

Edmonton Global- Covid-19 Update

Friday April 3, 2020 10am

Edmonton Global maintains a [Covid-19 Business Resources page](https://edmontonglobal.ca/covid-19-resources/) containing updated information for the Edmonton metro region's business community. <https://edmontonglobal.ca/covid-19-resources/>.

The contents of this update are not intended to replace the official communications of the Government of Canada, the Province of Alberta, or any official communications of our municipal or other partners.

Government

Today, the world hit a grim milestone: 1 million global confirmed cases of COVID-19. Canada also hit a significant marker, as today the figure exceeds 10,000 confirmed cases across the country. However, globally more than 200,000 are confirmed to have recovered from the virus —and this number tends to exclude the mildest cases.

Federal

- Following the example of many provinces, the Government of Canada has released its list of essential services. The full list is available online: https://www.publicsafety.gc.ca/cnt/ntnl-scr/crtcl-nfrstrctr/esf-sfe-en.aspx?mc_cid=e12b614317&mc_eid=9be5f3fd68
 - Broadly, the essential services have been categorized into 10 sectors:
 - Energy and Utilities
 - Information and Communication Technologies
 - Finance
 - Health
 - Food
 - Water
 - Transportation
 - Safety
 - Government
 - Manufacturing
- Details of the Canada Emergency Wage Subsidy are now available online: <https://www.canada.ca/en/department-finance/news/2020/04/the-canada-emergency-wage-subsidy.html>

Below is a list of critical details concerning the Wage Subsidy from the Government of Canada:

- **Eligible Employers:** “individuals, taxable corporations, and partnerships consisting of eligible employers as well as non-profit organizations and registered charities” who have experienced a drop-in revenue of at least 30% as a result of COVID-19.
 - The 30% revenue decline would be measured against revenue from the same month one year prior.
 - For instance: if a business generated \$100,000 of revenue in March 2019, it would need to decline to at least \$70,000 of revenue in March 2020 in order to be eligible.
 - If the business was established since February 2019, making direct comparisons impossible, a month-to-month benchmark will be used.
- **Ineligible Employers:** “municipalities and local governments, Crown corporations, public universities, colleges, schools and hospitals.”
- **Subsidy Amount:** subsidy amount for a given employee on eligible remuneration paid between March 15 and June 6, 2020 would be: 75% of employee’s pre-crisis wages, up to a maximum benefit of \$847 per week.
 - There is no maximum amount that an employer can claim, only a maximum per employee. If an employer has 1 employee, they may claim up to \$847; if they have 1,000 employees, they may claim up to \$847,000.
 - “Employers must make their best effort to top-up employees’ salaries to bring them to pre-crisis levels.”
 - Therefore, if an employee was making \$1,000 a week before the crisis and the government covers the full \$847 benefit, it is critical that the employer try to cover the remaining \$153.
- **Application:** Eligible employers must apply through CRA’s *My Business Account* portal and a web-based application.
 - Employers must keep records demonstrating their reduction in arm’s-length revenues. They must also have records of remuneration paid to employees, both prior to the crisis and in-crisis “top up” measures.
 - The program will be delivered over three pay periods. **Companies will need to reapply every pay period to continue receiving the subsidy.** The periods are:

Period 1 (Retroactive) March 15 – April 11
Period 2 April 12 – May 9
Period 3 May 10 – June 6

- To avoid “double-dipping,” an employer **cannot** claim the wage subsidy when an employee is also eligible for the Canadian Emergency Response Benefit (the \$2,000 a month for wholly laid-off employees.) The intention of the wage subsidy is to return employees to the payroll of companies.

- However, companies will be able to furlough their employees back to work if they are receiving the CERB and their business is otherwise operational (deemed essential.) This means formerly laid-off employees may be asked to return to work while being paid their CERB funding.
- As an example:
 - John is laid off from the grocery store on March 20.
 - He receives April's CERB of \$2,000.
 - At the end of April, the grocery store re-hires John.
 - In May, John stops receiving the CERB. The grocery store receives the 75% wage subsidy which they pay to John, plus as much of the remaining 25% as they are able.
- Bloomberg reports that the Government of Canada's economic measures against COVID-19 taken to date will cost about \$250bn. (<https://www.bloomberg.com/news/articles/2020-04-01/trudeau-s-fiscal-package-reaches-176-billion-with-latest-steps>)

Provincial

- Alberta reported its single greatest one-day increase in COVID-19 cases on March 31, increasing by 119. Dr. Hinshaw stressed that some of this increase was due to a backlog of tests being completed by laboratories but that the province's actions against the virus continue. By contrast, on April 2, only 15 new cases were reported.
- There are currently 968 confirmed cases of COVID-19 in Alberta, and 13 people have died.
 - The majority of the confirmed cases are still in the Calgary zone, at about 61%
 - The Edmonton zone represents 26% of the province's cases, with 247 people confirmed to be infected.
 - More than 4,000 tests were completed in the last 24 hours. 98% of those tests were negative. Alberta has prioritized testing to front-line medical workers and those most at risk, which will limit accurate community tracking.
- As of April 3, 2020, parking at all Alberta hospitals is free. (<https://www.alberta.ca/release.cfm?xID=699865CBCB8CC-F72A-A5A6-DB683610571C9154>)
- The Government of Alberta has undertaken a series of measures concerning the province's oil and gas sector:
 - Jason Kenney announced the province had invested \$1.6bn in the Keystone XL pipeline project, intended to carry crude from Hardisty, Alberta to Steel City, Nebraska. (<https://majorprojects.alberta.ca/details/Keystone-XL/3579>) The construction in Hardisty is slated to begin "shortly."
 - Alongside two COVID-19 legislative actions, the Government of Alberta introduced Bill 12, concerning orphan wells. It is intended to produce more jobs for Albertans in the sector. (<https://globalnews.ca/news/6753191/coronavirus-alberta-mlas-covid-19-legislation/>)
 - Seven new appointees have been added to the Alberta Energy Regulator. (<https://chatnewstoday.ca/2020/04/02/province-appoints-seven-to-alberta-energy-regulator-board/>)

- The provincial government is partnering with the Canadian Food Inspection Agency (CFIA) to increase food inspector capacity. The partnership will allow provincial meat inspectors to be deployed into federally licensed meat plants in Alberta as demand for food inspection increases.

Elsewhere in Canada

- In **British Columbia**, BC Hydro will offer temporary relief for residential customers, small businesses and major industries. This includes:
 - A major rate cut for residential customers unemployed by the crisis – 3x their monthly bill.
 - Small businesses forced to close will have their power bills forgiven for three months, with no new bills from April through June.
 - Major industries will be able to defer 50% of their bill payments for three months.
- **Ontario** has established a new \$50M fund for companies to re-tool and support COVID-19 efforts.
- As cases increase, **Ontario, Quebec and British Columbia** have begun setting up temporary makeshift hospitals to expand the number of available beds in anticipation of an influx of patients with COVID-19.

Municipalities

- In **Fort Saskatchewan**, Shell is delaying turnaround maintenance at the Scotford Refinery due to virus concerns.
- In **Sturgeon County**, Pembina Pipelines is deferring its \$2.7 billion investment in the \$4.5 billion Canada Kuwait Petrochemical Corporation project. This may have both to do with the virus and the ongoing oil pricing battles: “In light of the rapid and significant decline in global energy prices and uncertainty as to the duration of this downturn, Pembina has made the prudent decision to defer some of its previously announced expansion projects to reflect the current market reality.”

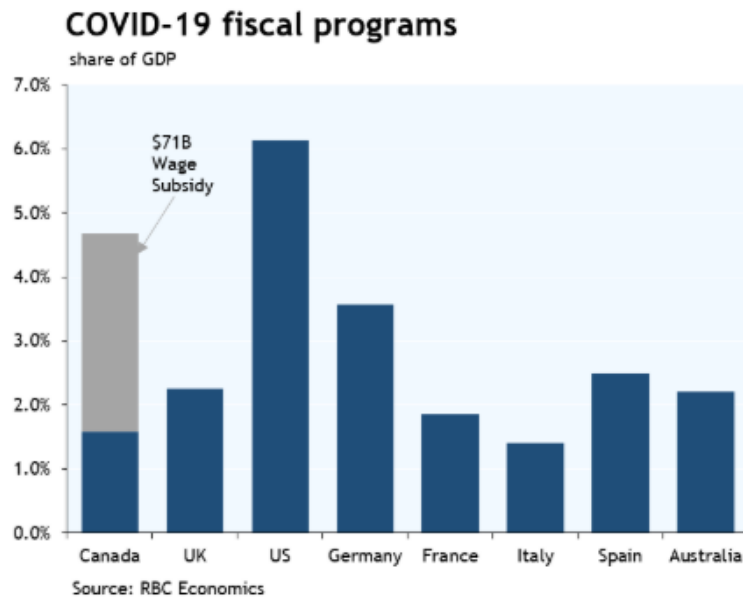
Economic

Canada

Analysis on national government fiscal programs, provided by RBC Economics:

- Canada’s COVID-19 stimulus package is now among the largest relative to developed economy peers. Our overall view of the deficit for the 2020/2021 fiscal year now tracks at a whopping \$170 billion (7.4% of GDP). Additional costs in the form of loan forgiveness under the small business lending program, about \$6 billion by our count, and other EDC and BDC lending programs could now bring the deficit within striking distance of our \$200 billion upper estimate. (Source: [RBC Economics](#))

Figure 1. COVID-19 fiscal stimulus as share of GDP.

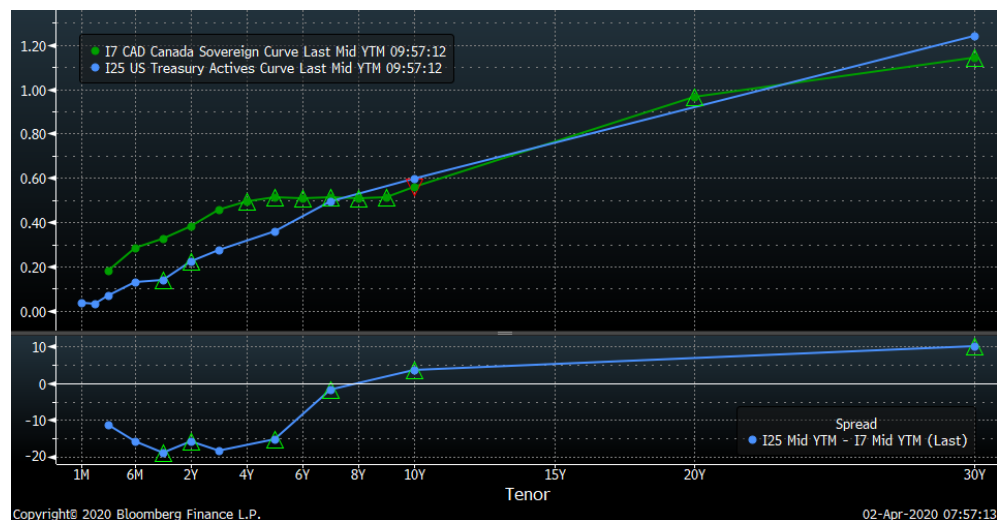


Source: [RBC Economics](#), April 1, 2020.

Cost of U.S. and Canadian public debt

- Capital is moving from foreign equity and bond markets, and most commodities. Investors, large institutional investors, for example pension funds, are buying U.S. dollars and debt issued by (most) governments in the OECD countries.
- The cost of issuing federal public debt in Canada (measured as interest on bonds) has declined.
- See Figure 2 below.
- The green line represents the yield on Canadian bonds.
- The blue line represents the yield on U.S. Treasuries.
- The federal governments issue bonds and treasuries, Canada and the U.S., respectively.
- On the horizontal axis is the duration of the debt. For example, the Canadian government issue 20 and 30-year bonds, whereas the U.S. government issue 10 and 30-year bonds.
- On the vertical axis is the annual interest rate: this is the yield of the bond (the return of holding the bond provided to the bondholder, that the government must pay when issuing the debt).
- The blue curve in the lower portion of the figure refers to the spread: the difference in payoff holding U.S. Treasuries versus Canadian bonds. The yields on the 7-year, 9-year, 10-year and 30-year Canadian bonds are lower than U.S. treasuries.

Figure 2. Canada sovereign curve and U.S. Treasury active curve.



Source: Bloomberg.

Maclean’s Covid-19 Canada Layoff tracker

- <https://www.macleans.ca/economy/covid-19-canada-layoff-tracker/>
- Notable layoffs affecting Alberta and western Canada include:
 - LNG Canada: The company behind liquified natural gas project in Kitimat, B.C. laid off 750 workers, half its staff.
 - Air Canada: On March 30 Air Canada said it would lay off an additional 16,500 employees effective April 3.
 - WestJet: Airline laid off 6,900 of its workers.
 - Province of Alberta: Redirected \$128 million in education funding to Covid-19, forcing the lay off of more than 20,000 support staff life substitute teachers and educational assistants.
 - City of Edmonton: Will lay off 2,000 non-essential staff including recreation and library employees as of April 14.

Canada trade and exchange rate outlook

- From TD Economics: The outlook for trade will likely deteriorate markedly in March and April as the "sudden stop" in economic activity and related supply-chain disruptions spread to more countries – namely the U.S., Canada's largest trading partner.
- Importantly, the commodity price shock will also change Canada's trade landscape in the quarters ahead. The nosedive in oil prices will impact Canada's nominal exports and its terms of trade, which will weigh on national income. A lower Canadian dollar should be mildly supportive for exports. Unfortunately, disruptions to global trade due to COVID-19 containment efforts will likely temper the impacts of the recent depreciation in the Canadian dollar.

U.S. economy

- New vehicle sales dropped by 33% (at an annual rate) from projected 15m new cars to 10m new cars. Individual auto makers are reporting in their month over month sales this week.
- The U.S. national unemployment rate is reaching 10%.
- There are 6.65 million unemployed workers in the U.S.

Airline industry

In a March 24 update, IATA projected a worldwide revenue impact of \$252 billion, representing a 44% decrease from 2019. Of this impact, IATA estimates that approximately \$50 billion will come from the U.S. market. However, in an April 1 update, U.S. carrier RPMs were down 92% last week (versus last year) with a March 29 daily industry load factor of 13% despite ongoing capacity reductions.

Bloomberg media developed an extensive report on the global airline industry and Covid-19. The following is a summary of their report:

- Expect US airlines to survive in part due to government financial support (US \$25Bn so far).
- Some European airlines are likely to fail, in part due to uneven responses from governments (winners and losers will be picked based on which governments have the financial and political resources).
- Some low-cost and fast-growing airlines, particularly in Asia could face insolvency.
- Layoffs and downsizing of airline staffing levels will cause ripple effects when air traffic resumes to normal levels – think retraining and certification of pilots and mechanics as well as recertifying planes that have been grounded for extended periods. Union contracts for all workers will likely be renegotiated with pilots being the most tricky and costly. Age of pilots has been an ongoing concern for many airlines and contract buyouts may occur.
- Fuel costs should be significantly lower throughout 2020, however, most carriers hedge their purchases and lower costs will not really impact their bottom line until much later in the year.
- The cost of planes could also drop significantly (both old and new).
- Most carriers are expected to weather the storm.

Stakeholder / Community

- Members of **Consider Canada Cities Alliance (CCCA)** met with Mary Ng, Minister of Small Business, Export Promotion and International Trade this morning (April 3, 2020). Among many issues, members underlined the critical importance of *speed* in getting funding into the hands of businesses across the country. The conversation emphasized the critical actions needed immediately and the future opportunities that must be planned for now to help grow and strengthen our economy once we begin to emerge from this crisis.

A proposal was sent to key federal ministers this week by CCCA highlighting issues, impacts, and suggestions for action (attached).

- **Social media** companies are throttling posts that reference Covid-19 to limit the spread of false and misleading information as well as heighten the profile of official posts. This may impact your organic engagement and expect that paid promotion of Covid-10 related content may be prevented. Should this happen to important health and safety content – ensure you reach out to your account reps inside each company that throttles you.
- **Invest in Canada** has begun tracking media related to Covid-19 for Canada’s investment community (attached). Please contact [Chris McLeod](#) if you have feedback on this report, especially if there are additional trends you wish to see tracked.
- **TEC Edmonton** has partnered with Equitus Partners LLP for a webinar to explain the government supports available to businesses in light of COVID 19 next week.
 - Wednesday, April 8th at 10:00 am.
For more information on topics being covered and to register [Webinar - COVID-19 Gov't Support for Business Owners](#)
- **Discovery Lab**, based in the University of Alberta, continues to host weekly conferences intended to connect innovators working on Covid-19 related solutions with investors. Information and registration are available on their site (<http://www.discoverylab.ca/>).
- **Companies across the region** continue to join the battle. Quantum Chemical (<https://www.quantumchemical.com/>) in St. Albert received site and product licences to produce hand sanitizer. They are targeting initial production at 2,000 liters per day.

Alberta Innovates' Inventures 2020 Postponed

Due to concerns for the health and safety of our participants, staff and community during the COVID-19 pandemic, the Inventures\$ team has rescheduled this year’s event to 2021 and announced new, virtual programming.