

Letter sent by e-mail.

May 26, 2021

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
House of Commons
Ottawa, ON K1A 0A6

Subject: Extending federal support programs for small businesses at current subsidy rate level

Dear Minister Freeland,

As you know, the [Canadian Federation of Independent Business](#) (CFIB) is a non-partisan, not-for-profit organization representing the interests of 95,000 small and medium-sized enterprises (SMEs) across Canada. As a third wave of COVID-19 continues in many areas of the country, small businesses continue to struggle and our [latest dashboard shows](#) that 54% of small businesses are fully open, 41% are fully staffed and only 31% are making normal sales. Given the dire situation that small businesses are still facing, we are writing to urge you to extend the Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS) at their current subsidy rates until the economy is fully reopened and Canadians are able to head back to indoor dining, services, and activities as well as travel and events.

While many provinces have introduced economic reopening plans, strict lockdown measures continue in many regions. As a result, small businesses remain either closed or at reduced capacity, severely affecting their cashflow. For example, in Ontario, businesses such as hair salons and gyms will not be allowed to reopen until early July at best and indoor dining will not be available until at least August or even September. Despite the forced closure of these businesses, most provinces have not offered any or very limited additional financial support to see them through the current lockdown. Given that 51% are using the Canada Emergency Business Account (CEBA), 48% the CEWS and 29% the CERS, it is clear that federal support programs remain a lifeline for many small businesses.

We understand the need to eventually reduce federal emergency support programs as the economy fully reopens, however, we do not believe that small businesses will be in a position as of July to restart regular operations and begin to recover. Further to this, small businesses have accumulated an average of \$163,000 in COVID-related debt since the start of the pandemic. As restrictions remain in place, small businesses who are currently hanging on by a thread will face months, and in some cases years, of recovery after the pandemic is over. Reducing support programs when these businesses need it the most may be the last straw for many.

While the programs are helpful, federal, provincial and other government subsidies are covering on average only 31 per cent of the small businesses' financial shortfall attributable to COVID-19. In order to provide more debt relief, we continue to urge the government to expand CEBA to \$80,000 and increase the amount forgiven to 50%, as well as include a forgivable portion to the HASCAP loan and change the month-by-month HASCAP revenue drop test to an average revenue drop test of 50%. We also encourage the government to find ways to make it easier for small firms to access CEBA, including those with less than \$40,000 in non-deferrable expenses.

In addition to extending federal support programs, the remaining gaps should also be addressed. These include:

- ▶ Immediately allowing new businesses to access CEWS, CERS, CEBA and HASCAP
- ▶ Making rent paid between non-arm's length entities eligible for the rent subsidy (CERS), following an approach similar to that of the former rent assistance program (CECRA) and changing the requirement to pay the full rent amount within 60 days, following receipt of the subsidy; and,
- ▶ Simplifying the wage subsidy (CEWS) and ensuring business owners and their family members working in the business can have some of their dividend income covered.

Thank you for once again considering our members' concerns. We hope that the government is able to implement changes that will ensure that small businesses are able to access the support they need to make it through the rest of the pandemic and recover thereafter.

If you have any questions or would like to meet to discuss this issue further, please feel free to contact us at our Ottawa office at 613-235-2373 ext. 1201 or by e-mail at Corinne.Pohlmann@cfib.ca or at Jasmin.Guenette@cfib.ca. We look forward to hearing from you.

Sincerely,



Ms. Corinne Pohlmann
Senior Vice-President
National Affairs & Partnerships



Mr. Jasmin Guénette
Vice-President
National Affairs