

Standing Committee on Finance
Sixth Floor, 131 Queen Street
House of Commons
Ottawa, ON K1A 0A6
June 22nd, 2021

Dear FINA,

We are a collection of Canadian businesses who have found themselves ineligible for essential Federal Covid-19 financial supports despite the financial commitments we have made, and the undeniable and often un-survivable impacts to our businesses due to the pandemic.

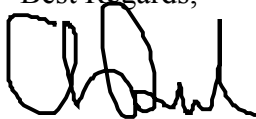
Over a year into the Covid-19 pandemic Canada's new small businesses remain out in the cold, unable to access federal wage and rent subsidy programmes. Thousands of small businesses across the country, heavily invested pre-pandemic, find themselves locked out, having no qualifying revenues in 2019.

Like everyone else, these ventures have been operating under strict Covid-19 restrictions; reduced capacity, multi-month shut downs. But unlike other businesses across Canada, these independent startups, caught by unfortunate timing, have had no access to two of the Federal Government's major subsidy programs. They've been paying full rent, full property taxes and full payroll all the way through. This is in stark contrast to all other Canadian businesses.

In order to amplify our singular voices we created [SaveStartups.ca](https://www.savestartups.ca). Through this organization we canvassed our members for real financial information to create an overall picture of how startup businesses have been affected. The details of this financial information are included in this brief. We have also made some recommendations as to how eligibility requirements for government programs can be altered for new businesses, in order for them to qualify for these important programs. Current programs rely on comparing Covid-19 revenues with those *pre-pandemic*. The group is proposing using *post-pandemic* revenues as a comparator and comparing retroactively to corresponding months during the pandemic. Startups would qualify retroactively.

We appreciate the opportunity to present our brief and are looking forward to further discussions with FINA about our organization and our recommendations.

Best Regards,

A handwritten signature in black ink, appearing to read 'Christian Dubois', with a stylized, cursive script.

Christian Dubois
[savestartups.ca](https://www.savestartups.ca)

INTRODUCTION

This document has been developed in order to provide insight into the plight of businesses who had no choice but to operate in the same COVID environment as their peers, but whom have had **none of the same Federal Support**.

These businesses include;

- Businesses legally and **financially committed** prior to March 2020, but with no prior revenue
 - Businesses who **expanded** their operations (and therefore their costs) just prior to the pandemic but who had not yet realized increased revenues as a result
 - Businesses who **started during** the pandemic
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Other businesses which had revenues that were highly impacted by COVID-19 had access to all 4 major programs; **CEWS, CERS, CEBA & HASCAP**

The recently published budget acknowledged that the combined support of these programs was and is an **important factor in ensuring small businesses** (and the jobs they create) **survive the pandemic**.

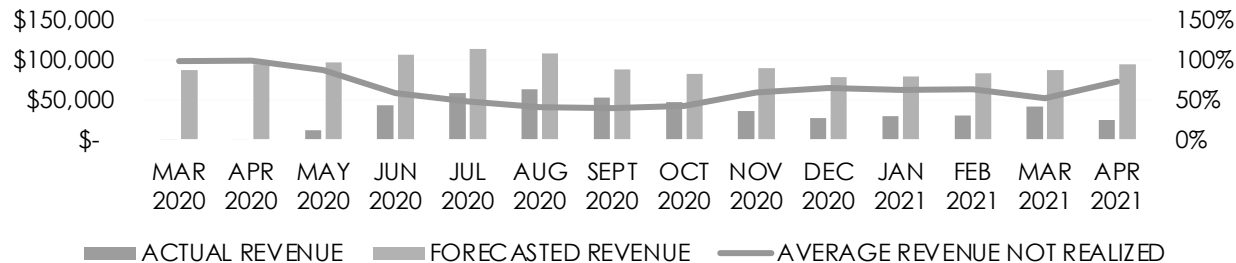
In response to being unfairly left out of these programs, and the financial hardship that this exclusion has created for these businesses, they have created the **savestartups.ca** initiative in order to amplify their voices.

- **Savestartups.ca** is made up of 82 (and growing) new businesses
- **Savestartups.ca** membership is made up of industries already identified by the government as being highly affected; primarily Food, Beverage & Accommodation, Tourism and Fitness

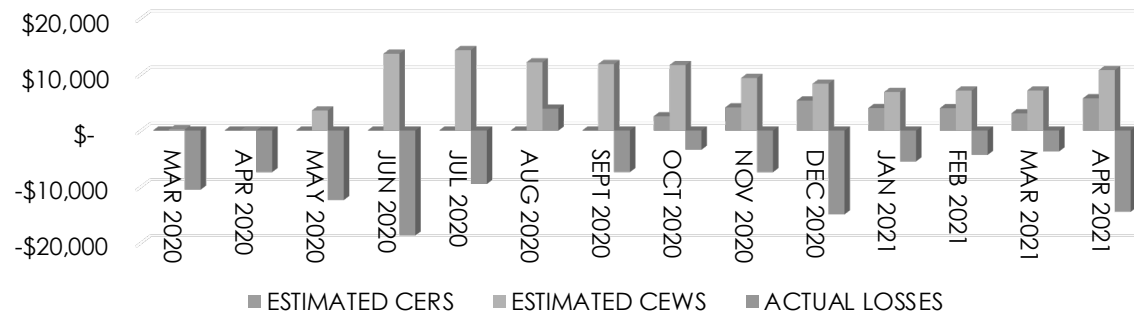
DATA SUMMARY

The following information is a summary of the data provided by 26 businesses. These businesses were willing to share this information in order to **better illustrate the severity and lack of equitability** of their situations

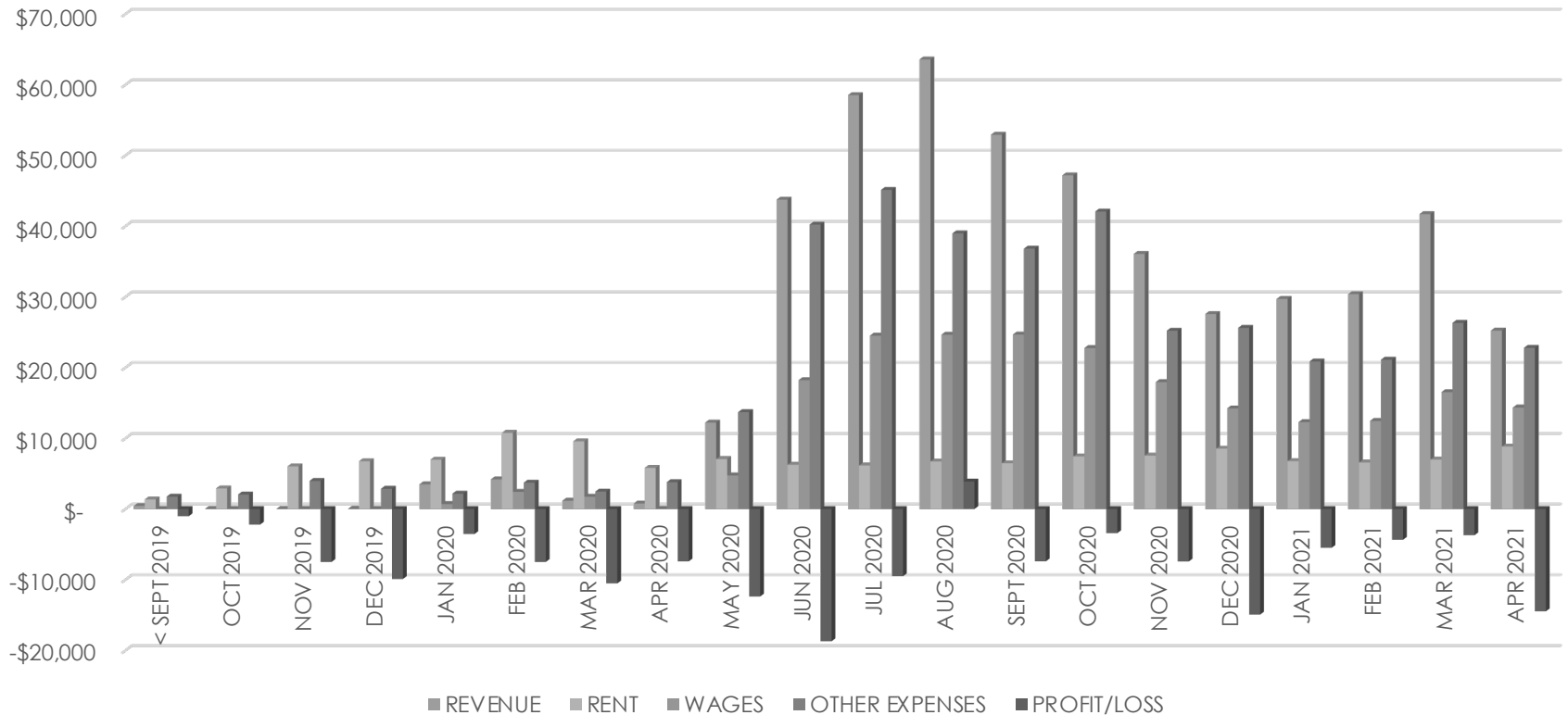
1. ACTUAL REVENUE vs FORECASTED REVENUE (AVERAGE)



2. ACTUAL LOSSES SUSTAINED vs ESTIMATED CEWS & CERS (AVERAGE)



3. AVERAGE COVID-RELATED DEBT LOAD - \$430,520



PROFIT & LOSS vs COVID TIMELINE (AVERAGE)

- Revenue declines as a whole mirror the 3 waves of covid
- Pre covid losses are non-capital expenses related to starting a business (no revenue to offset)
- Losses at their highest during peak restrictions
- Viability demonstrated during summer months, even under restrictions
- High costs in May/June/July are due extra startup expenses
- Other expenses include COGS, Utilities, Marketing, Fees etc

RECOMMENDATIONS

1. Create a new Alternative Baseline Revenue Option for CEWS and CERS using Post-COVID revenue.

This achieves the goal of allowing comparisons between an organization's revenues during the pandemic with their own revenues in a normal operating environment, helping estimate the impact of the pandemic on its revenue.

This Baseline would be generated on a period-by-period basis by **businesses' own revenue** over the period of one calendar year. As each period's baseline was created, the business would then apply for **retroactive subsidies** to offset losses incurred due to the COVID-19 pandemic.

The first baseline period would start at whatever point CEWS and CERS are no longer extended - and would be **used to measure COVID related revenue decline** for the year before (Previous 2 years in March/April/May/June etc)

Where revenue declines are demonstrated using the new baseline, CEWS and CERS would be calculated using the same method as current eligibility, and back-paid

Not only would this be highly motivating, but it would ensure that Federal investment goes **only towards active new businesses who were also active during the pandemic**

2. Adjust the eligibility to the HASCAP program to include new businesses

For new businesses and newly expanded businesses ensure access to borrowing which would allow them to consolidate the debt that they accrued as a result of being left out of key programs for a year

This would have the advantage of stabilizing the cashflow of these businesses, ensuring a higher level of long term success in an environment where their CEWS and CERS repayments will trickle in over a full year.

CEWS & CERS back payments could be re-allocated as repayments

RECOMMENDATION ADDITIONAL BASELINE BY PERIOD

PERIOD	1	2	3	4	5	6	7	8
DATES	mar 12 - apr 11 2020	apr 12 - may 9 2020	may 10 - june 6 2020	june 7 - july 4 2020	july 5 - aug 1 2020	aug 2 - aug 29 202	aug 30 - sept 26 2020	sep 27 - oct 24 2020
CURRENT REVENUE BASELINE	Same Period 2019	Same Period 2019	Same Period 2019	Same Period 2019	Same Period 2019	Same Period 2019	Same Period 2019	Same Period 2019
ALTERNATIVE REVENUE BASELINE	January or February 2020	January or February 2020	January or February 2020	January or February 2020	January or February 2020	January or February 2020	January or February 2020	January or February 2020
SUGGESTED NEW ALTERNATIVE	Same Period 2022	Same Period 2022	Same Period 2022	Same Period 2021*	Same Period 2021*	Same Period 2021*	Same Period 2021*	Same Period 2021*
				*Or 2022 if CEWS extended	*Or 2022 if CEWS extended	*Or 2022 if CEWS extended	*Or 2022 if CEWS extended	*Or 2022 if CEWS extended

[illegible]

CONCLUSION

- ~ CEWS & CERS were highly successful programs, responsible for saving many small businesses throughout the COVID pandemic
- ~ The existing program has gaps, and wrongfully excludes new businesses and businesses who have undergone expansion
- ~ The result of these gaps is an inequitable playing field where new businesses are at a disadvantage
- ~ Allowing new and newly expanded businesses to retroactively apply for CEWS and CERS, calculated against their own post-pandemic revenue would resolve this in-equitability and allow these businesses to get on top of their extra debt more quickly
- ~ **100% of businesses who responded to this request for information answered YES they will be viable post-covid**
- ~ **100% of businesses who responded to this request for information answered that YES the CEWS and CERS subsidies would offset any lack of viability that they may have demonstrated as a result of the COVID-19 pandemic**

PLEASE DIRECT ANY QUESTIONS OR COMMENTS ABOUT THIS DOCUMENT TO:

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