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Interim Report of the Standing Senate Committee
on National Finance

The Honourable Percy Mockler, Chair

The Honourable Éric Forest, Deputy Chair

The Honourable David Richards, Member of the Steering Committee

JULY 2020



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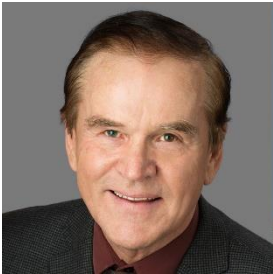


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THE COMMITTEE MEMBERSHIP



The Honourable
Percy Mockler
Chair



The Honourable
Éric Forest
Deputy Chair

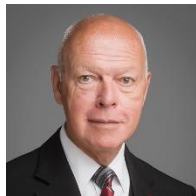


The Honourable
David Richards
*Member of the
Steering Committee*

The Honourable Senators



Peter M. Boehm



Jean-Guy Dagenais



Marty Deacon



Pat Duncan



Rosa Galvez



Peter Harder, P.C.



Marty Klyne



Tony Loffreda



Elizabeth Marshall



Larry Smith



Ex-officio members of the committee:

The Honourable Senator Marc Gold, P.C. (or Raymonde Gagné)
The Honourable Senator Donald Plett (or Yonah Martin)

Other Senators who have participated in the study:

The Honourable Senators Dasko, Forest-Niesing, Lankin, P.C., McCallum,
Miville-Dechéne, Pate and Patterson.

Parliamentary Information and Research Services, Library of Parliament:

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ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Saturday, April 11, 2020:

With leave of the Senate,

The Honourable Senator Gold, P.C., moved, seconded by the Honourable Senators Plett, Woo and Verner, P.C.:

That the Standing Senate Committee on National Finance be authorized to examine and report on:

1. all actions undertaken pursuant to parts 3, 8 and 19 of Bill C-13, An Act respecting certain measures in response to COVID-19, which received Royal Assent on March 25, 2020, as well as the provisions and operations of the act in general;
2. the provisions and operations of Bill C-14, A second Act respecting measures in response to COVID-19, if and when it receives Royal Assent; and
3. the government's response to the COVID-19 pandemic and its economic consequences;

The question being put on the motion, it was adopted.

Richard Denis

Interim Clerk of the Senate



STEERING COMMITTEE'S FOREWORD

The COVID-19 pandemic has left none of us untouched, some far more than others. We want to recognize the incredible tragedy that has befallen too many Canadian families as they had their loved ones taken away far too soon, often without being able to provide them with comfort and care in their time of need.

We would like to acknowledge the incredible contribution of essential workers, including in our hospitals and long-term care homes, who have risked their lives, as well as those who have ensured we have continuing access to vital supplies, food and services.

Many Canadians continue to live in fear and uncertainty, as they worry about contracting the disease, when they will be able to work again, or for the future of their businesses, watching their savings dwindle. It is not yet clear how or when these unprecedented times will end. We know governments at all levels across the country are working hard to ensure that Canadians receive the support they need.

The Senate of Canada has an important role to play during this crisis, making sure that no one is left behind and that the government is held to account for its emergency spending.

To respect public health guidance, we had to adapt and perform our duties in a new way. On behalf of the committee, we would like to extend a special thanks to the incredibly capable staff of the Senate, especially the technical team, who rapidly put in place the infrastructure to make virtual meetings a reality. We also want to thank our clerks, stenographers, analysts, senators' staff, communications team, and others without whom this study would not have been possible. We are deeply appreciative of your dedication and professionalism.

Lastly, we want to thank our colleagues on the committee for working so well as a team. While we are no longer meeting in the same room, we know you are all working hard in your communities to find out how we can help Canadians.

The Honourable Senator Percy Mockler, Chair

The Honourable Senator Éric Forest, Deputy Chair

The Honourable Senator David Richards, Member of the Steering Committee



EXECUTIVE SUMMARY

The COVID-19 pandemic has quickly swept across the globe, infecting millions of people and killing hundreds of thousands. It will take a great deal of effort to bring the disease under control, which, at this point, shows no signs of abating.

While Canada has not been hit as hard as some countries, the pandemic has nonetheless threatened many Canadians' health. It has also severely disrupted the Canadian economy, putting millions of Canadians out of work and jeopardizing the sustainability of tens of thousands of businesses.

To respond to the economic crisis brought on by the pandemic, the federal government worked closely with provinces, territories and Indigenous governments to put in place a myriad of emergency financial supports to keep Canadians afloat.



The cost of these programs **is more than \$212 billion and climbing.**



Additionally, the Bank of Canada quickly lowered its benchmark interest rate to 0.25% and established several large-scale asset purchasing programs to increase liquidity in core funding markets. When combined with other programs, the total amount of credit and liquidity support is \$686 billion.

Parliament rapidly adopted legislation to authorize this emergency spending. To hold the government to account, the Senate authorized the National Finance Committee to study the emergency legislation, the government's response to the COVID-19 pandemic and its economic consequences.



To date



**8 committee
meetings**



**55 witnesses
heard**



**53 written
briefs received**

Many witnesses expressed sincere appreciation for the financial supports that have been put in place. Indeed, the government's response has likely prevented financial devastation for millions of Canadians and avoided what could have been a much worse economic crash. Canadians are also to be commended for their cooperation in following public health advice and resilience in the face of economic hardship.

However, the committee recognizes that:



Many Canadians have fallen through the cracks, as gaps remain.



Some people are still left wondering how they will cope without adequate employment opportunities,



and some businesses and individuals in need are not eligible for financial assistance under current program terms.

To help them find their way through this crisis, Canadians need to have predictable and reliable support.



The committee is concerned that the government has not provided sufficient clarity to Canadians who will continue to be unemployed or are unable to find full-time work and to businesses that are looking to reopen. To provide continuing support to Canadians, while giving them the confidence they can return to work safely, the federal government needs to **clarify how it will help those who remain unemployed when the Canada Emergency Response Benefit runs out, as well as provide declining benefits based on income**, rather than a strict cut-off.

The Canadian Emergency Response Benefit has helped many Canadians avoid extreme financial hardship during this crisis. It is not a permanent solution. To make sure all Canadians have sufficient means to meet basic needs, **the Government of Canada, with provinces, territories and Indigenous governments, should give full, fair and priority consideration to a basic income guarantee.**

While the Canada Emergency Wage Subsidy is providing valuable financial assistance to many businesses, the committee does not believe a business should be ineligible from all support simply because its revenue declined by one percent below the threshold. **The government should consider adopting a progressive, or scalable, eligibility threshold for the Canada Emergency Wage Subsidy, and extend its duration for particularly hard-hit sectors.**

The committee is also concerned by the lack of accountability and transparency for government spending. The committee believes that **it is time to return to traditional procedures for approval by Parliament of government spending in order to provide appropriate oversight of government expenditures.**

Lastly, Canadians and Parliamentarians need to have a clear picture of the state of the government's finances on a regular basis. **The government should release an economic and fiscal update quarterly for the duration of the economic crisis.**

Addressing these issues, as well as additional ones listed in this report, would help mitigate or eliminate any gaps to enable Canadians to pull through, leaving no one behind. The government also needs to begin soon the process of laying out a plan of how to rebuild the economy. **In the fall, the committee will continue its study and examine how to build a smarter, fairer and more sustainable economy.**



RECOMMENDATIONS

Recommendation 1

That the Government of Canada:

- clarify how it will help Canadians who remain unemployed or in need of support, including those who do not currently qualify for the Canada Emergency Response Benefit, when the benefit runs out; and
- provide declining benefits for the benefit based on income.

Recommendation 2

That Employment and Social Development Canada put in place measures to ensure that workers in seasonal industries continue to qualify for Employment Insurance.

Recommendation 3

That the Government of Canada, with provinces, territories and Indigenous governments, give full, fair and priority consideration to a basic income guarantee.

Recommendation 4

That the Government of Canada consider the adoption of a progressive, or scalable, eligibility threshold for the Canada Emergency Wage Subsidy; and that the duration of the subsidy be extended for particularly hard-hit sectors.

Recommendation 5

That the Government of Canada consider extending the eligibility of the Canada Emergency Business Account to include businesses without a commercial banking account, as well as extending the timeline for businesses to apply for loans.

Recommendation 6

That the Government of Canada consider modifying the Canada Emergency Commercial Rent Assistance program to make it more effective and accessible to small businesses facing financial hardship.

Recommendation 7

That the Canada Revenue Agency publicly disclose the financial amounts recovered from ineligible and fraudulent claims to the government's emergency benefits programs, with clear distinctions made by program and, if possible, those made as a result of error versus those proven to be intentionally fraudulent claims.



Recommendation 8

That Employment and Social Development Canada consider providing funding to post-secondary institutions, as appropriate, to enable them to deliver comparable financial assistance to international students in need.

Recommendation 9

That the Government of Canada work with the governments of Yukon, Northwest Territories and Nunavut to ensure that northern airlines have sufficient financial support and access to gateway routes.

Recommendation 10

That Agriculture and Agri-Food Canada enhance its business risk management programs, particularly the AgriStability program, in all provinces and territories.

Recommendation 11

That Agriculture and Agri-Food Canada and Fisheries and Oceans Canada develop incentive programs to attract seasonal workers to the agriculture and fisheries sectors.

Recommendation 12

That Indigenous Services Canada develop a loans and contributions program that is proportionate to the needs of Canadian Indigenous businesses, regardless of their size.

Recommendation 13

That the Government of Canada, particularly Statistics Canada, enhance its data collection and reporting practice by including additional details on region, race, ethnicity and gender.



Recommendation 14

That the Government of Canada provide timely and clear disclosure of the details of its assets and liabilities, especially regarding the inclusion of all Crown corporations' debt, in its financial documents, such as the public accounts, budgets and economic and fiscal updates.

Recommendation 15

That the Minister of Finance provide a substantive economic and fiscal update quarterly for the remainder of the economic crisis; and continue providing Parliament with bi-weekly reports on its emergency response measures.

Recommendation 16

That it is time to return to traditional procedures for approval by Parliament of government spending in order to provide appropriate oversight of government expenditures.



INTRODUCTION

In late January 2020, the first confirmed case of the coronavirus disease (COVID-19) pandemic was identified in Canada. Since then, as of late June, 2.7 million tests have been administered, more than 100,000 Canadians have tested positive for the disease, and, tragically, more than 8,000 have died. To limit the spread of the disease, governments across Canada invoked emergency measures and mandated the shutdown of non-essential businesses, schools, travel and social activities, encouraging people to stay home, respect physical distancing and practice good hygiene. The pandemic is deeply affecting countries across the globe, with many areas experiencing severe outbreaks. It will take a great deal of international cooperation to bring the disease under control, which, at this point, shows no signs of abating.

The consequences for Canadian workers and businesses have been devastating. More than three million Canadians lost their jobs and many more have had their hours cut back. In a few months, Canada's unemployment rate jumped to 13.7% in May 2020, up from 5.6% in February 2020. Most businesses have suffered substantial drops in their revenues, and it is likely that tens of thousands of businesses will have to close permanently. The Parliamentary Budget Officer estimated that Canada's gross domestic product will decline by 6.8% in 2020.

The COVID-19 pandemic has not just threatened Canadians' health, it has also made many people's financial situation very precarious and severely disrupted the Canadian economy. The economic effects have been the hardest for Canadians who have lost their jobs, including low-skilled workers and Canadians working in low wage, seasonal and precarious jobs, which are disproportionately staffed by women and visible minorities, as well as those with already limited income. The effects of the economic disruption have been felt more deeply in some regions than others, depending in part on the severity of the disease outbreak and the vulnerability of the local economy.

In response to the pandemic and ensuring economic shutdown, the Government of Canada has worked closely with governments across the country, including provinces, territories and Indigenous governments, to put in place a myriad of financial supports to help Canadians get through the crisis. In its most recent estimate, the federal government put the cost of its direct support measures at more than \$212 billion, and the costs keep climbing. It is also providing credit and liquidity support of \$686 billion. To enable the government to establish these measures, Parliament rapidly adopted several pieces of legislation that gave the government broad spending and borrowing powers.



To ensure appropriate accountability for these measures, on April 11, 2020, the Senate authorized the Standing Committee on National Finance (the committee) to undertake a study on Bill C-13 and Bill C-14, as well as the government's response to the COVID-19 pandemic and its economic consequences.

Over the course of eight meetings, the committee met with 55 witnesses from a range of organizations representing businesses, specific industries, students, unemployed individuals and Indigenous issues. The committee also met with the Minister of Finance and the Minister of Employment, Workforce Development and Disability Inclusion. The committee is grateful for the many written briefs and follow-up information that organizations and individuals submitted, which formed an important part of its deliberations.

This interim report provides the committee's observations and recommendations to address gaps in the emergency support programs put in place by the federal government to help individuals and businesses get through the economic crisis. The committee has also received considerable information about how to restart the Canadian economy. We are following this matter closely and will continue our study in the fall, when we will release a report respecting the relaunching of the Canadian economy.

BACKGROUND

In December 2019, a cluster of unusual cases of pneumonia was reported in Wuhan, China. It became apparent that a new type of coronavirus, since called SARS-CoV-2, was spreading uncontrollably. The virus quickly spread worldwide over the course of five months, infecting millions and killing hundreds of thousands of people. The World Health Organization (WHO) declared a pandemic on March 11, 2020.

To date, there is no vaccine for the disease and no specific antiviral treatments. Medical care largely involves the treatment of symptoms, isolation and other measures. Many countries have had difficulties acquiring sufficient personal protective equipment to keep health care workers safe. Canada and other countries are investing heavily in the development of vaccines.

COVID-19 is likely a zoonotic disease that jumped from animals to humans. The committee recognizes the emergence of zoonotic diseases because this has occurred in the past and probably will reoccur in the future



To limit the virus's spread and its deadly impact in Canada, on March 18, 2020, the federal government imposed restrictions on non-Canadian citizens seeking to enter the country, and some provinces, territories and First Nations also restricted travel in their jurisdictions. In mid-March, all of Canada's provinces and territories declared states of emergency, ordering the closure of schools and non-essential businesses, as well as banning large gatherings.

Both the Senate and the House of Commons suspended regular sittings on March 13, 2020, meeting intermittently since then to pass emergency legislation.

In the intervening months, provinces and territories gradually began to allow businesses to open and people to gather. The virus is still circulating, and the threat of a resurgence remains.

FEDERAL EMERGENCY PROGRAMMING

The federal government has established a number of emergency financial supports for individuals and businesses to help them through the crisis brought about by the economic shutdown.

The committee would like to recognize the incredible efforts made by public servants across the country to put these supports in place. It normally takes many months of planning and consultations to develop and implement a new program. Yet, most of the emergency supports were designed and had funds flowing within a few weeks. Canada's public service responded admirably, demonstrating flexibility and adaptability to challenging working conditions. Their dedication and hard work have helped keep many Canadians afloat and has been exceptional. The work of public health agencies across the country, including the Public Health Agency of Canada, has been vital in keeping Canadians well informed about how to keep safe and the status of the disease in their respective regions. Canadians have demonstrated enormous patience and vigilance, helping to "flatten the curve" by respecting the health advice.

The federal government focused on putting its supports in place as quickly as possible, serving the widest range of recipients. For the most part, witnesses were very appreciative and grateful for the financial aid provided.

The House of Commons and the Senate met in reduced numbers to quickly adopt the legislation needed to authorize the financial supports.



While the government has made efforts to readjust or augment its programs in response to concerns that some people were falling through the cracks, gaps remain. Rather than touch on all of the supports provided, the committee identified issues in the sections below that it believes are the most urgent, as the crisis is far from over.

Canada Emergency Response Benefit

When the pandemic hit and governments mandated the closure of non-essential businesses, many Canadians lost their jobs. To provide support, the government initially announced changes to the Employment Insurance system, but it quickly became evident that Service Canada would be unable to handle the volume of applications and, more importantly, many Canadians would not be eligible for Employment Insurance, as they were either self-employed or had not worked enough hours to qualify.

The government instead turned to the Canada Revenue Agency (CRA), which developed a simplified application process and moved 3,500 of its employees over to its call centres. Within a few weeks, the Canada Emergency Response Benefit (CERB) was launched.

The CERB provides payments to individuals who stopped working for reasons related to COVID-19 of \$2,000 for a four-week period, initially up to a total of 16 weeks and later extended to 24 weeks, between March 15, 2020, and October 3, 2020. Since its launch, the government has made several modifications to the program, including allowing individuals to earn up to \$1,000 per month in income, as well as extending eligibility to seasonal workers. The government initially estimated that the program would cost \$35 billion but has since changed its estimate to \$80 billion. As of June 28, 2020, the government had received 8.2 million applications, representing slightly more than a third of the Canadian working age (15-64) population, and paid out \$53.5 billion.

The CERB has been a vital lifeline for many Canadians, providing them with the financial support to pay for basic necessities, such as food and rent. Food Banks Canada told the committee that the CERB had helped to “flatten the curve” of food bank use and avoided a surge that would have otherwise overwhelmed the food banking network.¹ The CERB has helped out a particularly financially vulnerable group of workers, those earning low wages, working part-time or in precarious work, but leaves out some of those most vulnerable who were living in poverty prior to the pandemic, including those earning less than \$5,000 per year or unable to work as a result of

¹ Food Banks Canada, Brief to the Standing Senate Committee on National Finance, 15 June 2020.



disabilities. Unfortunately, finding adequate employment will continue to be a problem for workers, as many businesses, especially in the tourism, hospitality and aviation industries will be unable to rehire their employees anytime soon. And some jobs may be lost entirely due to business bankruptcies.

Pierre Céré, spokesperson for Conseil national des chômeurs et chômeuses (National Council of the Unemployed), believes that the CERB should be extended, as the economic crisis is not over.² He also said the government should redesign Employment Insurance, which is inadequate, and highlighted that we must address the COVID-19 and climate crises.

Many businesses, on the other hand, are concerned that the CERB may act as a disincentive for employees to return to work. Daniel Kelly, President and Chief Executive Officer of the Canadian Federation of Independent Business, said the government should put some guardrails around the CERB, such that if an employer asks an employee to return to work, the employee would lose access to the CERB, unless the employee has pressing health issues.³

By contrast, the CRA and Employment and Social Development Canada (ESDC) have pointed to the stability that long-term employment offers in uncertain times, wages that amount to more than CERB payments, and the opportunity to gain work experience as reasons most Canadians would continue to have incentives to pursue work where they were able to. The Minister of Employment, Workforce Development and Disability Inclusion, the Honourable Carla Qualtrough, was among those who identified caregiving and childcare responsibilities as key barriers to returning to work, in addition to other challenges, such as health concerns and a lack of available jobs.⁴ Dr. Evelyn Forget, a professor at the University of Manitoba, testified that women have disproportionately taken on caregiving responsibilities, contributing to the gendered economic impact of COVID-19.⁵

Dr. Evelyn Forget also noted that Employment Insurance doesn't work for a lot of people, especially the self-employed and part-time workers, and the CERB inhibits people from returning to work, as they lose benefits after earning \$1,000.⁶ Instead, she said that the CERB should be revised to act as an ongoing income replacement, such

² Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 9, 2020.

³ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 2, 2020.

⁴ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 22, 2020.

⁵ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 9, 2020.

⁶ Ibid.



that people who work less than full-time but earn more than \$1,000 per month can still benefit. The simplest way to accomplish this would be to reduce the benefit by fifty cents for every dollar earned.

On June 16, 2020, the government announced that the eligibility period for the CERB will be extended by eight weeks to provide eligible workers with a total possible benefit of 24 weeks. The government also indicated that it will change the attestation to ensure that workers are actively seeking employment and encourage them to consult Job Bank, which is the federal government's online listing of job opportunities. Minister Qualtrough said the government was doing everything possible to incentivize work, stating, "CERB was created under different circumstances when we wanted people to stay at home and not work for health reasons and now we want people to go back to work and to work and to look for work actively."⁷ Minister Qualtrough also emphasized that in May there were 290,000 jobs created in Canada, most of them in low-income positions, meaning "people who could have chosen to be on the CERB [...] instead chose to work," when able to.⁸

The Office of the Parliamentary Budget Officer estimated that the eight-week extension would cost \$17.9 billion.⁹ It also estimated that adopting a \$0.50 phase-out for the benefit for each dollar of employment income above \$1,000 per month would cost an additional \$3.1 billion.¹⁰

While the committee recognizes the important extension of the CERB, many Canadians will continue to be unemployed past the CERB extension. The committee is also concerned that the measures taken by the government thus far have not provided sufficient flexibility to Canadians who continue to be unemployed, have health concerns, have caregiving responsibilities or are unable to find full-time work. It also hasn't provided clarity to businesses that are looking to reopen and rehire workers. As currently structured, the CERB is cut off for people who return to work part-time and Employment Insurance is inadequate. Providing declining benefits based on income could provide an incentive for people to return to work, as they would have income certainty.

⁷ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 22, 2020.

⁸ Ibid.

⁹ Office of the Parliamentary Budget Officer, *Canada Emergency Response Benefit (CERB) – Eight Week Extension*, Ottawa, June 23, 2020.

¹⁰ Office of the Parliamentary Budget Officer, *Canada Emergency Response Benefit – Eight Week Extension and Phase-out Rate*, Ottawa, June 23, 2020.



For greater predictability, the committee recommends:

Recommendation 1

That the Government of Canada:

- **clarify how it will help Canadians who remain unemployed or in need of support, including those who do not currently qualify for the Canada Emergency Response Benefit, when the benefit runs out; and**
- **provide declining benefits for the benefit based on income.**

Additionally, simply extending the CERB for eight weeks will not help many workers in seasonal industries who will be unable to work sufficient hours this summer to be eligible for Employment Insurance in the fall. Hence, the committee recommends:

Recommendation 2

That Employment and Social Development Canada put in place measures to ensure that workers in seasonal industries continue to qualify for Employment Insurance.

Basic Income Guarantee

The effectiveness of the CERB as an emergency income support has led many people to wonder whether it is time to consider a more permanent solution, such as a basic income guarantee.

In its brief to the committee, the Basic Income Canada Network argued that a basic income would improve well-being and reduce inequality and poverty.¹¹ It would be regular and ongoing and be applied fairly to everyone. A basic income would take many of the inconsistent support programs that have overlaps and gaps and transform them into a guaranteed livable income, ensuring sufficient support to meet basic needs. It recommended that the federal government establish a basic income of \$2,000 per month, comparable to the CERB.

¹¹ Basic Income Canada Network, Brief to the Standing Senate Committee on National Finance, June 3, 2020.



On July 7, 2020, the Office of the Parliamentary Budget Officer released a cost estimate of a basic income during the pandemic. It estimated that for the six-month period of October 2020 to March 2021, a basic income of \$16,989 for individuals and \$24,027 for couples would cost between \$47.5 billion and \$98.1 billion, depending whether the phase out was \$0.50, \$0.25 or \$0.15 for each dollar of employment income earned.¹²

The possibility of a basic income guarantee deserves more thorough investigation, including the various models proposed and their affordability. Consequently, the committee recommends:

Recommendation 3

That the Government of Canada, with provinces, territories and Indigenous governments, give full, fair and priority consideration to a basic income guarantee.

Canada Emergency Wage Subsidy

Many businesses have been deeply affected by the economic shutdown mandated by governments in response to the pandemic. According to a survey of small-business owners conducted by the Canadian Federation of Independent Business, 43% say the state of their business was bad or very bad, 40% have seen revenues drop by 70% or more, and more than half remained either fully or partially shut down.¹³ As a result, Daniel Kelly believes that tens of thousands of businesses will fail or go bankrupt.¹⁴

To support businesses and non-profit organizations through the crisis, and help them retain their employees, the government launched the Canada Emergency Wage Subsidy (CEWS), which was enacted by Bill C-14, A second Act respecting certain measures in response to COVID-19. The CEWS provides employers that suffered a drop in gross revenues of at least 15% in March, and 30% in April and May, with a subsidy of 75% of employee wages, up to \$847 per week per employee.

As of June 29, 2020, the CRA had received 581,800 applications and paid \$18.0 billion in subsidies. The government had initially estimated that the CEWS would cost \$71 billion. It lowered its estimate to \$45 billion, but then revised it to \$82 billion.

¹² Office of the Parliamentary Budget Officer, *Guaranteed Basic Income During the Pandemic*, Ottawa, July 7, 2020.

¹³ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 2, 2020.

¹⁴ Ibid.



Yves-Thomas Dorval, President and Chief Executive Officer of the Quebec Employers Council, told the committee that the government's emergency measures were very appreciated, particularly the wage subsidy, as it allows employers to avoid increasing their debt load while retaining their employees.¹⁵ However, he observed that the eligibility threshold of a 30% decline in revenues has been a barrier to many businesses, particularly to seasonal businesses that collect most of their revenues in the summer months.

Similarly, Stephen Laskowski, President of the Canadian Trucking Alliance, thanked the government for its support during the crisis.¹⁶ However, he said many trucking companies fall just below the CEWS eligibility threshold, even though they have experienced a 300% increase in "empty miles," that is, miles in transport with no product in the trailer. He recommended that the CEWS be made scalable, such that financial support would be reduced in proportion to the extent to which employers fall below the threshold.

While the CEWS is providing valuable financial support to many businesses, the committee notes that the take-up of CEWS has been much lower than expected, possibly because the eligibility threshold has been set too high. The committee also does not believe a business should be ineligible from all support simply because its revenue only declined by one percent below the threshold. Rather, the committee believes that the CEWS should be a progressive benefit, such that the benefits are proportional to the extent to which the loss of revenues doesn't meet the 30% threshold. Therefore, the committee recommends:

Recommendation 4

That the Government of Canada consider the adoption of a progressive, or scalable, eligibility threshold for the Canada Emergency Wage Subsidy; and that the duration of the subsidy be extended for particularly hard-hit sectors.

¹⁵ Ibid.

¹⁶ Ibid.



Canada Emergency Business Account

As an additional support for businesses, the federal government implemented the Canada Emergency Business Account (CEBA), which provides interest-free loans of up to \$40,000 to small businesses and non-profit organizations. To qualify, these organizations need to demonstrate they paid between \$20,000 to \$1.5 million in total payroll in 2019.

The loans are managed by financial institutions. Neil Parmenter, President and Chief Executive Officer of the Canadian Bankers Association, informed us that as of May 22, 2020, more than 621,000 loans had been processed.¹⁷

Daniel Kelly of the CFIB indicated that CEBA was an important support for small businesses, as 25% of the loans are forgivable, if the remainder is repaid by December 31, 2022.¹⁸ He said the program should be expanded to include a greater number of businesses and should not discriminate based on size, profits or financial output. Some small businesses were not eligible because they pay their owners through dividends or use contract workers, and others use personal banking accounts as they have relatively few transactions.

While the government has broadened the CEBA to include businesses with payroll expenses below \$20,000, the roll out of the program's expansion was delayed. Additionally, many businesses are still not eligible and need support. Therefore, the committee recommends:

Recommendation 5

That the Government of Canada consider extending the eligibility of the Canada Emergency Business Account to include businesses without a commercial banking account, as well as extending the timeline for businesses to apply for loans.

Canada Emergency Commercial Rent Assistance

To provide further support to small businesses, the federal government, in conjunction with provinces and territories, launched the Canada Emergency Commercial Rent Assistance (CERCA) program. Under the program, commercial property owners apply for forgivable loans to cover 50% of monthly rent payments for small businesses facing

¹⁷ Ibid.

¹⁸ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 2, 2020.



financial hardship during April, May and June, which was later extended to include July. The loans are forgiven if the property owner agrees to reduce the small business tenant's rent by at least 75%, while the tenant would cover the remainder, up to 25%, of the rent.

The government estimates that the program will cost \$2.97 billion. In the Department of Finance Canada's bi-weekly report, the government indicates that as of July 3, over 29,000 small businesses have been supported, representing over \$221 million in funding.

To encourage property owners to apply for the program, some provinces have enacted temporary eviction bans on small businesses eligible for the CECRA.

Daniel Kelly of the CFIB had concerns about the CECRA. He said, "That program, while well-intentioned, is a real mess. The program is not delivering money and relief to business owners that need it. Many business owners, I'm afraid, are telling us that they are likely to go bankrupt before the program provides any relief to them."¹⁹ The CFIB indicated that landlords were confused by the amount of financial information required, complex attestation forms and technical difficulties with the application portal. The CFIB was also wanted the 70% revenue loss criteria to be reduced.

The committee notes that take-up of the program has been slow, and the government has spent considerably less than budgeted. It is concerned that businesses face an all-or-nothing 70% revenue loss eligibility criteria. This program could also be scalable to the level of losses faced by businesses. To ensure that all small businesses get the rent relief they need, the committee recommends:

Recommendation 6

That the Government of Canada consider modifying the Canada Emergency Commercial Rent Assistance program to make it more effective and accessible to small businesses facing financial hardship.

¹⁹ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 2, 2020.



Fraud

With any government program, there is a potential that some recipients will mistakenly apply for financial support, and a very small minority may intentionally misrepresent their eligibility and receive assistance fraudulently. When the application process has minimal requirements, for example, as was necessary to roll out the CERB and other measures to those in urgent need of support, the potential for fraud increases. Dr. Evelyn Forget cautioned, however, that in fact, the actual extent of fraud likely has been overstated. With this in mind, it is important to note that the committee was provided with no concrete number of actual instances of intentional fraud.

Frank Vermaeten, Assistant Commissioner at the CRA, informed the committee that the CRA has introduced controls to identify ineligible applications related to the CERB and the CEWS benefits and noted that 600 cases of potential fraud had been reported to the CRA's Informant Leads program.²⁰ The CRA has also set up a mechanism for recipients to repay any benefits they received mistakenly. Mr. Vermaeten noted that Canadians have made nearly 70,000 repayments of the CERB and Canada Emergency Student Benefits (CESB) received by mistake. Early in the new year, the CRA will review payroll records to verify whether claimants were eligible. He expressed confidence that the CRA could recover funds from ineligible recipients because the benefits are delivered through the tax system and funds can be deducted from future benefits or tax returns.

Additionally, on June 10, 2020, the government introduced Bill C-17, An Act respecting additional COVID-19 measures, which would allow the government to impose penalties for fraud relating to the CERB program. This bill was not passed by the House of Commons before it rose for the summer.

The committee is concerned that some individuals may be taking advantage of the most vulnerable in this emergency situation by fraudulently applying for benefits in their name, who then have to fight to prove they didn't receive the payments. Minister Qualtrough acknowledged the problem, "But quite frankly, we have learned of situations where people are preying on the vulnerable and taking advantage of seniors, and we want to make sure those people are held to account."²¹ She also reaffirmed her commitment to "not in any way penalizing someone who honestly commits a mistake or error or somebody who gets an extra payment."

²⁰ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, May 19, 2020.

²¹ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 22, 2020.



While the committee recognizes the CRA's efforts to identify and recover inappropriate payments associated with the CERB and other COVID-19 supports, it has some concern about financial hardship for individuals who may have received additional payments in error as well as the CRA's ability to find and deter fraud, especially in light of its limited success with respect to tax evasion and avoidance. For greater accountability, the committee recommends:

Recommendation 7

That the Canada Revenue Agency publicly disclose the financial amounts recovered from ineligible and fraudulent claims to the government's emergency benefits programs, with clear distinctions made by program and, if possible, those made as a result of error versus those proven to be intentionally fraudulent claims.

International Post-Secondary Students

Many post-secondary students were planning to work over the summer to help cover their basic living expenses, as well as save for their studies in the fall. However, students often work in industries that have been hardest hit by the pandemic, such as tourism, restaurants and retail, leaving them struggling to find meaningful work and pushing them into greater debt and financial hardship.

On April 22, 2020, the federal government announced \$9 billion in assistance for post-secondary students, including the CESB and the Canada Student Service Grant, as well as doubling the Canada Student Grant and enhancing the Canada Student Loans program. The CESB was implemented through Bill C-15, An Act respecting Canada emergency student benefits (coronavirus disease 2019). It provides post-secondary students with \$1,250 per month from May to August 2020, and students with disabilities or dependents would receive \$2,000 per month.

Bryn de Chastelain, Board Chair of the Canadian Alliance of Student Associations, was appreciative of the funding, stating, "As a student leader, I would like to express my gratitude for this immediate and considerable support that was extraordinarily necessary in these unprecedented times. ... These benefits are helping students keep food on the table and a roof over their heads, and we thank you for that."²²

²² Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 9, 2020.



However, he was concerned that international students are not eligible for the CESB. Alexis Conrad, Assistant Deputy Minister at ESDC, noted that Bill C-15 limited the CESB to Canadian students.²³

While they are eligible for the CERB, many international students do not meet the threshold of earning \$5,000 in the previous year. Some international students have been unable to return to their home countries due to travel restrictions and are also unable to find work, making it difficult for them to afford to continue their studies.

Minister Qualtrough said she was aware of the issue, stating, “To be honest, the Minister of Immigration and myself are seized with finding ways, working with universities and colleges, both to support international students right now who are on the ground and, as we look to a near future timeline, students wanting to potentially come to Canada to start or to continue their studies in the fall.”²⁴

The committee agrees with Mr. de Chastelain and believes that no student should be left behind, especially in light of the invaluable contribution made by international students to post-secondary institutions and Canadian society. The committee recommends:

Recommendation 8

That Employment and Social Development Canada consider providing funding to post-secondary institutions, as appropriate, to enable them to deliver comparable financial assistance to international students in need.

Northern Airlines

Keeping Canada’s transportation networks open and running smoothly during the pandemic has been vital to providing Canadians with essential food, supplies and medical transportation. The crisis has highlighted the vulnerability and fragility of supply chains, and the committee believes that the government needs to ensure that they are resilient throughout Canada.

²³ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, May 12, 2020.

²⁴ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 22, 2020.



Maintaining transportation networks and supply chains for Canada's northern and remote communities is especially challenging, as the distances are great and the population sparse, with many communities having no road access.

Canada's northern airlines, such as Air North and Canadian North, are a key component of northern transportation networks, as they transport day-to-day community essentials, as well as medical-related passengers and cargo. Like other airlines, they have experienced a substantial drop in passenger demand, up to 95% in some cases, but the essential nature of their services means that they must maintain a higher level of capacity.

On April 14, 2020, the federal government announced it would provide \$17.3 million to the governments of Yukon, Northwest Territories and Nunavut to support critical air services to northern and remote communities.

Joseph Sparling, a member of the board of directors for the Northern Air Transport Association, told the committee that the federal support was appreciated and was working for them. However, the effects of the pandemic on transportation, especially in the North, are likely to be prolonged, which would undermine the financial viability of northern airlines and increase the risk of bankruptcies. He requested that the duration of the CEWS be extended for northern airlines.

Mr. Sparling acknowledged that "financial relief can't go on forever, and it is going to take a long time for air travel demand to recover. In the North, we need to find ways to become self-sufficient in the new post-pandemic environment and make relief dollars go further in the current pandemic environment."²⁵ A more sustainable solution, in his opinion, would be to provide northern airlines with a greater share of the revenues from gateway routes, that is, the main transportation routes to and from the North, as the revenues from these routes help ensure the viability of regional routes. Mr. Sparling also noted that Canadian North and First air requested a relaxation of certain conditions imposed by the Minister of Transport related to their merger.

The committee recognizes that the bankruptcy and loss of northern airlines would threaten essential health, safety and supply to northern and remote communities. It supports the Association's request for continued financial support beyond the current end date, privileged access to gateway routes for northern airlines and temporarily lifting the merger restrictions on Canadian North.

²⁵ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 2, 2020.



The committee recommends:

Recommendation 9

That the Government of Canada work with the governments of Yukon, Northwest Territories and Nunavut to ensure that northern airlines have sufficient financial support and access to gateway routes.

Agricultural and Fisheries Sectors

The federal government released a series of support measures for the agriculture and fisheries sectors, including:

- \$50 million for mandatory isolation support to help employers ensure that all temporary foreign workers follow the mandatory 14-day isolation period;
- \$5 billion in additional credit through Farm Credit Canada;
- A \$77.5 million Emergency Processing Fund for personal protective equipment;
- A \$62.5 million Canadian Seafood Stabilization Fund, and;
- A Fish Harvester Benefit for self-employed fish harvesters and sharepersons crew who cannot access the CEWS.

The Canadian Federation of Agriculture (CFA) and the Union des producteurs agricoles indicated that the support measures are inadequate to respond to difficulties in the agriculture sector. The CFA specifically identified \$2.6 billion in financial need, the priority of which is to enhance business risk management programs, such as AgriStability. Currently, AgriStability protects producers when net farming income falls below 70% of the recent average. Keith Currie, First Vice-President of the CFA, said that “[h]ad [Business Risk Management] programs been operating effectively, the CFA’s view is that the programs would have covered up to 75% of the \$2.6 billion in financial needs referenced earlier.”²⁶ The Department of Finance Canada informed the committee that the government is working with provinces and territories to increase AgriStability payments to 75%, and that this change has been enacted in some provinces.²⁷

²⁶ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 2, 2020.

²⁷ Department of Finance Canada, Brief to the Standing Senate Committee on National Finance, June 15, 2020.



Another major obstacle facing the agriculture and fisheries sectors is a shortage of labour. The witnesses appreciated the federal government's effort in facilitating the entry of temporary foreign workers into Canada. However, a significant labour gap remains. For example, Paul Lansbergen, President of the Fisheries Council of Canada, told the committee that the lobster sector in the Maritimes was facing a high labour shortage—about 30% in Prince Edward Island and 50% in New Brunswick, due to the ban on temporary foreign workers in the province.²⁸

The committee believes that food security is paramount for the well-being of all Canadians. The pandemic has made it ever more urgent. Therefore, the committee recommends:

Recommendation 10

That Agriculture and Agri-Food Canada enhance its business risk management programs, particularly the AgriStability program, in all provinces and territories.

Recommendation 11

That Agriculture and Agri-Food Canada and Fisheries and Oceans Canada develop incentive programs to attract seasonal workers to the agriculture and fisheries sectors.

Indigenous Businesses

The federal government announced various support measures for Indigenous communities in pandemic preparation, food security, education and shelters. For Indigenous businesses, the federal government is providing:

- \$306.8 million in funding to allow for short-term, interest-free loans and non-repayable contributions through Aboriginal Financial Institutions, which offer financing and business support services to First Nations, Inuit and Métis businesses across the country;
- \$133 million in additional funding to support Indigenous businesses, which includes \$117 million for community-owned businesses, such as micro-businesses, that are not eligible for existing business support measures; and

²⁸ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 2, 2020.



- a new \$16 million stimulus development fund to support the Indigenous tourism industry, which will be administered by the Indigenous Tourism Association of Canada.

While these support measures were appreciated by representatives from Indigenous business organizations, they are targeted at Indigenous small- and medium-sized enterprises, leaving out large businesses. As stated by Shannin Metatawabin, Chief Executive Officer of the National Aboriginal Capital Corporation Association, \$40,000 of loans and contributions are helpful for the immediate cash flow needs of small- and medium-sized enterprises, but for the growing number of larger Indigenous businesses, they are far from adequate. Specifically, he told the committee that:

In the survey we conducted, 46% [of businesses] say they need more than \$40,000. So there is already a gap. And 25% say they need more than \$100,000 just to last the next four to six months.²⁹

Additionally, witnesses also highlighted inequality in the government's economic response to the COVID-19 pandemic. C.T. (Manny) Jules, Chief Commissioner of the First Nations Tax Commission, stated that "Indigenous Peoples are only receiving 50% as much as other Canadians on a per capita basis. I say that because we cannot let COVID-19 further increase the disparities between First Nations and the rest of Canada."³⁰ Similarly, Harold Calla, Executive Chair of the First Nations Financial Management Board, called for systemic and transformative change using COVID-19 "as an opportunity for our federation to reinvent itself, to create a society that is more inclusive, stable and representative."³¹

The committee firmly believes in the entrepreneurship of Indigenous Peoples. The growing number of the Indigenous large businesses deserve as much support as small- and medium-sized enterprises. Therefore, the committee recommends:

Recommendation 12

That Indigenous Services Canada develop a loans and contributions program that is proportionate to the needs of Canadian Indigenous businesses, regardless of their size.

²⁹ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 9, 2020.

³⁰ Ibid.

³¹ Ibid.



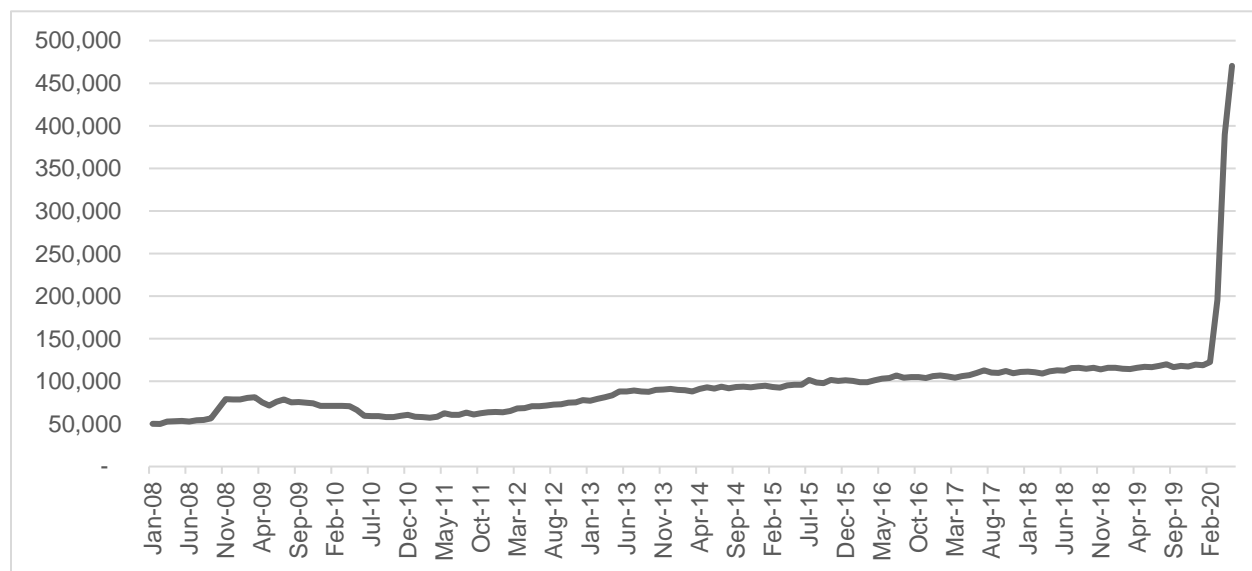
Measures by the Bank of Canada

In order to mitigate the impact of the COVID-19 pandemic on the Canadian economy, in addition to lowering the interest rate to a historically low level of 0.25%, the Bank of Canada has also established several large-scale asset purchasing programs to increase liquidity in core funding markets, including:

- Government of Canada Bond Purchase Program;
- Canada Mortgage Bond Purchase Program;
- Provincial Money Market Purchase Program;
- Provincial Bond Purchase Program;
- Corporate Bond Purchase Program;
- Bankers' Acceptance Purchase Facility;
- Commercial Paper Purchase Program; and
- Contingent Term Repo Facility.

As a result of these asset purchasing programs, the Bank of Canada's balance sheet has seen an unprecedented increase since March 2020, as shown in Figure 1.

Figure 1 – Total Assets and Liabilities Held by the Bank of Canada, 2008-2020, Month-end (millions of dollars)



Source: Bank of Canada, [Bank of Canada assets and liabilities: Month-end \(formerly B1\)](#), accessed June 11, 2020.



Since the beginning of its COVID-19-related assets purchase programs in March 2020, the total assets and liabilities held by the Bank of Canada have increased by 285%, from the pre-crisis level of \$122 billion at the end of February 2020 to \$470 billion at the end of May 2020.

However, Stephen S. Poloz, the former Governor of the Bank of Canada, indicated that despite the consequential expansion of its balance sheet, these programs so far have achieved their goals, stating:

[W]e have succeeded in restoring good functioning to many key financial markets that had been showing signs of significant stress. We can see that bid-ask spreads and yield spreads in many markets have narrowed significantly. Access to liquidity for financial institutions has greatly improved. Many of our programs to support financial markets are being used less and less as conditions stabilize.³²

Moreover, with respect to the financial risk to taxpayers, the Bank has mitigated risk by “including term-to-maturity limits, minimum credit ratings, counterparty limits and concentration limits. When external asset managers are used, they are subject to strict conflict-of-interest requirements, well-defined mandates with limited discretion and strong Bank oversight.”³³

The goal of these programs has been to ensure proper liquidity in lending markets. For example, the Bank of Canada’s Provincial Bond Purchase Program supported the liquidity and efficiency of provincial government funding markets by purchasing bonds through a tender process in the secondary market. Carolyn A. Wilkins, Senior Deputy Governor of the Bank of Canada, explained to the committee that “[t]he purpose and sizing of the program is not to provide direct funding to provinces per se, but rather to help the functioning of the markets in which they raise their funding.”³⁴ The committee also notes that some provinces and territories have issued debt against their assets in the Canada Pension Plan.

If necessary, the Bank will take further actions. In its brief to the committee, the Bank of Canada stated, “[t]he Bank is prepared to augment the scale of any of its programs if needed to support market functioning. And if further monetary stimulus is required to

³² Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, May 26, 2020.

³³ Bank of Canada, Brief to the Standing Committee on National Finance, 1st Session, 43rd Parliament, Jun 08, 2020.

³⁴ Ibid.



meet our inflation targets, the Bank has tools available to deliver that stimulus.”³⁵ It will also regularly report on the results of its large-asset purchase programs, including total assets purchased through these programs and detailed breakdowns for certain programs.

The committee recognizes the Bank of Canada’s swift policy actions in providing much-needed liquidity in the capital markets, as well as the assurance that the asset purchase programs are prudently designed to mitigate risks. In addition, the committee is looking forward to the assessment and policy operations undertaken by the new Governor of the Bank of Canada, Tiff Macklem. Nevertheless, considering the unprecedented level of expansion of its balance sheet, the committee will continue to monitor the Bank of Canada’s operations to ensure the smooth transition to a post-crisis normalcy.

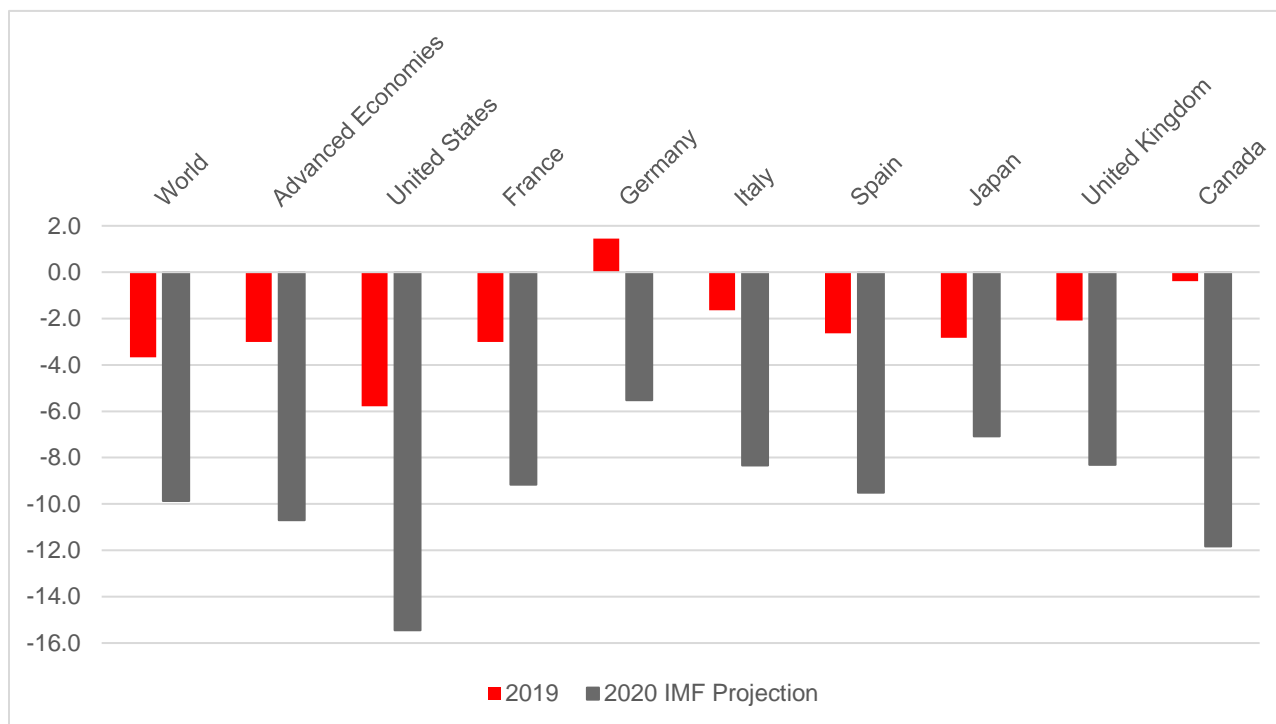
International Actions

In the international context, dramatic deficit increases are projected in most advanced economies, according to the International Monetary Fund (IMF), as shown in Figure 2. Specifically, Canada’s fiscal deficit as a percentage of gross domestic product (GDP) is projected to increase from -0.4% in 2019 to -11.8% in 2020, while overall advanced economies’ fiscal deficit is projected to increase from -3% in 2019 to -10.8% in 2020.

³⁵ Ibid.



Figure 2 – General Government Fiscal Balance, 2019–2020: Overall Balance (percent of GDP)



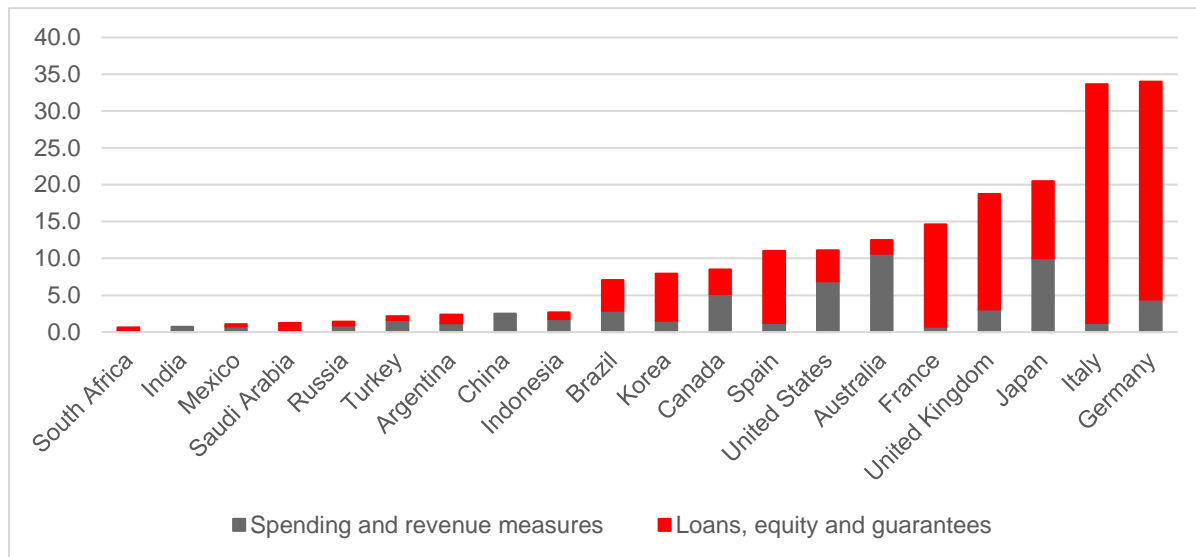
Source: The International Monetary Fund, Fiscal Monitor - April 2020.

Note: Projections are based on IMF staff assessments of current policies at time of publication in April 2020. Advanced economies include Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong SAR, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Canada's fiscal support measures are also relatively moderate compared to other major economies, as evidenced in Figure 3.



Figure 3 – Fiscal Response to the COVID-19 Pandemic, (percent of GDP)



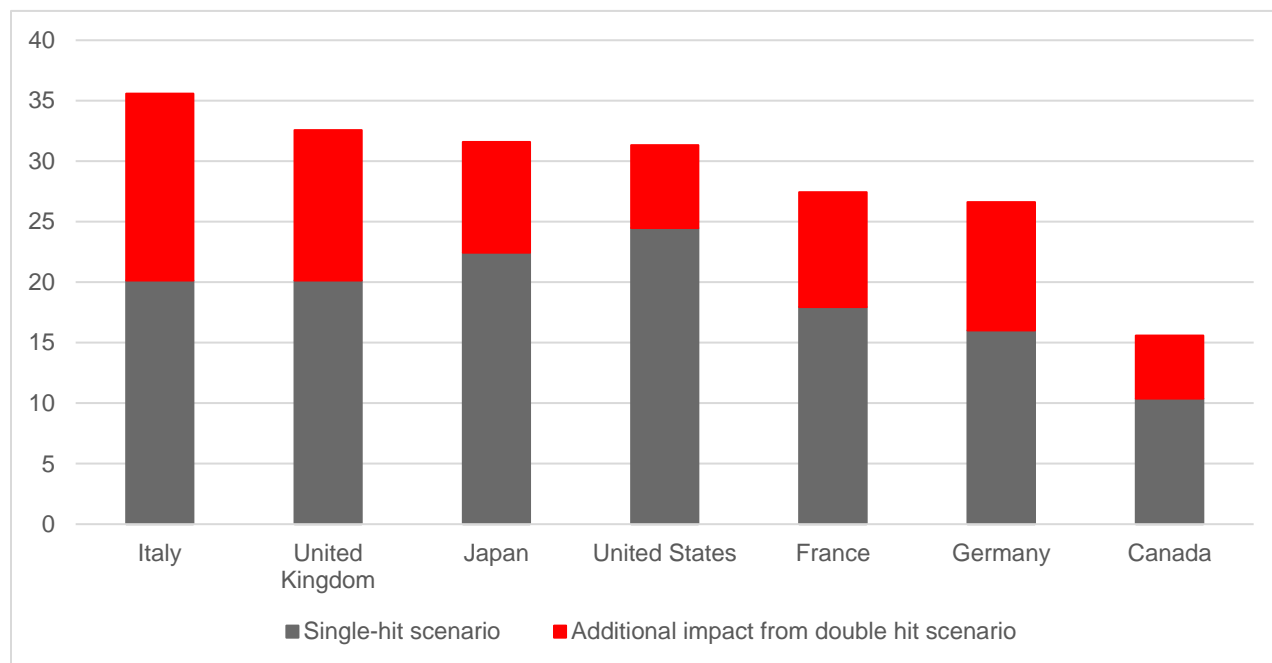
Source: The International Monetary Fund, Fiscal Monitor - April 2020.

However, due to the highly unpredictable nature of the COVID-19 pandemic, many of these support measures may continue or be expanded. The resulting increase in costs will cause higher government financial liabilities. The Organization for Economic Co-operation and Development's (OECD) *Economic Outlook, June 2020*, offers two scenarios for projections of government gross financial liabilities, depending on whether there is a second wave of infections and renewed lockdowns before the end of 2020.

As shown in Figure 4, the OECD's projections for Canada's general government gross financial liabilities between 2019 and 2021 are the smallest among G7 countries in both scenarios, at 10% of GDP without a second wave and 15.6% of GDP with a second wave. The country with the largest projected increase is projected to be either the United States at 24.5% of its GDP, if there is no second wave, or Italy at over 35% of its GDP, if there is a second wave.



Figure 4 – Growth of General Government Gross Financial Liabilities, 2019–2021, (percent of GDP)



Source: The Organisation for Economic Co-operation and Development (OECD), *Economic Outlook No 107 - June 2020*

Note: The general government sector is a consolidation of accounts for the central, state and local governments plus social security.

The Minister of Finance, the Honourable Bill Morneau, told the committee that Canada is working with G7 and G20 countries to suspend interest payments on debt for countries that are heavily indebted.³⁶ The government is also trying to ensure that the IMF is properly resourced to provide financial assistance to countries in distress.

³⁶ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 15, 2020.



The federal government has made several international financial commitments, including:

- \$52 million to the WHO;
- \$120 million in support of the activities of the Access to COVID-19 (ACT) Accelerator, which is a global collaboration to accelerate the development, production and equitable distribution of new COVID-19 diagnostics, therapeutics and vaccines;
- \$600 million to Gavi, the Vaccine Alliance, which is currently helping low-income countries respond to COVID-19 outbreaks, including making additional funding available for strengthening health systems.

The committee encourages the government to continue collaborating with other countries to develop a coordinated response to the economic crisis.

Accountability and Transparency

The federal government's emergency spending measures have been essential to helping Canadians get through the economic crisis. However, the government also needs to provide transparent information about its spending in order to be held to account. It needs to collect and examine data on how its programs are impacting Canadians from diverse backgrounds, publish complete information on the debt incurred as a result of its emergency programs, provide a fiscal update on the state of its finances, and restore Parliament's role in reviewing and authorizing the government's spending plans.

Data on Program Effectiveness

While the federal government has been effective at rolling out new spending programs, it has not been clear on its objectives for these programs, beyond maintaining the economy and employment.

During its meetings, the committee heard about the number of beneficiaries of certain programs, such as the CERB and the CEWS. However, the committee was not informed of any other indicators of effectiveness, of how the government is determining whether the programs are meeting their intended objectives, or whether the programs are helping some groups more than others.



Minister Morneau told the committee that the government is looking at expanding its sources of data and disaggregating data based on gender and other parts of society.³⁷

The committee is concerned that data is lacking on the effectiveness of these programs in helping groups, such as women, visible minorities, and people with limited income, that work in sectors that have been the hardest hit by the economic crisis. The economic impact has not been felt evenly across the population, and some regions have been affected more than others.

In order to facilitate examination of the effectiveness of the emergency support measures, particularly for vulnerable groups, high quality, reliable and detailed data is essential. Therefore, the committee recommends:

Recommendation 13

That the Government of Canada, particularly Statistics Canada, enhance its data collection and reporting practice by including additional details on region, race, ethnicity and gender.

Federal and Crown Corporation Debt

In order to finance its emergency spending, the federal government must undertake borrowings on the market.

As of March 31, 2020, the federal government's total liabilities and total assets were \$1,229.4 billion and \$525.2 billion, respectively.³⁸ The net federal debt, which is assets less liabilities, was \$704.2 billion. As of June 25, 2020, as indicated by the Department of Finance Canada's bi-weekly report, the government had borrowed \$399 billion using its emergency powers under Bill C-13, An Act respecting certain measures in response to COVID-19, to refinance existing debt and fund operational requirements.

The Parliamentary Budget Officer said that he believes the federal government could still borrow significant amounts as it had a relatively low net debt-to-GDP ratio and the highest possible credit rating from major international rating agencies. However, he observed that if some of the temporary measures were to be extended or made permanent, it would raise the federal debt ratio and make its fiscal situation less sustainable.

³⁷ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 15, 2020.

³⁸ Parliamentary Budget Officer, Brief to the Standing Committee on National Finance, 1st Session, 43rd Parliament, Jun 05, 2020

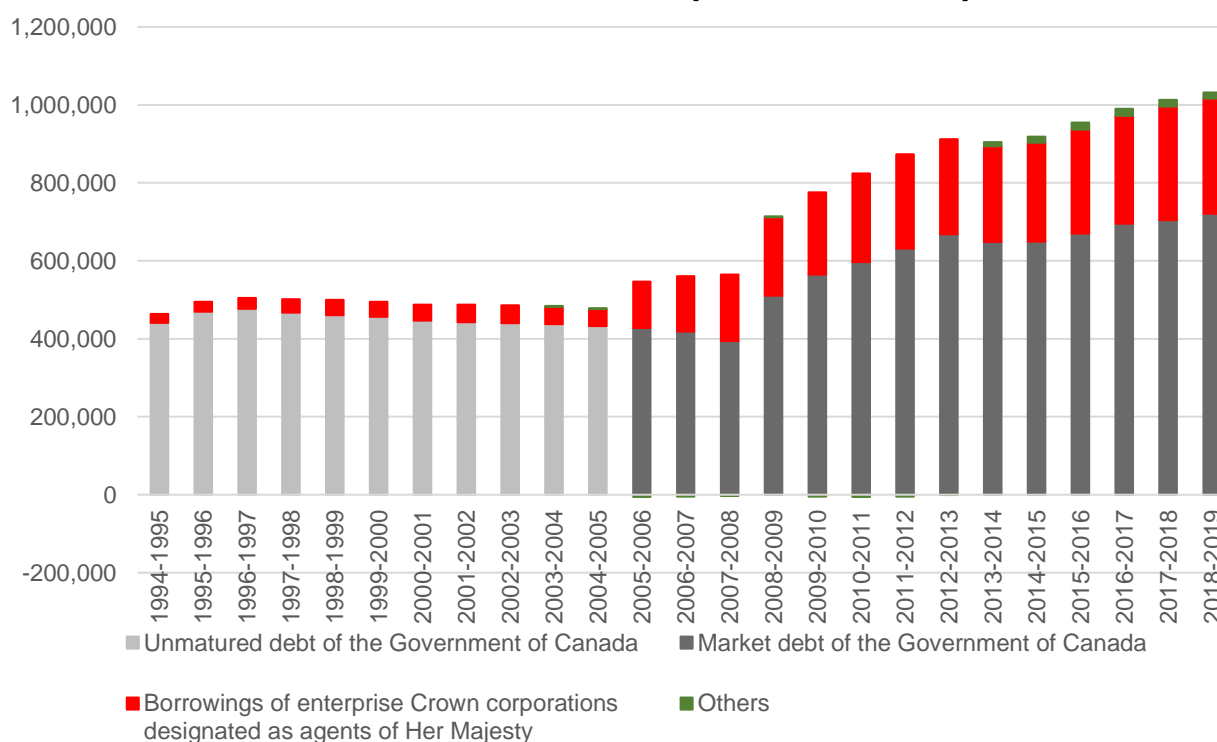


Since the Parliamentary Budget Officer's appearance, Fitch Ratings downgraded the Government of Canada's credit rating from the highest AAA to the second highest AA+, while the highest ratings from other credit rating agencies remained unchanged.

The committee notes that the former governor of the Bank of Canada, Stephen S. Poloz, acknowledged that GDP is a weak indicator of actual well-being,³⁹ which was also outlined in a brief submitted by Daniel Hoyer.⁴⁰

The committee also noticed that the borrowings of agent Crown corporations are growing steadily as a percentage of the total federal government borrowings, as evidenced in Figure 5.

Figure 5 – Composition of Borrowings of the Government of Canada, 1994–1995 to 2018–2019 (millions of dollars)



Source: Public Accounts of Canada 2019.

³⁹ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, May 26, 2020.

⁴⁰ Daniel Hoyer, Brief to the Standing Committee on National Finance, 1st Session, 43rd Parliament, June 15, 2020.



However, due to the complexity of the relationship between various types of Crown corporations and the federal government, the level of inclusion of Crown corporations' debts in federal debt is unclear. The Parliamentary Budget Officer explained that:

Generally speaking, the assets and liabilities of consolidated Crown corporations are included in the Government's balance sheet (within gross assets and gross liabilities) but the assets and liabilities of enterprise Crown corporations are not included. Enterprise Crown corporations sell goods and services to parties outside government and are sustainable without parliamentary appropriations, whereas consolidated Crowns rely primarily on parliamentary appropriations.⁴¹

As the details provided by the government are limited, the committee is concerned that the government's presentation of its debt does not include all Crown corporation debt and the Canada Account, which could present a risk for taxpayers. For example, Export Development Canada's mandate was expanded to allow it to lend to more Canadian companies, not just those that export, and the Minister of Finance was given the power to determine the limit of liability and authorized capital of the corporation, including the limit of liability of the Canada Account, until September 30. For now, the limit of its lending liability was increased from \$45 billion to \$90 billion. The committee believes that it is more important now than ever that the government be transparent with Canadians regarding its assets and liabilities, including those of Crown corporations, and recommend:

Recommendation 14

That the Government of Canada provide timely and clear disclosure of the details of its assets and liabilities, especially regarding the inclusion of all Crown corporations' debt, in its financial documents, such as the public accounts, budgets and economic and fiscal updates.

⁴¹ Parliamentary Budget Officer, Brief to the Standing Committee on National Finance, 1st Session, 43rd Parliament, June 05, 2020



Fiscal Update

The Minister of Finance usually presents a budget in February or March. In addition to announcing new spending and taxation measures, the budget provides the government's economic and fiscal projections for the fiscal year, including its expected budgetary balance, net debt and current and projected borrowings. The government did not table a spring budget this year due to the rapidly changing circumstances.

The Parliamentary Budget Officer, on the other hand, released economic and fiscal projections on March 27, 2020, which were updated on April 9, April 30 and June 18. Under the estimates produced by his office in the latest update, the federal government's budget deficit would be \$256 billion in 2020–2021, the equivalent of 11.8% of Canada's GDP, and the federal debt-to-GDP ratio would rise to 44.4%.

The Parliamentary Budget Officer told us, "I have strongly encouraged the government a number of times to provide a financial update, just to give parliamentarians and Canadians an idea of where public finances stand."⁴²

Alison McDermott, Associate Assistant Deputy Minister at the Department of Finance Canada indicated in mid-May that work was under way, stating, "We're in the process of beginning that fiscal update, which, of course, involves consultation with the private sector, and we expect to be able to provide a fiscal update in the coming weeks, but I don't think the government has made any announcements about the timing of that at this point."⁴³

When he appeared before the committee, Minister Morneau would not commit to a timeline for a fiscal update, as he was waiting for more stability. He said, "We did not want to go out with some sense of false precision with numbers that we would not be sure about. We want to be careful, because confidence in our ability to understand our situation is critically important."⁴⁴

The government subsequently released a fiscal "snapshot" on July 8, 2020, which estimated that the federal deficit would be \$343 billion in 2020–2021 and the debt to GDP ratio would rise to 49%.

⁴² Ibid.

⁴³ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, May 12, 2020.

⁴⁴ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, June 15, 2020.



Given the evolving and uncertain economic situation, the committee believes the government should regularly update its fiscal plan. Hence, the committee recommends:

Recommendation 15

That the Minister of Finance provide a substantive economic and fiscal update quarterly for the remainder of the economic crisis; and continue providing Parliament with bi-weekly reports on its emergency response measures.

Parliamentary Approval for Government Spending

To authorize the financing of its emergency measures, the government sought parliamentary approval on an expedited basis for several pieces of legislation.

Through Bill C-13, An Act respecting certain measures in response to COVID-19, Parliament granted the government extraordinary spending and borrowing powers. Instead of the normal process of requesting that Parliament approve detailed spending requests outlined in estimates documents, the government may spend, under part 3 of the bill, “all money required to do anything in relation to that public health event of national concern.”⁴⁵

Part 8 exempts the government from having to request Parliament’s approval for an expansion of its borrowing authority, and the Minister of Finance may establish and fund a corporation or an entity for the purposes of promoting the stability of the financial system in Canada.

Under part 18, the Minister of Employment and Social Development may make interim orders related to Employment Insurance. All of these uncommon powers expire on September 30, 2020.

The Department of Finance Canada has provided the committee with bi-weekly reports on the use of these authorities, outlining its actions to date, as well as expected spending and borrowings. As of the eighth report of July 9, 2020, the government expected it would spend \$212 billion on direct support measures and had borrowed \$440 billion to refinance existing debt and fund operational requirements.

⁴⁵ *Public Health Events of National Concern Payments Act*, S.C. 2020, c. 5. s. 9, section 2(1).



The Parliamentary Budget Officer, however, expressed significant concerns with these powers, stating:

I'd say I'm very, very concerned about this because even though we are in a crisis situation, providing that amount of power together with all the other powers that you mentioned, borrowing almost without any limit without any immediate oversight, in one person, it's something that, in my opinion, is unprecedented in the current regime and in Canadian history.⁴⁶

While the committee recognizes these concerns, it acknowledges there was a need to act quickly to respond to the rapidly deteriorating economic situation. However, the government continues to announce new spending measures through these powers.

Parliament has a fundamental role in reviewing and approving government spending. As September 30 approaches, the committee recommends:

Recommendation 16

That it is time to return to traditional procedures for approval by Parliament of government spending in order to provide appropriate oversight of government expenditures.

CONCLUSION

The emergency supports put in place by the federal government in response to the economic crisis brought on by the COVID-19 pandemic have helped millions of Canadians who would have otherwise suffered financial disaster. The public service was rapidly and effectively mobilized to deliver these programs in a timely way. However, many Canadians have fallen through the cracks, and they face an uncertain future. Indeed, unemployment rose to 13.7% in May and thousands of businesses will be forced to close permanently. They need to have predictable and reliable financial support. In the meantime, the government also needs to be fully accountable to Parliament for its spending and borrowing decisions and transparent about its fiscal situation.

⁴⁶ Senate, Standing Committee on National Finance, 1st Session, 43rd Parliament, Evidence, May 26, 2020.



While financial assistance is needed now, the government will have to put in place measures to ensure a quick economic recovery, as many Canadians' livelihood depends on it. Much more work needs to be done on relaunching the Canadian economy. The government needs to assure Canadians that it has a plan in place, so we can rebuild in a smarter, fairer and more sustainable way. As of June 24, the committee had received more than 20 written briefs advocating for a clean recovery. The committee will study these issues and report back to Canadians with its observations in the fall.



APPENDIX A – WITNESSES

Bank of Canada

Stephen S. Poloz, Governor
Carolyn A. Wilkins, Senior Deputy Governor
(26-05-2020)

Canada Revenue Agency

Ted Gallivan, Assistant Commissioner, Compliance Programs Branch
Geoff Trueman, Assistant Commissioner, Legislative Policy and Regulatory Affairs
Branch
Frank Vermaeten, Assistant Commissioner, Assessment, Benefit and Service Branch
(19-05-2020 and 15-06-2020)

Canadian Alliance of Student Associations

Bryn de Chastelain, Board Chair
(09-06-2020)

Canadian Bankers Association

Neil Parmenter, President and Chief Executive Officer
Darren Hannah, Vice-President, Finance, Risk, and Prudential Policy
(02-06-2020)

Canadian Chamber of Commerce

The Honourable Perrin Beatty, P.C., President and Chief Executive Officer
Dr. Trevin Stratton, Chief Economist and Vice-President, Policy and Advocacy
(02-06-2020)

Canadian Credit Union Association

Martha Durdin, President and Chief Executive Officer
Michael Hatch, Vice-President, Government Relations
(02-06-2020)



Canadian Federation of Agriculture

Keith Currie, First Vice-President
Scott Ross, Assistant Executive Director
(02-06-2020)

Canadian Federation of Independent Business

Daniel Kelly, President and Chief Executive Officer
(02-06-2020)

Canadian Trucking Alliance

Stephen Laskowski, President
(02-06-2020)

Conseil national des chômeurs et chômeuses

Pierre Céré, Spokesperson
(09-06-2020)

Department of Finance Canada

Evelyn Dancey, Associate Assistant Deputy Minister, Economic Development and Corporate Finance Branch
Soren Halverson, Associate Assistant Deputy Minister, Financial Sector Policy Branch
Andrew Marsland, Senior Assistant Deputy Minister, Tax Policy Branch
Alison McDermott, Associate Assistant Deputy Minister, Economic and Fiscal Policy Branch
Suzy McDonald, Associate Assistant Deputy Minister, Federal-Provincial Relations and Social Policy Branch
(12-05-2020)



Leah Anderson, Assistant Deputy Minister, Financial Sector Policy Branch

Evelyn Dancey, Associate Assistant Deputy Minister, Economic Development and Corporate Finance Branch

Andrew Marsland, Senior Assistant Deputy Minister, Tax Policy Branch

Alison McDermott, Associate Assistant Deputy Minister, Economic and Fiscal Policy Branch

Suzy McDonald, Associate Assistant Deputy Minister, Federal-Provincial Relations and Social Policy Branch

(15-06-2020)

Employment and Social Development Canada

Alexis Conrad, Assistant Deputy Minister, Learning Branch

Catherine Demers, Director General, Youth and Skills Innovation Directorate

Cliff Groen, Assistant Deputy Minister, Service Canada

Mark Perlman, Chief Financial Officer and Senior Assistant Deputy Minister, Chief Financial Officer Branch

Elisha Ram, Associate Assistant Deputy Minister, Skills and Employment Branch

Patricia Wilson, Director General, Program Operations Branch

(12-05-2020)

Alexis Conrad, Assistant Deputy Minister, Learning Branch

Cliff Groen, Assistant Deputy Minister, Benefits Delivery Services

Elisha Ram, Associate Assistant Deputy Minister, Skills and Employment Branch

(15-06-2020)

Graham Flack, Deputy Minister

Mark Perlman, Chief Financial Officer and Senior Assistant Deputy Minister

Benoît Robidoux, Associate Deputy Minister

(22-06-2020)



First Nations Financial Management Board

Harold Calla, Executive Chair
(09-06-2020)

First Nations Tax Commission

C.T. (Manny) Jules, Chief Commissioner
(09-06-2020)

Fisheries Council of Canada

Paul Lansbergen, President
(02-06-2020)



Forget, Evelyn, Professor, University of Manitoba, as an individual
(09-06-2020)

The Honourable Bill Morneau, P.C., M.P., Minister of Finance
(15-06-2020)

National Aboriginal Capital Corporation Association

Shannin Metatawabin, Chief Executive Officer
(09-06-2020)

National Airlines Council of Canada

Mike McNaney, President and Chief Executive Officer
(02-06-2020)

Northern Air Transport Association

Joseph Sparling, Member of the Board of Directors
(02-06-2020)

Office of the Parliamentary Budget Officer

Yves Giroux, Parliamentary Budget Officer
Sloane Mask, Director, Parliamentary Relations and Planning
(26-05-2020)



The Honourable Carla Qualtrough, P.C., M.P., Minister of Employment,
Workforce Development and Disability Inclusion

(22-06-2020)

Quebec Employers Council

Yves-Thomas Dorval, President and Chief Executive Officer

Norma Kozhaya, Research Vice-President and Chief Economist

(02-06-2020)

Union des producteurs agricoles

Marcel Groleau, President General

David Tougas, Economy and Trade Coordinator, Agricultural Research and Policy

Branch

(02-06-2020)



APPENDIX B – WRITTEN BRIEFS AND FOLLOW UP INFORMATION

Adamson, Tim, as an individual

African Nova Scotian Decade for People of African Descent

Air North

Assembly of First Nations

Bank of Canada

Basic Income Canada Network

Beeby, Dean, as an individual

B'nai Brith Canada

Carey, Dustin, as an individual

Citizens for Public Justice

Canadian Alliance of Student Associations

Canadian Association of University Teachers

Canadian Chamber of Commerce

Canadian Federation of Agriculture

Canadian North

Canadians for Tax Fairness

Clean Foundation

Climate Caucus

ClimateFast

Corporate Knights



David Suzuki Foundation

Ducks Unlimited Canada

Employment and Social Development Canada

Energy Storage Canada

Environmental Defence, Above Ground, Oil Change International

First Nations Tax Commission

Fisheries Council of Canada

Food and Consumer Products of Canada

Food Banks Canada

Horizon Advisors

Hoyer, Daniel, as an individual

Indigenous Tourism Association of Canada

Margles, Sarah, as an individual

Mayes, Jessica, as an individual

National Aboriginal Capital Corporation Association

National Airlines Council of Canada

National Indigenous Economic Development Board

Northern Air Transport Association

Northwest Territories Association of Communities

NWT and Nunavut Construction Association

NWT Chamber of Commerce and NWT Tourism

Office of the Parliamentary Budget Officer



Parkdale High-Park 4 Climate Action

Quebec Employers Council

Saxe Facts

Schofield, Jade, as an individual

Smith School of Enterprise and the Environment

The Atmospheric Fund

Tienhaara, Kyla, as an individual

Union des producteurs agricoles

Wendling, Gilles, as an individual

Yellowknife Chamber of Commerce