

**Written Submission for the Pre-Budget  
Consultations in Advance of the Upcoming  
Federal Budget**

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## **Recommendations:**

**Recommendation 1:** That the Federal government provides continued funding for the Canadian Emergency Commercial Rent Assistance (CECRA).

**Recommendation 2:** That the Federal government provides monetary protection to small business owners with personal guarantees on loans taken out pre-COVID19 and post-COVID19.

**Recommendation 3:** That the Federal government provide more assistance through the Canadian Emergency Business Account (CEBA) moving forward in 2021.

**Recommendation 4:** That the Federal government forgives outstanding HST payments and does not make small business owners personally liable.

**Recommendation 5:** That the Federal government continues the Canada Emergency Wage Subsidy (CEWS) well into 2021, especially for those industries hardest hit.

**Recommendation 6:** That the Federal government needs to examine similar programs to that of Denmark where they put programs in place to specifically save small businesses.

## **Background And Introduction:**

My name is Michael Wood and I have become the voice of small businesses in Ottawa and beyond. I have held numerous round tables with both Provincial and Federal Ministers regarding the crisis small businesses are facing by no fault of their own.

On June 2, 2020, I testified before the House of Commons and this very committee. I subsequently arranged for round tables with MP James Cumming and the Chair of the Standing Committee on Finance, Wayne Easter. August 2020 will see me sharing the struggles small businesses are still having with the same committee at the provincial level, before Queen's Park.

I and my business partner Peter Gilroy own a small business in Ottawa that before the Pandemic was very successful. Overnight, due to restrictions imposed to fight COVID our business income was reduced to zero and yet own loan obligations, supplier obligations, rent and overhead have continue to this day. In 2019, we generated over 3,000,000 dollars in gross revenue only to see our 2020 revenue drop by 97% in three days.

I have invested enormous effort in obtaining deferrals for many of the businesses' obligations to try and get through this period as best as possible. Unfortunately, these deferrals are for a very limited amount of time and more assistance is needed for the business and business owners like me to survive.

Realizing that my business was in serious trouble I have done everything possible to manage the situation. During this, I became an advocate for small businesses and have been instrumental in bringing the situation faced by small business and business owners to the attention of politicians, political staff, and bureaucrats. Below you will find explanatory, or contextual information for the recommendations I have listed above as per your instructions.

### **Recommendation 1: That the Federal government provides continued funding for the Canadian Emergency Commercial Rent Assistance (CECRA).**

As per my first recommendation mentioned on page two of this brief for the 2021 preliminary budget, the Federal Government is going to have to have additional resources in place to continue the Canadian Emergency Commercial Rent Assistance program for small businesses to survive. The program, while flawed where the landlord chooses to participate should be placed on a sliding scale and made available well into 2021. Some businesses today are still zero, to very minimal revenue and will need

continued support. While these are taxpayers' dollars, businesses that are down 30% to 100% would need relief based on their lost revenue. I view this similarity to the 2009 automotive bailout. The automotive companies were given subsidies to save the supply chain. I believe the intention here was similar, a substantial plan to save the small business supply chain, however, having landlords decide if they would participate was not the right decision, even with contract laws in place. Additional funding of this program is absolute must.

**Recommendation 2: That the Federal government provides monetary protection to small business owners with personal guarantees on loans taken out pre-COVID19 and post-COVID19.**

Following up on my first recommendation, by no fault of the Canadian business owners, many will not be able to sustain their businesses throughout the different phases of restricted operations. This is especially true, should we have a "second-wave" of COVID-19 where the Government mandates businesses closed a second time.

Loans that were taken out by business owners through the chartered banks and credit unions all have a personal guarantee attached to them. This is true as well when it comes to loans obtained through Canadian crown corporations such as the Business Development Bank of Canada. Should business owners go bankrupt, by no fault of their own, there is a secondary economic and mental health crisis looming if people start losing their homes and their personal assets.

The Federal Government needs to be ready and have mechanisms in place where the Federal Government will cover at least 80% of the personal guarantees protecting Canadians from losing absolutely everything.

This also applies to leases. Commercial landlords have similar grips on small business tenants with personal guarantees. I know of landlords that are holding their tenants personally liable until 2023 and beyond for rent payments. These businesses have in fact already closed and the owners are currently being taken to court.

**Recommendation 3: That the Federal government provide more assistance through the Canadian Emergency Business Account (CEBA) moving forward in 2021.**

The third item of budgetary consideration is their needs to be more funding for the hardest-hit industries. While the Canadian Emergency Benefit Account was a good start, this program also needs to be revised and put on a sliding scale. A business with revenues of 50,000 dollars a year (deemed a small business) compared to a business with 3,000,000 dollars a year in revenue (still considered a small business) have completely different needs and requirements. For those businesses that are still having minimal revenues generated, we need to re-evaluate and fund the program again. It is

not reasonable to think a one-time payment of 40,000 dollars made April 9, 2020, can hold businesses over for eight months to a year and beyond.

**Recommendation 4: That the Federal government forgives outstanding HST payments and does not make small business owners personally liable.**

The fourth budgetary consideration throughout these unprecedented times should be that small business owners have had to use whatever resources were available to them. In some cases, that meant dipping into unsubmitted HST returns to keep their operations running. While the HST money that is collected is intended to be held in trust during normal times, many small business owners had to use these funds to cover basic operating costs. The Federal government needs to consider these funds as forgivable loans should the companies not be able to recover and not hold Canadians liable.

**Recommendation 5: That the Federal government continues the Canada Emergency Wage Subsidy (CEWS) well into 2021, especially for those industries hardest hit.**

The fifth item that the committee needs to consider immediately is extending the Canadian Emergency Wage Subsidy (CEWS). It is not reasonable to expect with various programs coming to an end that businesses will be able to re-hire all staff without assistance. The additional costs in providing a safe work environment with proper personal protective equipment (PPE) alone makes hiring all staff back to their original positions a difficult task, let alone companies that are down 60-100% of their revenue. Should the Federal government be looking to replace programs, this should be the last one. The program like all the other programs should have initially been put on a sliding scale and be the greatest benefit to the hardest hit industries.

**Recommendation 6: That the Federal government needs to examine similar programs to that of Denmark where they put programs in place to specifically save small businesses.**

My final recommendation is that the committee examines what other countries have done to help small businesses that are and still will be in a crisis when considering the 2021 budget. Countries such as Denmark, have implemented tremendous programs such as a \*loan guarantees on 70% of new corporate loans that are issued to cover losses directly relating to COVID-19. The guarantees aid small and medium-size companies with operating losses of 50% or more. Large companies with revenue losses of 30% or more.

The Danish government will subsidize 25 to 80% of a company's fixed costs if the company's revenue is expected to decline significantly because of COVID-19. The share of fixed costs that are subsidized depends on the expected revenue decline:

80% if the revenue decline is 80-100%.

60–80% if the revenue decline is 60-80%.

25% if the revenue of 35-60%.

In addition, companies that have been commanded to shut down will get all its fixed costs subsidized

**For specific industries such as events and entertainment in March of 2020 the Danish government offered:**

Cash subsidy to compensate for direct and indirect costs relating to the cancellation or postponement of larger entertainment events (e.g. concerts, sports, etc.). The subsidy serves to cover costs only and should not result in a profit for Event organizing companies.

\*The statistics and information from the Danish government were found on KPMG's public website here –

<https://home.kpmg/xx/en/home/insights/2020/04/denmark-government-and-institution-measures-in-response-to-covid.html>

**Conclusion and Continued Support Request.**

In conclusion, while the government acted quickly and responsibly to try and get money out in the hands of business owners and Canadians as a whole, it is time to Review, Revise and Re-launch new programs and keep subsidizing the most important ones so that our economy, small businesses and Canadians can survive this crisis that we were put in. Again, by no fault of our own.

For a follow-up to this written brief or for clarification or I would be happy to appear before the committee again as a trusted witness or may be contacted at the address below.

Thank you,

Michael Wood  
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Canada

