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COVID-19 Crisis Business Continuity and Trade Working Group

Communique: Prioritize Integrity of Supply Chains by Addressing Weak Links and Coordinating Actions

In order to help Canadian governments confront the public health and economic crisis resulting from the spread of the COVID-19 virus, the C.D. Howe Institute has established several working groups to rapidly distill expert policy advice. The working group on business continuity and trade is co-chaired by Dwight Duncan (Senior Strategic Advisor at McMillan LLP and former Ontario Minister of Finance) and Jeanette Patell (Vice-President of Government Affairs and Policy for GE Canada). Its membership includes industry experts and economists. Meeting weekly, it identifies and prioritizes policy challenges and communicates members' views in published communiques. The group's second meeting was held on Tuesday, March 31, 2020.

At its most recent meeting, the group first commended federal action to establish a broad-based wage subsidy, as recommended by its earlier communique.¹

Looking ahead, the group underscored the importance of government support to safeguard supply chains for critical goods – and particularly address potential bottlenecks in the transport of goods by truck domestically and internationally. While urging governments to work closely with industry to address obstacles, the group urged caution about governments directly intervening or taking over supply chains.

The group highlighted the following priorities for governments:

- Safeguarding the flow of goods internationally and domestically.
- Collaborating with critical industries to identify and address bottlenecks in supply chains.
- Limiting workplace activities based on specific assessments of the risk of transmission.
- Supporting industry-led efforts to develop health and safety measures to prevent transmission in workplaces.

1 Business Continuity and Trade Crisis Working Group. 2020. "Subsidize Wages, Backstop Credit, Protect Supply Chains." C.D. Howe Institute. March 26. Available online: <https://www.cdhowe.org/council-reports/subsidize-wages-backstop-credit-protect-supply-chains-cd-howe-institute-business-continuity-and> .



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On the federal/provincial division of responsibilities, the group emphasized that provincial governments were best placed to respond to local circumstances. It noted that the federal government has worked collaboratively with provinces and supported provincial efforts and can play an important coordinating role. It also warned that the federal government should invoke emergency powers to manage local production and supply only in extreme circumstances – for example, where provinces request nation-wide coordination – and only in areas where the federal government has the capability to manage efficiently at an industry-specific level.

Members believed that decisions around “restart” must be guided by expert public health judgments about what is necessary to contain the virus. In the likelihood of a protracted duration for battling COVID-19, members noted that governments and industry will need to adapt to a “new normal”, learn from other jurisdictions and explore creative workplace measures based on public health risk assessments. Members urged companies to collaborate to develop health and safety practices that will reduce transmission risks within specific industries – particularly for activities that are vital to critical supply chains.

Safeguard Flow of Goods by Supporting De-bottlenecking of Supply Chains

Members identified emerging risks in the transport sector – particularly long-haul trucking – as a potential weak link that could impair supply chains for critical goods. The health of truckers and fewer services along routes were particular concerns. The cost of imports from the U.S. to Canada may also increase as backhaul exports decrease. Trucking is a particular sector where Canadians need context-specific public health measures to contain transmission while ensuring that vital infrastructure continues to function.

Members highlighted the importance of governments working with industry to understand and rapidly address bottlenecks. Government interventions to take control of supply chains in sectors like food distribution may increase confusion and impair companies’ efforts to sustain supplies of critical goods. Some members warned that, if other provinces follow B.C.’s example in taking control of supply chains, provincial fragmentation could interrupt national and international supply chains.²

2 For elaboration, see: Charlebois, Sylvain. 2020. “B.C.’s government has given itself powers over its food supply chain. That’s a big mistake.” *Globe & Mail*. March 30. Available online: <https://www.theglobeandmail.com/opinion/article-bcs-government-has-given-itself-powers-over-its-food-supply-chain/>.

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Members underscored that domestic production may face constraints as foreign jurisdictions place restrictions on exports of inputs. Workplace closures in response to public health measures may hinder production of certain intermediate inputs. Governments should maintain close lines of communication with equipment manufacturers – particularly those of critical goods – to identify risks to supply chains.

Ensure Workplace Measures and “Essential” Services Calibrated to Public Health Risks

The working group emphasized that workplace closures and precautions must be driven by expert judgment about public health risks. Working group members believed that provincial governments like Ontario had appropriately set a relatively wide scope in its initial list for “essential” services but maintains the ability to flexibly reduce activities based on the risk of transmission.

While supporting provincial governments’ continued jurisdiction for decisions over workplace closures and “essential” services, certain members pointed out that the federal government might assist with guidance. For example, certain members pointed to the advisory guidelines by the U.S. Department of Homeland Security as a means of assisting state governments in decision-making around workplace closures.³

Regarding the timing for “restart” of the economy, members believed that decisions around “restart” must be guided by expert public health judgments about what is necessary to contain the virus. Members cautioned that premature general timelines for “restart” could risk easing vital physical distancing measures too early, resulting in renewed spread of the virus. Businesses must prepare and make plans for a “new normal” for workplace operations over a protracted period of containment.

Members agreed that governments must be cautious in easing restrictions but adapt measures to restrict workplace restrictions in a “granular” and creative way – for example, based on worker characteristics and approved workplace health and safety measures. Members urged collaboration between companies to develop workplace health and safety protocols that minimize the risk of spread. Governments should support and coordinate with industry groups to understand the efficacy of workplace protocols and, based on expert judgment, calibrate economic and public health measures accordingly.

3 See: U.S. Department of Homeland Security. 2020. Guidance on the essential critical infrastructure workforce. March 28. Available online: <https://www.cisa.gov/publication/guidance-essential-critical-infrastructure-workforce>.

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