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COVID-19 Crisis Working Group: Business Continuity and Trade

Communique #4: Canada Needs “Playbook” For Restarting Economy

In order to help Canadian governments confront the public health and economic crisis resulting from the spread of COVID-19, 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 fourth meeting was held on Tuesday, April 14, 2020.

At this meeting, the working group discussed the need for a roadmap to restart Canada’s economy, the implementation of supports for businesses to “bridge” the present shutdown, and the importance of continued investment in robust telecommunications infrastructure to meet the current surge in demand.

Working group members believe Canada’s governments should provide a “playbook” for the restart of the economy. Such a framework would outline principles, processes, metrics and milestones for a graduated return to work at the industry and workplace level. As elements of a framework, working group members recommended:

- Transparent principles for managing risks of transmissions and impacts on economic activity;
- Federal-provincial collaboration on pan-Canadian principles with continuing responsibility for emergency measures by provincial and municipal governments;
- Collaboration with industry (e.g., through task forces) to develop workplace-level standards and protocols to mitigate transmission risks;
- Thresholds for public health indicators at which certain restrictions can be lifted; and
- Timely tracking for epidemiological indicators and pressures on the healthcare system.



April 17, 2020

For supports to “bridge” the crisis, the working group commended the federal government’s initiative in so quickly establishing various new and urgently needed programs. Nonetheless, members urged:

- Simplification of criteria to address confusion by workers and businesses – in particular, guidance around qualifying conditions for the wage subsidy;
- Tailored industry-specific support measures for hard-hit sectors; and
- Design of support as temporary, rather than permanent, measures and careful weighing of trade-offs for new, targeted supports.

Finally, the working group emphasized the important enabling role of Canada’s resilient telecommunications services during this crisis. The working group acknowledged the challenges facing telecommunications providers to maintain network reliability amid record usage levels when “every day is Superbowl Sunday.” Looking ahead, the roll-out of next generation networks will be essential for helping Canadians to adjust in a “new normal” (e.g., sustained “work from home”) for Canada’s economy post-crisis.

Governments could ensure ongoing network resilience post-crisis by providing incentives to accelerating capital outlays by telecom providers.

Formulate and Communicate the “Back to Work” Playbook

As soon as possible, governments must also provide line-of-sight on conditions for easing “shut down” measures. Businesses presently face paralyzing uncertainty about the duration and scope of measures. Accordingly, without guidance to anchor expectations, businesses may reduce output more drastically than is optimal in order to avoid commercial downside. Forecasts now project a sizable reduction on economic output globally: the International Monetary Fund’s most recent economic outlook projects a 3 percent contraction of the global economy in 2020, including a 6 percent decline of real GDP in Canada.¹ Members highlighted recent economic research that, beyond the direct impacts of shut-down, the present levels of forward-looking uncertainty facing businesses as a result of COVID-19 may inflict a sizable contraction on economic output.²

While recognizing the inherent uncertainty around the rapidly evolving public health crisis, governments should outline the principles and milestones that will guide the return to work. A principled framework

1 International Monetary Fund. 2020. *World Economic Outlook*. April. Available online: <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

2 Baker, Scott, Nick Bloom, Steven J. Davis and Stephen J. Terry. 2020. *COVID-Induced Economic Uncertainty*. April 4. Available online: <https://www.policyuncertainty.com/media/COVID-Induced%20Economic%20Uncertainty.pdf>

April 17, 2020

for restart would be rooted in public health advice and conditions (e.g., “slack” within the current healthcare system). The aim should be to manage risks around workplace transmission and minimize exposure of vulnerable individuals. Principles and contingent timelines will help manage expectations and address current commercial paralysis.

Echoing recent proposals,³ the working group recommends governments actively leverage industry working groups with knowledge of frontline operations and expertise on occupational health and safety. By collaborating with industry, governments can formulate appropriate standards and protocols that safeguard employees and facilitate a graduated return to work.

As emphasized in an earlier communique,⁴ the working group continues to believe that provincial governments are best situated to manage emergency measures, given their capacity for service delivery and information to calibrate measures to local conditions. Nonetheless, the federal government can play an important facilitating role by working with provinces to develop pan-Canadian principles and guidelines.

Simplify Criteria for Existing Programs and Target Sector-specific Supports

Members emphasized the importance of support programs for workers and businesses to “bridge” income loss during this crisis and commended the federal government for its rapid creation of the wage subsidy, lending programs for businesses, and direct supports for workers.

Nonetheless, members expressed concern that complex qualifying criteria prevent businesses from accessing these programs. For example, members highlighted the confusing rules about how a company’s subsidiaries should assign revenues to determine whether the company meets the 30 percent revenue reduction requirement and so qualifies for the wage subsidy.

Certain members noted that take-up of certain federal loan programs has been slow – in particular, the BDC co-lending program for small and medium-sized enterprises – and hypothesized that this is a result of the complex requirements to qualify.

3 See: Robson, Bill. 2020. “Governments should rely on industry task forces to advise on restarting the economy,” *Globe & Mail*. March 13. Available online: <https://www.theglobeandmail.com/business/commentary/article-governments-should-rely-on-industry-task-forces-to-advise-on/>

4 Business Continuity and Trade Crisis Working Group. 2020. *Safeguard Critical Supply Chains by Addressing Weak Links: Crisis Working Group on Business Continuity and Trade*. C.D. Howe Institute. April 2. Available online: <https://www.cdhowe.org/council-reports/safeguard-critical-supply-chains-addressing-weak-links-crisis-working-group-business-continuity-and>

April 17, 2020

Looking forward, the next stage of business support will involve targeted backstops for hard-hit sectors – for example, airlines, tourism, petroleum producers and oil field services companies. Members highlighted that other countries are ahead of Canada on rolling out support for sectors like airlines. While the shock to global petroleum demand, many of Canada’s oil producers will be shutting in production and could face insolvency. While the federal government pledged imminent support for the oil sector weeks ago, it has yet to deliver.

Nonetheless, members stressed that governments must weigh trade-offs and design “bridges” rather than permanent subsidy programs. While urgency has motivated large spending commitments, government should keep its eye on its objective to “turn off the taps” on the temporary measures that have been created to confront this emergency.

Telecommunications Critical for Connectivity during Crisis

The working group noted that Canada’s telecommunications infrastructure has remained remarkably resilient during a period of intensified usage. Members particularly emphasized that Canada’s telecommunications services have sustained economic activity as many Canadians switch to working by remote connection at home. The resilience of telecommunications networks today is a result of past investments and current efforts in the field to maintain infrastructure. Network providers are also rapidly building new facilities where these are needed – for example, to service remote learning for students and temporary medical facilities.

Nonetheless, members are cognizant of the challenge for continued investment outlays by telecommunications providers during a period of constrained revenues – for example, as small businesses pause or cancel services to conserve cash flow. Governments could incent the acceleration of investments by telecommunications providers through such measures as acceleration of Capital Cost Allowances (CCA). As well, government policies directed at reducing prices for telecommunications services (such as low rates for mandated access by resellers to telecommunications facilities) may discourage future investment.⁵

Looking ahead, the roll-out of next generation networks will likely be necessary in a “new normal” for Canada’s economy post-crisis. “Work from home” is likely to be sustained until the COVID-19 virus is fully contained. Fast and reliable telecommunications services will be essential for helping Canadians to adjust.

5 For elaboration, see: Competition Policy Council. 2020. *Mandated Competition or Free Ride? Mandated Access to Telecommunications Facilities Risks Impairing Canada’s Next Generation of Digital Infrastructure*. C.D. Howe Institute. March 19. Available online: https://www.cdhowe.org/sites/default/files/attachments/other-research/pdf/Communique_2020_0319_CPC.pdf

April 17, 2020

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* denotes not in attendance at April 14th meeting.