

Letter by email

Ottawa, May 5, 2020

Members of Parliament
House of Commons
Ottawa, Ontario K1A 0A6

Subject: CFIB recommendations on COVID-19 related emergency programs

Dear Members of Parliament,

We are writing to you on behalf of the 110,000 small- and medium-sized enterprises (SMEs) who are members of the Canadian Federation of Independent Business (CFIB).

CFIB recognizes the hard work of all Members of Parliament to respond to the incredible challenges facing Canada's small businesses in the wake of the COVID-19 pandemic. We understand there are enormous challenges in designing support programs quickly and have appreciated the work to make changes quickly in response to feedback from CFIB and other stakeholders. We value the various programs that have been introduced including the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Business Account (CEBA) and the recent announcement on rent relief. All of these programs, while not perfect, will save a number of small businesses from disappearing all together.

However, many businesses are still struggling. According to CFIB's latest COVID 19 survey, 20% of small businesses in Canada are fully open. The remaining 80% are fully or partially closed - highlighting the need to improve and expand on these programs to ensure they support all SMEs affected by COVID-19 and so CFIB is recommending a series of improvements to COVID-19 related emergency programs.

Canada Emergency Business Account (CEBA)

- Expand eligibility for CEBA. The payroll eligibility range between \$20,000 and \$1.5 million leaves out 25% of independent businesses according to CFIB's COVID surveys. To improve fairness in accessing CEBA, we propose the following improvements:
 - Allow businesses that pay owners and families with dividends to access the program (for example, active businesses that paid out between \$15,000 and \$135,000 in non-eligible dividends).
 - Allow businesses that pay contractors rather than employees to access the program.
 - Allow those who receive payments from independent contractors (eg. chair rentals in hair salons) to access the program.
 - Allow new businesses that have an average of at least \$1,700 in payroll in January and February 2020 to access the program.
 - Find a means to allow businesses using personal bank accounts, including the self-employed, to access the program.
 - Create an alternative approach, using forgivable loans for example, for small and medium-sized firms that are more labour intensive with payrolls above \$1.5 million.

- Implement an appeal mechanism for businesses rejected by the program. If banks systems do not allow the program criteria to be expanded as noted above, allow the CRA to issue a special code to qualifying businesses that can be used by the banks to release the funds.
- As the pandemic continues, increase the amount made available to business owners by \$20,000 for each month restrictions remain in place and expand the forgiveness portion by 25% each month to help with cash flow and limit the debt burden on businesses. In other words:
 - Make 50% of a \$60,000 CEBA loan forgivable in May
 - Make 75% of a \$80,000 CEBA loan forgivable in June.

Canada Emergency Wage Subsidy (CEWS)

- Extend CEWS beyond the current June 6th limit for as long as various levels of emergency provisions are in place. Government should prolong CEWS into the recovery period so that SMEs can rehire staff to help get their business restarted and allow time for customers to return.
- Extend the employer payroll tax rebate for all staff on payroll who come under CEWS and not just for those on furlough.
- When CEWS audits are done in the future, CRA should show flexibility around the amounts to be paid back should the revenue drops fall short of the 15% or 30% threshold. If a business is 5% or less short of the threshold, there should not be any expectation of repayment of the subsidy.
- Make the employee, not employer, accountable for ensuring there is no overlap between CEWS and CERB. Do not place the burden of verifying if a returning or a new employee is already receiving other benefits on the employer as it may deter re-entry into the workplace. This could be addressed in 2020 income tax return for employees.

Canada Emergency Commercial Rent Assistance (CECRA)

We are happy to see the federal government moving forward with the provinces to implement rent relief through CECRA. However, we are concerned that the program is too complicated and too reliant on landlords to administer.

- Simplify CECRA to allow tenants to access the 50% relief without being dependent on landlords by allowing them to apply directly for the program if the landlord has indicated they will not apply.
- Expand eligibility for CECRA to allow businesses who have suffered revenue losses of more than 20 per cent and are not eligible for other federal programs to access it.

Regional Development Agencies (RDAs)

The \$960 million in additional funding allocated to RDAs and to the national network of Community Futures Development Corporations should be used to fill gaps where business owners find themselves ineligible for CEWS, CEBA and CECRA or where those programs will provide insufficient support. This could be modelled after a Manitoba program which provides \$6,000 grants to businesses without other forms of support.

- Funds should focus on:

- Micro firms that have been hit hard,
 - The newest firms,
 - Those with a payroll over \$1.5 million.
- Accessing these funds should require limited paperwork, and fast flow of money to those that really need it.

We appreciate the work of both government and opposition parties in creating, modifying and delivering on these programs since the start of the COVID-19 crisis. Small firms want to get back to work rather than rely on government support programs. Where that isn't possible, we ask that you look at extending programs or phasing out support as the economy returns to health.

Don't hesitate to reach out to us if you have any questions about our recommendations. You can call our Ottawa office number at 613-235-2373 or email Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships at corinne.pohlmann@cfib.ca or Jasmin Guénette, Vice-President, National Affairs at jasmin.guenette@cfib.ca.

Sincerely,



Corinne Pohlmann,
Vice-présidente principale,
Affaires nationales et Partenariats.



Jasmin Guenette,
Vice-Président,
Affaires nationales.