

April 8, 2020

Hon. William Morneau, P.C., M.P.
Minister of Finance
90 Elgin, Ottawa, Ontario,
K1A 0G5

RE: Canada Emergency Wage Subsidy Enhancements

Dear Minister Morneau:

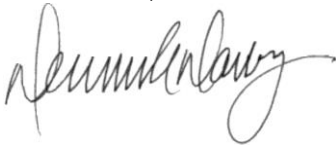
On behalf of Canada's manufacturers and our 1.7 million employees I want to thank you and the federal government for introducing the Canada Emergency Wage Subsidy (CEWS). As you know, Canadian Manufacturers & Exporters has championed a wage subsidy as the best way to shore up businesses, keep employees on the payroll, and position industry to rebound once we emerge from the COVID-19 crisis.

We have been in constant contact with our members. To them, the CEWS is not only a much-needed lifeline but the right public policy response to the crisis. As you can imagine, we have heard concerns around a company's ability to qualify for the assistance and when they can expect to see the help arrive. In order to assist you calibrate this program, I want to share the following solutions that will ensure the roll-out and execution of the CEWS is a success.

1. For the purposes of calculating the 30 per cent revenue decline, companies should be allowed to demonstrate a loss on either a quarterly or monthly basis to provide greater flexibility and would follow natural business cycles. In addition, while we understand the rationale for allowing only arms-length sources of revenue, for integrated manufacturers within the same corporate structure, this stipulation risks disqualifying them from the support. This could happen even though the output and the revenues declined by at least 30 per cent. To avoid unexpected domestic impacts on employment, the government should eliminate the arms-length requirements for calculating revenues. If this is not possible, then we suggest using transfer pricing rules currently in place for goods exports, or simply use an output-based calculation that would allow a company to show the decline in business activity.
2. Create a rapid, adjudication mechanism for companies who are on the bubble to qualify for the CEWS. That way, a company who can demonstrate they need help, but don't fall neatly within the proscribed 30% decline in revenues parameters, could nonetheless have an opportunity to make their case.
3. With the goal of keeping cash in the hands of companies, delay EI and CPP remittances due on April 10, 2020 and onward until the details of the CEWS can be worked out and clearly understood by companies.
4. Work to shorten the current 3-6-week period to roll out the CEWS. Companies who qualify for the CEWS should not fail, or incur additional debt, while waiting for the assistance to arrive. This should include direct grants to companies to bridge them, or some other form of money injection, until the CEWS funds arrive.

I want to thank you again for your quick response the COVID-19 crisis and the prioritization of manufacturing in the governments actions to date. We are proud representatives of this sector as it has stepped up to meet the needs of the nation during this crisis. And your actions are helping their response today which will lead to the strengthening our critical sector in Canada for the long-term. We would be pleased to speak to you at any time on this measure or any action taken by the government. Our sector stands firmly with you and ready to work with you to ensure we succeed.

Yours sincerely,



Dennis A. Darby, P.Eng., ICD.D
President & CEO, Canadian Manufacturers & Exporters

CC: Hon. Mary Ng, PC., M.P.
Minister of Small Business, Export Promotion, and Trade