

July 7th, 2020

The Honourable Bill Morneau
Minister of Finance
90 Elgin Street
Ottawa, ON
K1A 0G5

Subject: Recommendations for small business recovery

Dear Minister Morneau

The Canadian Federation of Independent Business (CFIB) represents the interests of 110,000 small and medium-sized enterprises (SMEs) across Canada. As you know, the last few months have been extremely difficult for SMEs that were suddenly forced to close to help prevent the spread of COVID-19. The livelihood of millions of SME owners and their employees suddenly became very uncertain, with many losing their incomes while SME revenues plummeted.

To illustrate the gravity of the situation, our most recent survey suggests the 14 per cent of business owners are actively considering winding down their businesses. Our survey also shows high debt levels to get through COVID (an average of \$142,000 and median of \$50,000). Over half think it will take over six months to get back to profitability with one-third saying it will take more than a year.

While certain programs took some time to set up, there is no doubt that some of the government emergency support programs have been critical in keeping many small businesses afloat. The most used and appreciated programs have been the Canada Emergency Business Account (CEBA) (64% have used it), and the Canada Emergency Wage Subsidy (CEWS) (54% have used it).

As we now move into the recovery phase, it is important that we renew and retool the various government support programs in order to help more small business owners make it through the pandemic. Many are worried about whether customers will return, how they will pay for additional equipment to protect their employees and customers, and how they will deal with the debt they have accumulated over the last three months.

While 58% of SMEs are now fully open, only 34% are fully staffed and just 23% are at their normal sales level for this time of year. Clearly the impact of COVID-19 on the economy is not over and our recovery depends on continued support in the following three areas:

- Getting people back to work
- Helping SMEs deal with rent and other fixed costs
- Increasing business revenues and returning to profitability

CFIB recommends the following:

On getting people back to work:

- Allow more small firms to participate in the CEWS wage subsidy by removing/reducing the 30% revenue loss test and/or creating a sliding scale to allow those with a lower revenue drop to access a lower amount of subsidy.
- Extend CEWS beyond August through the Fall especially for businesses that are still not able to fully reopen.
- Extend the Canada Emergency Response Benefit (CERB) for those without work, but ensure benefits stop if an employee is offered their pre-COVID job back or offered a new job (other than for sickness/family issues).
- Add a requirement for CERB recipients that they are available and looking for work as under the Employment Insurance system.
- Allow CERB recipients to earn more than \$1,000 per month before benefits end.
- Immediately reconsider scheduled tax hikes, such as the planned CPP premium and federal carbon tax increase. Raising payroll taxes on employment will impede a quick recovery.

On helping SMEs deal with fixed costs:

- Raise the amount of the CEBA loan from \$40,000 to \$60,000 and increase the portion forgiven from 25% to 50%.
- Allow all businesses to participate in CEBA including new businesses and those with personal bank accounts.
- Get Canada Emergency Commercial Rent Assistance (CECRA) directly to the tenant.
- Reduce the CECRA requirement for a 70% revenue loss or introduce another tier of support.
- Extend CECRA through September or longer if needed.
- Encourage provinces to create their own programs to directly help businesses with fixed costs such as rent and property taxes.

On increasing business revenues and returning to profitability:

- Change federal messaging away from “staying at home” to “safely get back to work, shopping, recreation and regular business”
- Promote small business at every opportunity. To help, CFIB has launched a #SmallBusinessEveryDay campaign to encourage local shopping and promote other campaigns that are doing the same. Federal, provincial and local elected official can promote their favourite businesses online, distribute posters and make an extra effort to shop local. More available at www.smallbusinesseveryday.ca.
- Posters encouraging shopping local are available in 5 languages, and we are encouraging elected officials to post them and make them available in their constituency offices
- Push additional efforts to reduce red tape and speed up approvals for projects that will give Canada an economic boost, including energy and infrastructure initiatives. Ensure all new regulations and tax changes are examined through an economic recovery lens.

Taking these actions to get people back to work, help SMEs address their fixed costs and get businesses back to profitability will help thousands of small businesses make the investments needed to rebuild their revenues so they can once again operate without government support. However, as long as some SMEs are not able to fully reopen, government should continue to ensure that supports

continue to be there so that Main Street can once again thrive post-pandemic. It is also absolutely critical that government moves quickly in retooling support programs, keeping them simple and getting quality information out to business owners on the various requirements. There are tens of thousands of business owners slipping through the cracks of virtually all of the current programs.

We do want to thank you for the support that has been provided to SMEs over the last several months. We now encourage you to consider these ideas when planning the next steps of economic recovery. ***We would like to request an opportunity to meet with you to share our members' perspectives and ideas in more detail.*** In the meantime, should you or your staff have any questions, please do not hesitate to contact us at 613-235-2373 or by email at Corinne.pohlmann@cfib.ca.

Sincerely,



Dan Kelly
President & CEO



Corinne Pohlmann
Senior Vice-President,
National Affairs & Partnerships

c.c. Honourable Carole James, BC Minister of Finance
Honourable Travis Toews, AB Minister of Treasury Board and Finance
Honourable Donna Harpauer, SK Minister of Finance
Honourable Scott Fielding, MB Minister of Finance
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