

PARLIAMENTARY STANDING COMMITTEE ON FINANCE

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Good afternoon. Thank you for inviting me to participate in today's discussion. It is my pleasure to be here on behalf of Canada's 90,000 manufacturers and exporters, and our association's 2,500 direct members to discuss COVID-19 and Canada's manufacturing sector.

CME's membership covers all sizes of companies, from all regions of the country, and covers all industrial sectors. From the early days of this crisis we have been working with our members and governments to increase the manufacture and supply of critical PPE and health care technologies needed in the response. We also have been educating and informing manufacturers on the latest developments in the crisis, including on how to access government supports and how to protect their employees and their supply chains. And we have been working to understand the impact on our sector and advocating for policy, regulatory, and program supports for our sector from all levels of government.

Throughout this crisis the role and importance of Canada's manufacturing sector has never been clearer or as much discussed. Hundreds, if not thousands, of manufacturers, if not thousands, have switched their production to support the making critical PPE such as masks and ventilators to face shields and gowns. Others are aggressively working on developing better tests and a vaccine for COVID-19. Making things matters again to Canadians.

The government's response to date has been nearly exactly as we have requested to support the sector. Actions like the CEWS wage subsidy, tax payment deferrals, and expanded credit facilities were designed to keep cash in the hands of companies so that they can keep Canadians on their payroll. And it has worked for the sector. While manufacturing output has dropped substantially over the first weeks of this crisis, employment levels have remained fairly stable across the country. Global supply chains, while decreased in volumes, have held up – allowing critical inputs to be delivered to Canadian plants to keep them operating – and exports of most products have continued throughout. Some sectors have seen increased activities in

the short term, especially those in food and household products. But many others have been hard hit, especially those in auto, aerospace, and energy related fields.

While the sector has performed well compared to many other areas of the economy, there are major concerns. Based on the best data we have right now, we are anticipating an overall decline in manufacturing activity in Canada around 13 percent for this calendar year. Over the next few months it could get worse for the sector as much of the output being produced through the crisis has been based on sales made last fall and winter. New sales have slowed considerably in recent weeks. Meaning while other parts of the economy are looking to rebound, manufacturing could be hitting its low point. It will take until much later in the year for real recovery to set in and likely all the way until the second half of 2022 until we see a return to pre-recessionary production levels.

With this in mind, Canada's economic plan must not stop in June, it must be a multi-year and multi-faceted approach. CME recommends the following six-point plan:

First: Fix outstanding gaps in business support programs and ensure their stability for the foreseeable future. The gaps include the essential need for liquidity support for larger companies, who currently have no support, and wage subsidy programs for companies who sell to a parent who are currently disqualified. In addition, where disagreements in qualifications occur, a fast arbitration program should be established. Many of the programs are likely going to need to operate into late summer or maybe even the fall of 2020.

Second: Introduce programs that support consumer spending. Without consumers buying products, manufacturers don't operate. Like the great recession a decade ago, the government must look at a range of options to encourage consumer spending and lead to spending and activities in other parts of the economy, including manufacturing.

Third: Promote and celebrate made in Canada. Canada should launch a made in Canada initiative that celebrates the products that are made here both for sale at home and abroad. There should be a national registry of Canadian made products so consumers can easily identify them and labelling rules should be modernized and simplified. This should be launched on July 1st.

Fourth: Focus on business investment. Business investment has been dropping in Canada to the point where we rank amongst the lowest in the OECD. Investment is critical to have a strong, flexible, and innovative manufacturing sector to respond to crisis as they emerge. Direct incentives, such as an investment tax credits, should be put in place to spur investment in new technologies that improve productivity, flexibility, and environmental performance. Existing programs such as the Strategic Innovation Fund and the SR&ED tax credit program should be reviewed and modernized, along with the overall tax system.

Fifth: Create world-class business and regulatory environment. Industry is fully supportive of a regulatory environment that sets high standards, but it must also be aligned with major trading partners, based on science, and aimed at the right objectives. Measures like banning all single use plastics or labeling zinc, copper, and plastic as toxic – all of which are essential elements for many manufactured products – will directly impact investment and need to be re-examined.

Sixth: Leverage government procurement. Government investment in infrastructure is an obvious step, but this must look at trade and business infrastructure as much as societal infrastructure. The government should also better leverage health care procurement by creating an equivalent organization to the US's DARPA for Canadian health care innovation.

Most importantly, it's time for Canada to get serious about our industrial future. Throughout this crisis there has been repeated comments from all political parties and all governments about the need for modern industrial strategies. CME wholeheartedly agrees and look forward to working with governments on implementing a plan for the future of our critical sector.

Thank you again for inviting CME to participate today. I look forward to the discussion.