those comprehensive programs started three and four weeks ago.

We did see the Vancity announcement yesterday. As I said, individual banks are going to make individual pricing decisions when it comes to fees. A lot of these fees, as I mentioned in the opening remarks, are being waived.

I think that answers your first question. Remind me of the second question, please.

The Chair: It was whether Minister Morneau asked you to waive fees.

Mr. Neil Parmenter: I'm not privy to the conversations between the minister and the banks. I know that the minister has spoken to a number of board members, as I'm sure you would expect as well. I'm not privy specifically to what he said, but what I can go by is what he has talked about publicly.

I think the minister has spoken many times about credit cards and credit card rates and opportunities for Canadians to take advantage of low-interest forms of credit, the lines of credit and the personal loans that I mentioned earlier. There has been some very encouraging dialogue between members and government about potential creative ideas on other forms of low-interest credit as well.

• (1635)

The Chair: Peter, you may have a quick question.

Mr. Peter Julian: My third question is this. If the minister or the government were to require you to cut your rates—to waive interest, to waive penalties and to waive fees—would you respect that requirement?

I'll come back to the issue that was raised by my colleague. We have seen banks in other jurisdictions, such as the United Kingdom, Mexico and Europe, stop dividend payments. The dividend payments that the banks announced this year will, in many respects, be on the backs of Canadians. Canadians want to see that the big banks are not profiting from Canadians during this crisis. If the government were to step in and require members of the Canadian Bankers Association to waive interest and penalties and fees, would you respect those requirements from the government?

Mr. Neil Parmenter: What I want to tell you is that Canadian banks always follow all the laws and anything that is law today, anything that's been legislated, by all means.

To your point, and what we haven't talked much about today, in addition to the emergency relief measures we've talked about and to your question about profits specifically, I can't be precise, because nothing has been disclosed and we're in the middle of our quarter, but on loan-loss provisions and provisions for credit losses that banks take in a normal course, even in good economic times, banks do lose money when somebody takes out a loan and is unable to pay.

Given the swiftness, the severity and the scope in this case, clearly, in addition to the relief measures that the banks have taken at great expense, one could expect that loan losses will rise dramatically in the near future as well.

The Chair: Thank you.

We'll turn to Mr. Cumming.

Mr. James Cumming: Thank you.

Thank you to all the witnesses for appearing.

I have a couple of questions for Mr. Parmenter.

First, on the CEBA, the loan program, it looks as if it's open today for most institutions. Can you give us some sense of the timing for the approval process for the businesses that need this capital?

Mr. Neil Parmenter: Obviously, on CEBA itself, it's not banks that are setting any of the lending criteria. This is money from the Crown, so the government has established the loan criteria. There's no adjudication, outside of the instructions directly from the government in this case.

Mr. James Cumming: You're administering it.

Mr. Neil Parmenter: Correct.

Mr. James Cumming: As to the instructions from the government, what would be the timing? If you're administering it and your clients go in and make applications, do you have a sense of the timing for the approval process from the Crown?

Mr. Neil Parmenter: I don't have a precise answer for you.

What I can tell you is that there are media reports. Keeping in mind that the portals opened this morning, there are media reports of individual banks about how much they've approved. A Bloomberg article earlier this afternoon referenced that Scotiabank, as of noon today, had authorized \$107 million in small business loans in support of CEBA.

I wish I had greater data to share with you at this point, but as you can appreciate, the program launched only this morning.

Mr. James Cumming: With your members, has there been much discussion? We're hearing a lot from small and medium-sized businesses with issues with rent and rent deferrals, and I get that the banks are offering some latitude on deferrals on mortgages and on interest in some cases. Is there any forward thinking? The deferral mechanisms, for a lot of tenants, are going to create a liquidity problem for a lot of those businesses and their ability to pay rent. Of course, there are landlords who aren't collecting rent.

There's a pending issue here that one month is not bad, but if we get into three months....

Is there any reaction from the banks on what would be good public policy related to that, or are the banks themselves trying to think through how to deal with what I believe will be a very significant issue?

• (1640)

Mr. Neil Parmenter: That's a great question, and the short answer is that it's more the latter.

As you can appreciate, whether it's commercial real estate, residential rental real estate or any other industry or sector one could think of, there are teams at banks not only collaborating within their own institutions, but also trying to tap the collective selection of capital at, frankly, their competitors, to ask whether there are creative things they can think of. There are teams studying all of these issues across a range of industries, because it's well understood just how significant and how severe these economic challenges are.

As I'm sure you can appreciate, a lot has come at the banking industry in a very short period of time, and in addition to trying to get some of these programs out and launched, which needed to happen, there is an eye to a medium-term and longer-term view as well.

The Chair: You have a minute left, James. You're okay.

Mr. James Cumming: Okay, perfect.

With that, are there any suggestions on policy? Have your members been looking, or have you been looking, at what other jurisdictions are doing?

I know that in the U.S. there were backed loans that they could use toward rent, utilities and employee costs. They were refundable loans.

Has there been much thought on that, or is that in its early stages?

Mr. Neil Parmenter: I would say it's premature, certainly, to share. What I can tell you is that with regard to the receptivity from all of the provincial regulators, from agencies like EDC, from the department itself, in my 25-plus-year career in banking, never have I seen such great coordination and collaboration among regulators, government, industry and, frankly, competitors. I think it's just a recognition of where we are.

It's premature to share anything with you, but know that teams at banks are studying and exploring all kinds of alternatives, and there's receptivity in government to creative ideas and suggestions. It's something I've never seen in my career.

The Chair: Thank you all.

We'll turn now to Mr. Fraser and then go on to Mr. Morantz from there.

Sean? You're on mute, Sean.

Mr. Sean Fraser: Thank you. It was a brilliant opening to the question. I'll reassure you, Chair, that you missed out there.

Turning to the Canadian Bankers Association, one of the things I've heard in a few anecdotal examples—and I think it came up during our previous panel—is that there have been small businesses that sought to access a loan through the emergency business account, and they were being treated the same as if they had been applying for an ordinary line of credit through the bank, with the bank exercising its criteria.

Am I correct in understanding—since it's not the banks that will put up the lending criteria here, but the government—that this was done in error, and that in fact the vast majority of businesses that meet the eligibility criteria will in fact be granted access to a loan through this program?

Mr. Neil Parmenter: Yes, your understanding is correct.

As I said earlier, the eligibility criteria have been set by the government. These aren't credit adjudication decisions being done through an individual risk profile by the bank. What they are doing is merely enforcing the eligibility criteria that the government has established for the loan.

Mr. Sean Fraser: Excellent, and I'm happy to hear that—

Mr. Neil Parmenter: Sorry. I was going to say that I did hear the comments earlier. It's certainly something we will take back to our members, but I can assure you that the process here is to follow the government's loan criteria, not an individual bank's risk profile.

Mr. Sean Fraser: Thank you. As long as you take that back to your members to ensure that the message is received at the branch level, where many businesses are going to be seeking access, I would greatly appreciate it.

Quickly, still on the emergency business account, to our friends representing credit unions here today, thank you for your comments about your willingness to partner. Can you give a sense of the importance of having credit unions administer some of this lending to small businesses, in small or rural communities in particular? There are certain areas that I represent that may have limited access to our nation's major financial institutions, and I'm curious if you can shed some light on the importance to small towns and rural communities of having this program administered also by credit unions.

• (1645)

Ms. Martha Durdin: As you know, credit unions and caisses populaires in Canada do have 20% market share of SME business and small business, particularly in microbusinesses, the very, very small ones.

In certain areas of the country they also have very large market share. In the case of Desjardins in Quebec, its market share is in the 40% to 50% range. For credit unions in western Canada, in Manitoba, outside Winnipeg, the SME market share hovers around 60%. In Saskatchewan it's around 40%. In B.C. it's also very high outside of the Lower Mainland.

Therefore, it's very important that credit unions have access in order to serve not only those who don't have access to banks but also those who choose to bank with a credit union as opposed to one of the larger financial institutions in Canada.

I think I mentioned as well that in over 400 small towns and small communities across Canada outside of Quebec, credit unions are the only game in town, the only option for those communities in bricks and mortar. Of course, bricks-and-mortar institutions are still important when it comes to meeting the financial needs of people who are managing small businesses.

We're an important contributor to the financial ecosystem in Canada. We may not be the largest and we may not be as visible in provinces like Ontario, but certainly in the west, in the Atlantic region, in Quebec and in rural communities, we play a very important role for individuals, and particularly for small businesses.

Mr. Sean Fraser: Mr. Chair, do I have time for one quick question?

The Chair: Very quickly, yes, you do.

Mr. Sean Fraser: As a final quick question for the Canadian Bankers Association, one issue that I raised during our last call was this: If we're willing to work with the big banks or the credit unions to help get money out the door through the wage subsidy, is this the kind of thing you would be willing undertake if you know a business has access to 75% of the cost of their wages through the wage subsidy program? Is there an opportunity for lenders to front that cash in order to inject liquidity into different sectors or businesses much more quickly than the program would allow on its own?

The Chair: Neil—

Ms. Martha Durdin: It's Martha.

The Chair: Martha, go ahead.

Ms. Martha Durdin: In many cases, many of our credit unions said they would front the money for the CEBA program even while thinking that they weren't going to be part of it, because their mem-

bers, their small businesses, really needed access to those programs. I know that Sunshine Coast Credit Union—on the Sunshine Coast—was fronting the money, even though they didn't think at the time that they'd be part of the program. Now that they are, you will see much more of that across the country. They'll be able to onboard their credit unions just as as we are able to onboard them into this program.

The Chair: Neil, could you answer as well, please?

Mr. Neil Parmenter: Yes, of course.

I think that would be an enormous challenge. The wage subsidy program is about a \$70-billion program. To front that would be challenging, even in the short term, as a bridge into May. With that said, I do think CEBA does provide an opportunity to provide that bridge until the wage subsidy comes in. If you couple that with other small business credit and loan facilities, there are options.

I mentioned in my speaking remarks, for instance, that the authorized lending to small and medium-sized enterprises was \$247 billion as of September. Of course, that's the authorized amount. The actual loans outstanding are \$156 billion, so the delta of \$91 billion that's already pre-approved as an existing line of credit that small and medium enterprises can draw down on is another opportunity for small and medium sized businesses to bridge them to the wage subsidy.

• (1650)

The Chair: Okay. Thank you all. We're a little over time on that one.

We will go to Mr. Morantz, and then Mr. Fragiskatos will have to wrap it up.

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

Mr. Parmenter, I want to talk to you about an issue we haven't really touched on.

I recall that back in the 2008 crisis, major financial institutions in the United States were literally collapsing overnight. The term “too big to fail” was bandied about. This crisis seems to be, from an economic perspective, a far bigger problem than even 2008 may have been.

I don't want to make any assumptions about the banks' ability to weather these financial storms. I think it's important for everyone to remember that bank profitability is fundamentally important for the millions upon millions of Canadians who own bank stock or rely on bank stock dividends, not just personally but through pension plans like the Canada Pension Plan and large private pension plans.

I wonder if you can comment on whether there's any concern among the CEOs of the big banks as to the economic viability or stability of our banking system over the next number of months.

Mr. Neil Parmenter: I'm very familiar with the global financial crisis of 2007-2010. I happened to be working for a major Canadian bank in the United States at that time, so I had a front-row seat to those challenges.

In essence there are several big differences, obviously, between the two. The crisis of 2007-2010 was more a story of global financial economic disruption that affected the broader economy, whether it was housing or other industries. In this instance, it's almost the reverse.

In a typical recession you'd have months to a year to explore different policy alternatives and make moves to respond to changing economic conditions. In some instances now, we saw the change come abruptly, in some cases literally overnight, when revenues went to zero for certain businesses, so there are a lot of dramatic differences.

To respond to the core of your question, Canada is blessed not only in having the incredibly strong banking sector I spoke to during my opening remarks, but also because Canada is world-renowned when it comes to prudential regulations. Our prudential regulator in OSFI, Superintendent Jeremy Rudin is world-renowned for being one of the best prudential regulators in the world, and that kind of dialogue between major banks and OSFI to look at rapidly changing economic conditions and ensure the financial sector remains sound and stable has an eye to two things. There's an emergency need we're in the middle of right now, which is to provide immediate relief for people, but we also need to ensure that as we start to come out of this crisis, we have a strong, stable financial sector so that businesses can come back and businesses can grow once again.

Your point is a critical one, and I think it is a key issue that doesn't get talked about a lot: There's an immediate emergency need, but there's also a need to have a longer-term view as to how Canada is going to come out of this crisis.

Mr. Marty Morantz: Thank you.

I wanted to circle over to the credit unions for a second if I have...Mr. Chair?

The Chair: You have. You're okay.

Mr. Marty Morantz: Currently if you're a rural business that's been banking with a credit union, can you go to your local credit union and make an application for the CERB, or do you actually have to go to one of the banks, where you may not have any relationship at all?

Ms. Martha Durdin: Thank you for the question. Are you referring to the—

• (1655)

Mr. Marty Morantz: Sorry. It's not the CERB. I meant the CE-BA. My apologies.

Ms. Martha Durdin: Yes. The CEBA is designed such that you need to go with your primary financial institution, which is why it's so important that all financial institutions, credit unions included, have access to the program. If your primary financial institution is a credit union, you need to go to them first—not even first: You need to go to them in order to access the program.

It is important, because they do not have the option of just walking across the street and going to another financial institution to access that program.

Mr. Marty Morantz: Is it available, though? That's my question.

Mr. Michael Hatch: It will be, yes. Based on the announcement and the assurances that we received this morning from Finance Canada and EDC, yes, all credit unions will be able to deliver CE-BA to their members.

The Chair: For the benefit of the translators, I believe that was Michael Hatch.

Mr. Michael Hatch: Yes, thank you, Mr. Chair. This is Michael Hatch from CCUA.

The Chair: Thank you.

Just on Mr. Morantz's questions, there's a new language here: CEBA, CERB and CEWS. It's a language we didn't even know a month ago, so I can understand that people are missing the acronyms.

Mr. Fragiskatos, you'll wrap it up. We'll give you five minutes.

Mr. Peter Fragiskatos: Thanks, Mr. Chair, and thank you to the witnesses.

This question is for Mr. Parmenter and Ms. Durdin.

Victor Dodig, the chief executive officer of CIBC, as you well know, recently said that COVID-19 will have a more profound effect on the world than the attacks of September 11. First, do you agree with that sentiment? Second, if you do agree, what does that mean? What does it imply? What are the overall implications for banks, going forward, and for credit unions?

Mr. Neil Parmenter: I must apologize. I've been trying to read and digest as much news as I possibly can and I've seen a few interviews with Mr. Dodig, but I'm unfamiliar with that one. I would certainly agree with it from an economic impact standpoint. Undeniably it has, in a global way, changed the world economy, and done it at absolutely unprecedented scope and speed, so from that perspective I think it's undeniable. I just don't know whether he was talking about something other than the whole economic impact of it to the world.

Mr. Peter Fragiskatos: Yes, I guess I should have clarified that he was speaking specifically about the global economy.

Mr. Neil Parmenter: With regard to an overall global impact in terms of size and speed and scope, it's hard to deny that statement, for the reasons I've just described. Yes, there were impacts beyond the United States in 9/11. Certainly that economic impact was felt globally, but I think this one has moved at unbelievable pace in short order, and it is changing our lives more directly day to day than 9/11 did. It's a new normal that we're all living under. I'm talking to you from my kitchen island, and I'm not used to doing that. It's hard to deny the overall impact.

The Chair: Again, there's some background noise there. I hear some kids. I will ask people to please mute their mikes.

Go ahead. Did you want Martha to answer that question too?

Mr. Peter Fragiskatos: Mr. Chair, since I don't have much time left, Ms. Durdin, perhaps you can offer an opinion on this question, but it is for Mr. Parmenter as well.

Recently in Australia, there's been a change in terms of banks. We've heard throughout about the importance of rent and how it is a key concern right now for businesses. Under this recent change, introduced just a few days ago, commercial landlords can defer mortgage payments for up to six months on the condition that they do not terminate leases for tenants who have been directly impacted by COVID-19.

I think there are some jurisdictional issues and complexities when it comes to how something like that could potentially be introduced in Canada, but what do you think about it? Do you have any view on this?

• (1700)

Mr. Neil Parmenter: As I mentioned earlier, I think banks are looking at a whole host of flexible and creative options for their clients across a broad range of industries, including commercial real estate. As I said, I think they're not only thinking of new ideas but also looking at their jurisdictions and borrowing where appropriate, but beyond that, it's difficult for me to offer a more informed view.

Ms. Martha Durdin: In terms of real estate, I think there needs to be some thought around how to manage the flow of landlords not paying rent to smaller companies and smaller companies not being able to pay larger ones.

At this point, it's being applied very inconsistently by individual large commercial landlords. I know this is true from the experience of our own organization. We are the landlord in a couple of places, and each company from which we rent, both of which are large, is dealing with it quite differently. The relief that individual companies are offering is being inconsistently applied.

I think there is a role for some kind of point of view on how it's managed across Canada.

The Chair: Okay. With that we will have to end this session. We have another one-hour panel after this with two more witnesses.

On behalf of the committee, I want to thank the Canadian Bankers Association and the Canadian Credit Union Association for appearing before us. There's no question that these are extraordinary times that require extraordinary decisions to be made across the board by all levels of government, businesses, communities and individuals.

Again, thank you for appearing, for your remarks and for answering our questions.

Mr. Neil Parmenter: Thank you, Mr. Chair.

The Chair: Thank you, Neil, and thank you, Martha.

• (1705)

We will have about an hour here. We will start with Canoe Financial.

For questions, we will start with Mr. Cumming and then go to Mr. Fragiskatos.

Okay. The floor is yours, Brett Wilson, with Canoe Financial.

I ask everyone who is not on the line to mute their phones so that the line will be as clear as possible.

Go ahead, Brett.

Mr. W. Brett Wilson (Chairman, Canoe Financial): Thank you first of all for the opportunity, and second, I was given a five-minute window. I love the fact that it might be an hour, but I have a four-minute presentation with basically one minute of introduction, one minute of context and two minutes to discuss an opportunity. I'm speaking a little bit about finance. I'm speaking a little bit about small and medium-sized enterprises in Canada, and I'm certainly speaking about energy in Canada.

I am Brett Wilson, the chairman of Canoe Financial. We run about \$6 billion of assets, almost all of it invested by Canadians. I am a prairie boy. I am an engineer by training and early career. As an investment banker, I was a co-founder of one of Canada's most successful investment banks, FirstEnergy Capital, which of course happened to focus on energy. Ten years ago I evolved into the world of merchant banking with a wide diversity of investments in Alberta, Saskatchewan and British Columbia. I am active in the oil and gas industry. I'm active in hydro and wind power. I'm an investor in Canada's largest solar energy projects. I'm currently building a gas-fired electricity plant, and I'm active in almost all subsectors of the Canadian energy industry. I am committed to Canada, and I'm committed to its many energy industries.

Just for some context, the World Bank says Canada is number 23 as a place to invest in the world, and unfortunately it's dropping. In the past we've been recognized as a global leader in resource extraction. That recognition is also dropping. Over the last decade many global energy companies have exited Canada for compelling returns elsewhere in the world. The Canadian energy industry has juggled and struggled for the last five years, driving down operating costs, while seeing capital efficiency.

Issues still abound over responsible access to world markets for our hydrocarbons, all of which is exacerbated by foreign-funded and often misguided attacks on Canada's energy industry. The U.S. oil industry by contrast has more than doubled its production during the time that we have struggled and slipped.

Of note as well, the energy sector is Canada's largest employer of our indigenous peoples.

With regard to the opportunity I'd like to speak to, as of the end of 2018, small and medium-sized enterprises in energy in Canada had invested more than \$80 billion in excess of their taxable income, resulting in \$80 billion in tax pools between NOLs—net operating losses—and capital cost allowance pools and other pools that are directly attributable to energy, such as the Canadian oil and gas property expense, Canadian development expense and Canadian exploration expense. In sum, there is \$80 billion in pools.

The opportunity that is circulating in Calgary, and what I'm proposing now, is to monetize some or all of that \$80 billion in tax pools. Those are tax pools that are currently assets of the companies that spent the money, and they are liabilities to the Government of Canada as they offset income over time. As used, that \$80 billion of tax pools would cost the government about \$20 billion, 25¢ on the dollar.

My suggestion is that there is an opportunity for the two levels of government to offer two choices to energy companies: the direct repurchase of this tax pool asset from companies for, say, 50¢ on the dollar, and/or alternatively the issue of flow-through shares into the capital markets allowing renunciation of existing pools, rather than creating new pools for renunciation.

Thus, this opportunity is for both a \$10-billion injection into Canada's world-class energy sector and at the same time a reduction of \$10 billion to the CRA's expected cost of the ongoing utilization of the tax pools as claimed. The opportunity is a classic win-win for Canada. It is capital our energy industry would reinvest to the benefit of Canada in so many ways.

Ladies and gentlemen, thank you for the opportunity to pitch. I'm happy to take questions for most of the next hour. I understand that's not the case.

• (1710)

The Chair: Thank you.

Well, there will be about 50 minutes of questions, Mr. Wilson, following Mr. Macdonald with the Canadian Centre for Policy Alternatives.

You're on, David.

Mr. David Macdonald (Senior Economist, Canadian Centre for Policy Alternatives): Thanks so much, Mr. Chair. Thanks to the finance committee for your invitation to speak today in these troubling times.

I'd like to thank members of the committee and all MPs for their rapid action taken to combat the economic impact of COVID-19 and their willingness to rapidly iterate program designs to better help struggling Canadian workers and businesses impacted by this public health emergency.

I'd like to restrict my comments today to the Canadian emergency response benefit as well as the Canadian emergency wage subsidy. Generally, I think these are good programs. Considering the time frame in which they were developed, they are nearly miraculous ones. However, as they are rolled out, it is important to continue to improve them as gaps are exposed. In no small part, those gaps are due to the speed with which they were rolled out.

To start, let me speak to the Canada emergency response benefit. Hats off to the MPs and the public service workers who managed to replace the employment insurance system in a week and a half. The emergency benefit is a much more modern program than EI ever was. It's faster to apply to. It's faster to get support. It's far less Byzantine, essentially throwing the antiquated EI system in the bin where it belongs. The emergency benefit covers many more unemployed workers than EI ever would have. It includes self-employed and gig workers, as well as insecurely employed workers, and for most workers it will provide more than EI would have on a weekly basis. With essentially five million Canadians now having applied for the emergency benefit, either through EI or through CRA, there are now one in five working-age Canadians who will be receiving this benefit. In terms of how quickly they were signed up, it's likely the most rapidly deployed income support program in our country's history.

However, there are still unemployed workers who won't receive any income support, either through the old EI system or through the new emergency benefit. There are over 600,000 unemployed workers who lost their jobs prior to March 15 who couldn't access EI due to its previous restrictions. Because they were unemployed prior to March 15, they can't get the emergency benefit because you have to have been unemployed after March 15 to get the emergency benefit. They didn't get EI because they didn't have enough hours in their city, they were self-employed or they were just coming back to work from parental leave. As a result, they will receive nothing from either employment insurance or the emergency benefit.

A further 309,000 workers unemployed prior to March 15 are receiving EI but are receiving less than \$500 a week, which is the floor that the emergency benefit has created. There are an additional 175,000 unemployed Canadians who lost work after March 15 but who won't be able to access the emergency benefit because of the \$5,000 in earnings in the previous year, in 2019, that is required. That \$5,000 may seem like a small amount, but considering that the non-essential industries that have been closed—retail, food, hospitality, art, culture, sport—are all very seasonal or part-time industries, to the workers in those industries, that \$5,000 threshold would be a very large impediment.

All told, there are almost 900,000 unemployed Canadians at present who will receive neither EI nor the emergency benefit. This does not include the 2.1 million Canadians who we learned about today who have seen the majority of their wages cut but who are not officially unemployed if their income has not completely dropped to zero, one of the other requirements for the emergency benefit, although there is some discussion about changing that detail.

In terms of the Canada emergency wage subsidy, the 75% subsidy for businesses with revenues that have fallen by 15% to 20% due to COVID-19, I believe this is a strong foundation to support the private sector. I know the program is still under development. It's being rapidly modified in an attempt to meet the possible needs of businesses and workers, although I would like to suggest several changes to ensure better work protection, as well as transparency to the program. This will be, by a long shot, the most expensive program rolled out of these emergency measures.

I am concerned that if workers are still fully working and not furloughed, there's no guarantee that they won't see their pay or benefits cut by 25% if their employer is not required to make up the additional 25% of their pay. If a worker is indeed entirely furloughed, the decrease in pay to 75%, I think, is reasonable. However, if workers are fully working, I don't think they should be the ones seeing a cut in their pay despite the fact the federal government is covering 75% of the payroll. The Irish version of the wage subsidy requires employers to show that cash reserves are quite low before allowing them not to top up the other 25% of employee wages. A similar requirement could be put in place in Canada so that workers won't bear substantial wage cuts as a result of the emergency wage subsidy.

• (1715)

Now, this is a program to keep workers and businesses afloat; it's not a program to enrich shareholders and executives. I encourage members to consider a cap on executives' pay for companies that are receiving the wage subsidy such that executives don't receive payments over the period of receipt of the emergency wage subsidy.

I'd also encourage members to consider forcing companies to stop paying out dividends or conducting share buybacks to enrich shareholders while they're receiving 75% of their payroll from the federal government.

Providing supports for big companies was a last-minute change to this legislation, as I know, and it will likely substantially increased the cost, although I think it's an important change, given the role that big enterprise plays in terms of employing Canadians.

I think there should be transparency, when this is said and done, as to who has received support. I would encourage the government to disclose in the fall, after the crisis has passed, companies over a particular size that have received the wage subsidy, such that we will have a full accounting of where this money has gone.

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

The Chair: Thank you very much, David.

We'll go to five-minute rounds, and if we can hold the questions and answers to five minutes, we can get eight people on for questions.

We'll start with Mr. Cooper, Mr. Fragiskatos, Mr. Ste-Marie and Mr. Julian.

Go ahead, Mr. Cooper.

Mr. Michael Cooper: Thank you very much. I will direct my question to Mr. Wilson. I'm certainly interested in your recommen-

ation to monetize about \$80 billion of tax pools. I'd certainly give you a little more time to elaborate on the merits of that recommendation if you wish.

Before I do that, I know that Premier Kenney stated on Tuesday that there's a very real possibility of negative prices for Alberta's energy products. Would you agree with that, and could you speak to the serious economic implications of that very real possibility?

Mr. W. Brett Wilson: Certainly.

As differentials expand, we're trapped in terms of the oil we have in Canada, with the differential between what would be received on a world market and what's available in Canada. Last year, probably around this time, that led to the involuntary curtailment that was enforced by the government to ensure that there was not overproduction. It's the same concept that you would apply right now in the milk industry in terms of supply management.

Of course, oil can last in a barrel a lot longer than a gallon of milk can, but the real point is that we need supply management. That's what has triggered this explosion in the differential.

Do I think that there will be a sustainable negative? Well, people will simply stop producing. There's an implicit element of curtailment that will occur when prices plummet, and it's already happening. You're seeing the Russians and Saudis talking about curtailment, and across the Canadian oil and gas industry, voluntary curtailment is certainly occurring left, right and centre. The single benefit of this low oil price is of course for the refiners, who are able, when they choose to, pass on the benefit of a lower supply cost to the consumer buying gasoline at the pump.

Is it going to be a long-term issue? I don't believe so. We've already seen some recovery in the world price of oil. As we participate as best we can—and I congratulate the efforts of all levels of government in terms of moving forward on both Keystone XL and Trans Mountain—having access to world markets for Canadian energy is an integral part of being able to participate in a thoughtful industry on a global basis.

• (1720)

Mr. Michael Cooper: Thank you.

It was all the way back on March 25 that Bill Morneau promised there would be help for Canada's oil and gas sector in hours or possibly days, as he said. It's now 15 days later, so clearly it hasn't been hours and it hasn't been days. It has now been weeks.

We have seen energy companies trim \$8.5 billion in planned spending in Canada since March 7. Active drilling rigs are down to 42 from the 260 there were in February.

Can you speak to the urgency of relief for Canada's oil and gas sector? Also, in that regard, what would you say to those who say that programs such as CEBA and the wage subsidy are already being provided by the federal government? What would you say in response to those who say that the oil and gas sector will already benefit from those programs? Further, could you elaborate perhaps on some measures you'd like to see in a federal package?

Mr. W. Brett Wilson: Understood.

Those programs that you just spoke of, which have been implemented, have been invaluable to many industries. I'm very active in the hospitality industry. I own hotels, restaurants and gymnasiums for training and exercise. In businesses like that, these supplemental programs have been and are looked at very favourably, and so I have to express my appreciation, but they become irrelevant to industries that rely on major capital reinvestment, and that's really the essence of the Canadian oil and gas industry.

For the last 20 years, on average, the junior, mid-cap and small-cap public oil and gas companies have reinvested more than 100% of their cash flow. The distribution of cash flow by way of dividends we sometimes jokingly describe as simply giving shareholders a choice of where they might like to invest, but the oil and gas industry has historically required the opportunity to grow, and sometimes the opportunity simply to maintain its production has required significant reinvestment. Programs that subsidize wages for employees don't have an impact in any way, shape or form on the material issue, which is capital reinvestment, and capital reinvestment is where jobs are created. Distributing cash flow is not a job-creating business. A couple of payroll clerks would be required to write dividend cheques. That's not what we're about here. This is about the need to reinvest capital, partly to grow our production and partly to stabilize the production we have, and of course in all of this to participate in the growing global economy.

Leaving aside COVID and the collapse created by the Russians and the Saudis, in the last 15 years we saw world production grow from around 95 to close to 110 million barrels a day, so those who object to the growth of the hydrocarbon industry in Canada do so without knowledge of what's happening on a global basis.

To participate in that global economy simply makes sense on two levels. One is crude oil, and then there's liquefied natural gas. To the extent we participate in crude oil, we're bringing oil to a global market that is, first of all, responsible in terms of environmental compliance; responsible in terms of indigenous relationships; and responsible in terms of paying municipal, provincial, federal, property, operating and income taxes, and withholding taxes. All of that in Canada is organized in a thoughtful, responsible way.

With regard to respect for the dignity of women and children, something Canada exhibits, I wouldn't say that of the seven of the

other top 10 countries in the world that have large reserves. We are third in the world in terms of our reserve base, so participating on a global basis for crude oil makes the world a better place.

In terms of participating with LNG, we've struggled in Canada to get LNG projects off the ground—

The Chair: Sorry to cut you off, but we'll have to wrap it up there and turn to Mr. Fragiskatos. Sorry about that.

Go ahead, Mr. Fragiskatos.

Mr. Peter Fragiskatos: Thank you very much, Mr. Chair, and thank you, witnesses.

Mr. Macdonald, I have just one question. I think you quite appropriately hit the nail on the head when you said the response of the Canadian government was “nearly miraculous”, particularly when it comes to the CERB. We'll see where the numbers are today, but just yesterday at this time, nearly two million Canadians had been able to apply and be approved for the CERB. That's 1,000 applications per minute that are being put through, and credit goes to our outstanding public servants who are doing this work in the greatest moment of need that we as a country have felt since the Second World War. I saw that you caught yourself when you said “nearly” miraculous, because it's Holy Week, so I see that you're emphasizing “nearly”, but I think it's an appropriate way to describe the situation.

Here is my question. We've heard throughout these hearings about the issue of rent being a prime concern. For business owners and tenants, it's a major issue right now, and it promises to be a major issue in the weeks and months ahead. I put this question in the earlier panel to the banks, to both Mr. Parmenter and Ms. Durdin, and it seems they didn't want to answer, unfortunately. We didn't have much time, but I also noticed that perhaps they were being a bit evasive in part. That's fair, since it's a question that asks them to speculate on a policy response, but I still think it's in line with what we need to be focused on right now, which is a way forward, and that's why I want to talk about Australia.

Very recently, you may have seen, Mr. Macdonald, that Australia has introduced a change. Going forward, commercial landlords who can demonstrate a consistent record of payment can defer mortgage payments for up to six months on the condition that they not terminate leases or evict tenants who have been directly impacted by COVID-19. Do you think this is something that ought to be looked at in the Canadian context?

• (1725)

Mr. David Macdonald: I certainly think that rent, in both the commercial and the private sectors, is going to become an increasingly big issue if the public health necessity of the lockdown continues.

Certainly there is the question of deferral of residential mortgages, deferral of rent payments and protection against evictions if rent is not made for individuals in several provinces at this point. The question of whether businesses, particularly in certain retail settings, can defer rent could be an important one. I suspect that as this drags on, what will become clearer is that it will become a question of not just whether interest rates are appropriate or whether deferrals are appropriate. It's not as if individuals or small businesses are storing up three or six months' worth of rent in a bank account and in September they'll be able to open up that bank account and pay off what they owe; rather, it's that people will get behind in their rent, whether it's personal, corporate or retail, and they won't be able to make that money back. We won't be able to restart the economy just by pushing a button and getting everyone back to work on a certain date, June 1 or July 1.

I think there's going to be a much longer tail on this situation. Particularly for individuals with mortgages, individuals with rent, and small businesses that have their own rents as well as debt that they pay in terms of holding inventory or lost inventory, we will likely see a large uptick in bankruptcies and the need to rapidly renegotiate debt, as opposed to simply deferring it.

At this point, we're at the deferral stage. I think a month or two from now we'll be further along, and we'll be at the renegotiation and bankruptcy stage. My fear is that the current bankruptcy process, whether for personal or corporate bankruptcies, particularly in the current setting, may not have the capacity to deal with what we are likely to see in private small businesses.

The Chair: We will have to end that round there, Peter. Sorry.

We'll give you the exact number on the CERB applications at 4:00 p.m. this afternoon, Ottawa time.

It was 459,970, so yes, they're rolling in.

Mr. Peter Fragiskatos: That's great to hear. Thanks, Mr. Chair.

The Chair: Thank you. We will now go to Mr. Ste-Marie and then Mr. Julian.

[*Translation*]

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

I want to thank all the witnesses for their presentations. My questions are for Mr. Macdonald from the Canadian Centre for Policy Alternatives.

Mr. Macdonald, I want your opinion on the measures that the banks have taken and on the measures that they could take. We've seen the central bank, the Bank of Canada, cut its policy interest rate.

Should the banks be doing more?

• (1730)

[*English*]

Mr. David Macdonald: It would appear that the position the banks appear to be taking at this point is the deferral one that we were discussing earlier, potentially the deferral of interest. It's not the deferral of payments for individual mortgages. There does also seem to be a push to lower interest rates on credit cards from the 18% range to maybe the 10% range.

I think those parts may help some people. I think most people won't be particularly helped by that, in large part because deferring a mortgage payment, if you can't make the payment as it is, doesn't help you. It puts off the problem. Even if the interest rates are lower or the interest being charged has been deferred, the underlying principal payments, in many cases, haven't been deferred, or even if they are deferred, you don't have six months' worth of those payments sitting in a bank account somewhere that you can take out and then pay in September.

My concern is that the banks hold a lot of this debt, and you can say that the banks should be forced to forgive a certain amount of mortgages or that people should get a pass to not pay back their capital on mortgage payments. However, this isn't purely about the banks. We can say renters shouldn't have to pay their landlords, but their landlords may well have mortgages. Then we can say that the landlords shouldn't have to pay the banks their mortgages, but the banks themselves have their own costs.

There is a process for dealing with this type of insolvency. It's called renegotiation of debt. That's not necessarily the bank's fault per se. I'm sure that down the line we'll see a large uptick in bankruptcies or forced renegotiation of debt, whether for mortgages, rent payments or small businesses that can't operate and are forced to close. At that point, it may be necessary to use the stick of the federal government against the banks. It's not clear to me, at this point, exactly what that stick would be in terms of renegotiation. It might be a fund that would help bankrupted businesses renegotiate, with the federal government taking on some risk in that process.

I really think we need to be looking further than just deferring several mortgage payments or deferring some interest. We need to be looking at the fact that folks won't be able to make these payments back, and they'll likely have to renegotiate that debt over a longer period of different payments, or something along those lines.

[*Translation*]

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

I also want your opinion on the Canada Emergency Response Benefit. Many jobs are in seasonal industries, and these people would normally return to work. However, given the COVID-19 crisis, they can't do so. Yet they're excluded from the Canada Emergency Response Benefit because they haven't lost their jobs.

In your opinion, should workers in seasonal industries be eligible for the Canada Emergency Response Benefit?

[English]

Mr. David Macdonald: The emergency benefit, I think, is a great program. Its speed and the ease with which people can apply has been commented on, but there remain a number of odd constraints on accessing the program, like the one you just mentioned. Given the number of applications to date, I think the labour force survey number that came out today seriously underaccounts for what is actually happening in the labour force. Clearly this program is needed.

I've identified some areas. You've identified one where the emergency benefit could be expanded rapidly, given that the infrastructure of CRA is already in place to process a phenomenal number of payments in a very short period of time.

I think that at this point we should be providing supports for people without undue constraints. Frankly, there aren't a lot in the emergency benefit, but there are some, and those should be further relaxed such that the people who don't have employment or don't have full employment or are seeing big drops in their hours can gain access to it.

The Chair: Okay, thank you. That ends the round, Gabriel.

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

Mr. Peter Julian: Thanks, Mr. Chair.

Thanks to our two witnesses to close off the week. We hope that your families are safe and healthy.

My questions are for Mr. Macdonald. Thank you very much for your work, Mr. Macdonald, on the analysis of work done to date.

I want to start off with the CERB, the emergency response benefit.

Other countries have put in place a universal benefit. Jagmeet Singh, of course, has proposed as well that it go out to everybody rather than marshalling public servants to reject, as you remarked, a substantial number of people. You've identified 862,000 in your report. I believe you said that there are another 2.1 million who have part-time wages and therefore also don't qualify, so we may be talking about as many as three million Canadians.

Also, how urgent is it that we fill those gaps, that we repair the problems with how CERB is constructed? Those are my two questions, to start.

• (1735)

The Chair: Mr. Macdonald, go ahead.

Mr. David Macdonald: I would state that the CERB, while closing in on a universal benefit, is not yet a universal benefit, given some of the constraints. For instance, March 15 was the point at which you had to become unemployed in order to access it. Another constraint was the requirement for \$5,000 in earnings in the previous year, and another one was that your earnings had to have dropped to zero.

With one in five working Canadians receiving the CERB, assuming that there aren't that many duplicate applications, this is rapidly becoming a basic income for working-age Canadians.

We have a basic income already for seniors. It's called the guaranteed income supplement. As well, there is old age security, as you know. For families with children, the Canada child benefit, I would argue, formed a base income of sorts. I think that the emergency payments through the Canada child benefit as well as the GST credit structure or LIFT, which are coming out both this month and next month, are also important pieces of this. They would arguably form a basic income that's a bit more automatic in a sense.

I actually would like to see the GST emergency benefit extended, not just for a single month but for several months while the crisis lasts, because it doesn't go just to working-age Canadians but to all Canadians: seniors, families with children, working-age Canadians and so on.

In terms of the 2.1 million Canadians who've seen the majority of their hours cut between February and March, this is a substantial new group that does not have access to the CERB at present. There is some discussion now about allowing people whose hours have been reduced to only 10 a week or who now make, because of hours reduced, less than \$500 a week to gain some form of access to the CERB. I think this will become increasingly important going into April and May, as the true impact of this COVID-19 crisis on the labour force survey becomes evident.

Mr. Peter Julian: Thank you.

For my second question, you raised the issue of benefits, whether we're talking about supports for business or the wage subsidy, and ensuring that support, particularly to larger businesses, is dependent on maintaining benefits and making sure that the money is not being spent on dividends or stock buy-backs or executive bonuses. Other countries have done that, the U.S. most notably. How important is it to follow best practices on that account, ensuring that the supports are actually directed towards workers?

Finally, following up on Mr. Ste-Marie's question around the banking sector, since the federal government does have the ability to ensure that we are not seeing profiteering during this economic crisis, how important is it for the federal government to take action to ensure that more financial institutions are doing as Vancity is and waiving credit card interest, and far fewer are continuing to benefit from the crisis and from Canadians going into debt?

The Chair: Mr. Macdonald, if you could tighten your answer to about a minute, that would be helpful.

Mr. David Macdonald: I can definitely do that, Mr. Chair. Thank you.

In terms of the wage subsidy, I think it is clear, but unless the federal government is clear that companies are not going to be paying out dividends and conducting share buy-backs, inevitably you will have bad actors in the same way that inevitably, if the federal government does not say that employers should make up that final 25% of employees' pay, you will end up with bad actors.

That's not to say that most businesses are going to do that, but I think it's easier if it's clear to everyone involved, including the federal government, businesses and workers, that these are benefits for workers and are not benefits for shareholders and not benefits for executives. Clarity would be helpful on that front.

Of course, publishing a list of who gets the money would also help transparency on that front.

• (1740)

The Chair: Did you have a bit more to say, Mr. Macdonald? Go ahead.

Mr. Peter Julian: You still have 30 seconds.

Mr. David Macdonald: I was just going to say that in terms of interest rates, I certainly think that targeting credit cards and payday loans, in particular, to substantially reduce their rates would be most beneficial.

For mortgages, it's much less. The interest rates there are already very low. If there is an interest in targeting interest rates, I think those are the places you'd want to target your efforts.

The Chair: Thank you both.

The next four will be Mr. Cumming, Ms. Koutrakis, Mr. Morantz and Mr. Fraser.

Mr. Cumming, go ahead. No?

Okay, could we go with Mr. Morantz? Marty, unmute your button.

Mr. Marty Morantz: Sure, Mr. Chair. My question is for Mr. Wilson.

I just want to turn your mind away from resources for a second—although those are a huge topic, of course, and there's lots of work we need to do there—to the current plight of Canadian charities. We know that Canadian charities do a great deal of work for Canadians, and they've been hurt particularly hard during this crisis.

I was wondering what thoughts you might have in terms of what a government could do to free up Canadians to donate in larger amounts to charities. One of the ideas I've been pushing since I was elected for in October is allowing donations to charities of shares in privately held corporations or private real estate and allowing for an exemption to the capital gains tax. That's just one idea, but I wonder if we could collect your thoughts around what we could do to assist charities, what you think of that idea, and whether you have any other suggestions.

Mr. W. Brett Wilson: Certainly, and I appreciate that. Again, I can go on record as having given more to charity than my own income for most of the last 20 years. I have been very fortunate to have had significant gains in a number of public companies and private companies.

There's a gentleman named Doug...Donald K. Macdonald, I believe, who's been pushing for many years to have capital gains tax wiped out on any shares that are donated. It's very similar—

Mr. Marty Morantz: It was Donald K. Johnson, actually. I've talked to him.

Mr. W. Brett Wilson: Yes, that's the one.

The other place where that applies is in Canadian cultural property. When someone donates something of significance to Canada, it's defined as cultural property, and there's no capital gain on the donation. There is simply a receipt for the donation.

We need ways that we could accelerate and encourage larger donations. I'm talking hundreds of thousands to millions of dollars, and these are out there. I know that because I'm on the phone raising money many times a year, and the money is out there.

Just encourage that at this time would be probably one of the great opportunities. We just canvassed the eight women's shelters in Calgary to ask them exactly what they need, because I need to understand what they're short of, and I will go about raising money for all of them. We just canvassed every one of them, and they have all seen the tap turn off. The regular flow of money and in-kind donations—just everything—has dried up.

Calgary is a microcosm of what happens in Canada. Charities are struggling, so as you've just proposed, we need to do something to accelerate, to trigger, to put people's thoughts back to....

Will we recover? I'm a believer in Canada. I'm a believer in all things we do. There will be a recovery from COVID and there will be a recovery in the oil prices, so I'm already looking at who will need help and how I can help them.

To the thought that we could do something to accelerate or trigger that, yes, please.

• (1745)

Mr. Marty Morantz: Thank you for that. I wholeheartedly agree, and we need to keep pressing on that issue for charities.

On another matter, looking forward to a recovery, one idea that has been floated is that instead of having a centrally planned government stimulus program when we come out of the recovery, we could just unleash the power of private capital by, for example, having a temporary exemption on the capital gains tax on the sale of publicly traded shares for a limited period of time.

I am curious to know your thoughts on that and how massive an injection of capital it could mean to the economy if a policy like that were to be implemented.

Mr. W. Brett Wilson: That's a good question. As much as I like that concept, the problem is one of timing. The number of people who have large unrealized gains in their portfolios, whether in Calgary or Alberta or Canada, is down substantially, so I think using that as a trigger for economic stimulus might be for the medium term, the medium term being one to three years. The short term is what we need to address.

For example, I am taking one of my companies into the province of Alberta, looking for \$100 million to \$200 million dollars of economic stimulus to assist in building critical infrastructure and jobs. There's a conversation we'll be having, but that's instantaneous use of capital.

Unfortunately, I don't think the timing is right for simply reducing the tax rate on unrealized gains. I like the concept; I think the timing is suspect relative to its utility. We need cash and we need it now.

The Chair: Okay, I'll have to end it there.

Thank you, Marty and Brett.

I'll turn to Ms. Koutrakis and then Mr. Cumming, if he's on. If he's not, we'll go to Mr. Poilievre.

Ms. Annie Koutrakis: Thank you, Mr. Chair, and before I run out of time, I want to take this opportunity to wish everybody a happy Easter and a happy Passover.

My questions are going to be for Mr. Macdonald, and I also want to share some really great news. I saw some numbers that are just unbelievable. I know many of my colleagues on the panel have already discussed this, but as of 4 p.m. today, we have had just under 460,000 new CERB applications. The total of new applications for the week was just under three million, and since March 15, our public servants, who are working so hard, have processed 5.47 million applications.

I've received countless messages from my constituents in Vimy, who are thrilled that they've already started to receive the money. What a nice way for them to celebrate Holy Week.

For my first question I'm going back to the mortgage question, Mr. Macdonald. How could the banks relieve the pressure on everyone who's borrowing in the next few months, while ensuring that the impact on them is gradual and does not then put them in jeopardy when the crisis is over? In your opinion, can this be done, and can it be done consistently with clear criteria followed by all the banks?

Mr. David Macdonald: It is fairly incredible that 5.5 million applications could have been processed in two weeks. It does speak, I think, to the need that Canadians have for this type of support. I don't think the labour force survey fully captured that when it came out today. I think we'll see how high the unemployment rate is when the April data comes out in May.

In terms of reducing pressure on mortgage holders, and what we could do for this or about this, we do have a precursor to this, more in the U.S. than in Canada. When the financial crisis hit the U.S., it was primarily due to residential mortgages. We can learn from the U.S. about what worked and what didn't, in terms of attempting to keep people in their homes as opposed to having them lose their

homes and having their credit ratings wrecked for seven years. Largely, what happened was the latter, not the former. People were kicked out of their homes, they went bankrupt and their credit ratings were wrecked with long-term ramifications.

What could have happened, and had happened elsewhere, was that government played a role in helping homeowners renegotiate mortgages as needed. This isn't a deferral, but it is a changing of the terms of the contract with the banks in terms of their mortgages, spacing out the payments over a longer period, having to be slightly lower for some period and then increasing later on. Potentially, folks get jobs back and the labour markets improve.

I think at this point, as much as I or anyone else loves to hate the banks, this is something that really needs to be done in coordination with the federal government. I would say the provincial governments, but it's the federal government that should be in a position to start making plans towards renegotiating mortgages if people stop making payments on them.

• (1750)

The Chair: We will have a quick question from Annie, please.

Ms. Annie Koutrakis: I would like your thoughts on the Canada emergency wage subsidy with the announcements that came yesterday from Air Canada, which just rehired 16,000 employees, and WestJet, which rehired 6,400 workers. Can you give us your thoughts on that, and on the overall success? It may have been rolled out a little late, but what are your thoughts on that?

Mr. David Macdonald: It sounds like this is exactly what the program was designed for. It was to help businesses, which would have laid their employees off, to hire them back. Well, in a sense hire them back—the federal government is paying the payroll—but it's connected to the companies for which they are working. As we try to turn the economy back on when the COVID threat passes, however long that takes, we need to try to maintain worker-employer relationships if we can. One of the challenges with so many people applying for the CERB, instead of being scooped up by the wage subsidy program, is that these folks now are disconnected from their previous employment places. If those small businesses want to restart rapidly when non-essential businesses are allowed to reopen, those workers may not be available to work there. One of the benefits of a wage subsidy program is that it maintains the relationship between the employer and the employee.

If those workers are fully working for that company, and the employer decides not to top up the 25%, that's where I become somewhat concerned that employees might see a threat of a 25% wage cut in order to stay employed or be unemployed. I think that's where it would help if the federal government was clear on that point. I know that these programs are being developed on the fly, so additional clarity on that point would help to weed out bad actors.

Ms. Annie Koutrakis: Thank you.

The Chair: We will have to split the remaining time, so that will mean four minutes each for Mr. Cumming and Mr. Fraser to wrap it up.

Mr. Cumming.

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

Thank you to the witnesses.

I want to focus my questions on Mr. Wilson. I don't have to tell you, Mr. Wilson, as a proud Albertan like you, that the resource sector has been hit pretty hard in Alberta, and COVID has been thrown on top of that. With that said, we've got this unbelievably strategic sector that has really helped Canada through a lot of difficult times. Even though we have a price war going on right now, it strikes me that, when we come out of COVID, we should be able to take advantage of this strategic asset.

What do you think has to happen in government policy to make sure that the resource sector can help fuel our recovery and encourage investment back into Canada?

Mr. W. Brett Wilson: Four minutes is not enough.

Clearly, in terms of policy, we've been struggling with what the possible impact is on Bill C-69, and of course the tanker ban has created some concern. There's a belief that several hundred miles of our Canadian coastline are the only important miles, or the only miles at risk, when of course all of Newfoundland and the St. Lawrence Seaway feel fully protected, fully protected because they are.

We need to think about the tanker ban. We need to think about access to port. We need to think about how infrastructure projects are moved forward. Bill C-69 terrifies people. We have no proof at this point in time that we have a thoughtful mechanism for moving forward. So that's a challenge. That's not meant to be a partisan comment. That's an industry fear factor. We've yet to see....

Certainly with Teck stepping away, people will say that the price of oil is what scared them away. No, the process clearly scared them away. There were threats to their people. There were death threats to their senior officers. There were all sorts of things happening that were just wrong.

We need policy that's pro-industrial expansion and infrastructure development.

• (1755)

Mr. James Cumming: Can you quickly speak on how this industry has been helpful to the indigenous people, particularly in Alberta?

Mr. W. Brett Wilson: I've been involved with indigenous negotiations many times, but there are a number of relationship opportu-

nities. There are equity investments. There are royalty returns. There are people being hired to work.

David Tuccaro is one of the most successful aboriginal leaders ever, and a close friend of mine, out of Fort McMurray. He built several hundred-million-dollar-a-year businesses. There are opportunities abounding.

I'm working very closely with six of the first nations around my hometown of North Battleford. Everything is about jobs and investment opportunity. That's really what it comes down to. There are so many places. The aboriginal people want to work. They don't want handouts. They want to work.

The Chair: Thank you.

We'll end that round there.

Before I go to you, Sean, I'll just ask if people could stay on the line for a few minutes afterwards. I want to outline where we think we're going next week on panels and to have a very quick discussion on where members might want to go that's different from what I'm thinking.

Mr. Fraser, go ahead for four minutes.

Mr. Sean Fraser: Thank you very much.

Perhaps, in the interest of time, I will ask a couple of questions in a row to our guest from the Canadian Centre for Policy Alternatives and let him answer as he sees fit.

First of all, thank you for your kind comments on the rollout of some of the programming. More importantly, thank you for identifying certain gaps that demonstrate that there are still areas we need to work on. We'll continue to work on them to support people who need support.

My questions are really around some of the social protections for workers, or protections against abuses by employers who may avail themselves of the emergency wage subsidy. I do expect most of them to be honest and trustworthy business operators. However, there are a couple of suggestions you made that I'd like you to elaborate on.

The first is the corporate governance restrictions around share buybacks, around executive bonuses for companies that are, in fact, relying on this.

The second is on features we could put in legislation around transparency to ensure that people have access to the information about who has applied.

Finally, there is the point you made around making sure existing workers have their jobs protected, or that they don't see a wage loss.

If you could, perhaps, offer as much detail as you can, in probably the three minutes that remain, on what specifics we could introduce to ensure these goals are achieved, I would be greatly appreciative.

Mr. David Macdonald: On the transparency, I think it is important, certainly for larger businesses—I mean for a \$100-billion program—that we have a decent idea. If a business is over a particular size, you know, you could evaluate that, say, on the revenue that the government disclosed that they received in support through the program. I don't think that in and of itself, simply publishing a list.... The other thing that I think is worth pointing out is that lists should be made public after the crisis has passed, in terms of those companies and their assets and credits and so on, but in terms of an accounting of the crisis after the fact.

That transparency alone I doubt will be enough to weed out some bad actors who will attempt to continue to have their executive bonuses and continue to engage in shareholder dividends and share buybacks. I think it's important that, beyond that, the government put in place a monetary cap in terms of aggregate compensation, not purely a salary but including and most specifically related to bonus payments for executives. You could set that at, say, a million dollars for most of the top-paid executives in Canada. A million dollars makes up about their salary portion and then, you know, the average pay is around \$10 million, but the rest of it is all bonuses.

You could set a dollar amount or you could say something like no bonus payments will be made to executives over this period. That would probably accomplish something similar although there might be some gaming in terms of them increasing their salary.

The other thing you may want to specify is that the companies having 75% of their payroll being paid for by the federal government should not be in a position to pay that money out or to pay excess money out in terms of dividends to shareholders or in terms of continuing to conduct share buybacks over the period of the receipt of the wage subsidy. Those would be pretty straightforward in terms of incorporating and you could just trust that companies are doing it and verify afterwards. That's certainly the case with the Canada emergency response benefit. You're trusting workers to be honest when they apply, and hopefully CRA is going to verify after the fact.

The federal government at this point seems to be encouraging employers to make up the additional 25% over and above the 75% the federal government would contribute, but there are no explicit conditions on that. I think doing that is probably a mistake. I think

there should be conditions under certain circumstances that employers be required to make up the other 25%, and specifically that workers who are on the job working who are not furloughed, but who are working, do not see a pay cut as a result of this.

I fear what will happen after is that workers will see a pay cut of 25% as they move to the emergency wage subsidy and then, as the crisis clears and the wage subsidy is removed, there will not be an automatic increase in their pay back to what it previously was and they will suffer a 25% reduction in pay through no fault of their own.

I think it would be worthwhile to put some conditions on when only 75% of an employee's previous wage would be made and when employers would be compelled to make up the other 25%.

● (1800)

The Chair: With that, we will have to thank our witnesses.

Thank you both, Mr. Wilson and Mr. Macdonald, for taking the time to come before committee to outline your concerns, your constructive criticism and your advice. We appreciate that very much.

[Technical difficulty—Editor]

[Prior to adjournment, the Chair read the following text:]

I will turn now to committee members. As some of you may already know, earlier today, our colleagues on the health committee were able to successfully conduct their proceedings using the new video conferencing solution that has now been put in place. The results were positive and, as a result, our clerk has now made the necessary arrangements so that our committee's next meeting on Thursday, as well as most of our meetings going forward, are now expected to take place using this new video conferencing solution.

I am told that the experience in setting up the health committee meeting has further confirmed the importance for all meeting participants to test their connections and microphones in advance of the meeting. I would therefore ask all members to consider reserving a few minutes of their time in the coming days to work with the teams from the House that are contacting them to assist them in testing their connections, to help reduce the chances of technical issues during our meetings.

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