



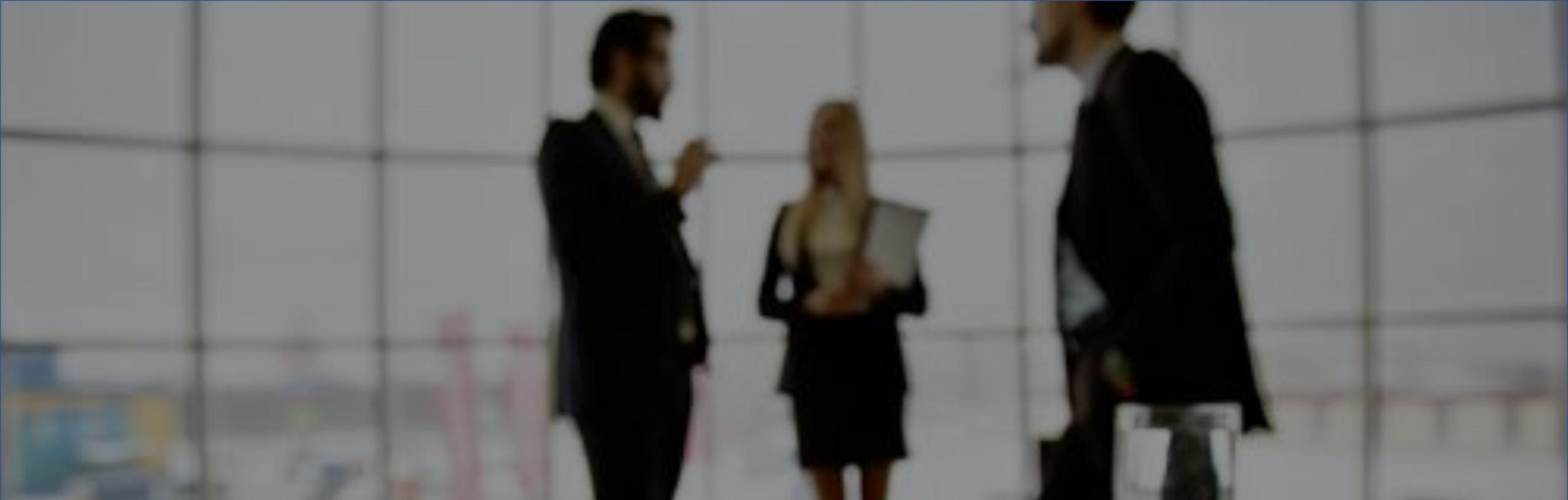
Local Economy Project: Calgary Midnapore Final Report

Friday July 17th, 2020

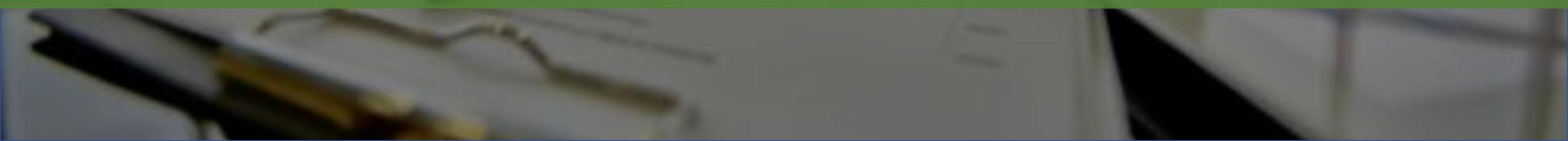


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Introduction & Overview



Introduction & Overview

Calgary Midnapore, like many other communities across Canada, has experienced a **massive disruption to the local economy** as a direct result of the Global COVID-19 Pandemic. Businesses, entrepreneurs, and employers are facing operational and financial challenges that are jeopardizing the long-term health of their organizations.

Member of Parliament Stephanie Kusie convened an Economic Recovery Taskforce to explore the challenges that small businesses and employers in Calgary Midnapore are having, and to identify potential solutions for rebuilding the local economy. Member of the Legislative Assembly Richard Gotfried and Calgary City Councillor Peter Demong also contributed to the efforts of the Taskforce.

This report offers **insights into the current and anticipated challenges** that Calgary Midnapore businesses have been, and will be facing, with the objective of providing tangible recommendations on how to support the local economy.

This report was structured to consider the challenges and solutions from an **Economic Response and Economic Recovery** lens. The report ultimately provides recommendations that are future-facing and will support the recovery of the business community over the coming months.

This report was created by Landon Tulk, for the Office of Member of Parliament Stephanie Kusie.



Executive Summary

The following Executive Summary highlights the content of this Report:

Report Background

- Consolidated **Economic Recovery Findings & Recommendations** from:
 - Calgary Midnapore Economic Recovery Taskforce Meetings (2)
 - Riding-Wide & Taskforce Surveys (2)
 - Additional Primary & Secondary Research on the Local, Provincial, and National Landscape

Small Business Challenges

Current Challenges:

- Liquidity
- Operations
- Talent
- Supply Chain
- Gov. Regulations

Anticipated Challenges:

- Talent (Hiring/Re-Hiring)
- Growth (Constrained Growth/Disincentives)
- Adjusting to the 'New Normal'

Recommendations

The following **Seven Recommendations** will assist with the Long-Term Recovery of the Local Economy:

1. Give Businesses Predictability - Extend CEWS to the end of 2020;
2. Adjust the revenue-decline component for Vulnerable Sectors and introduce a sliding scale;
3. Request the Government to immediately address the fundamental flaws of the CECRA program;
4. Advance the 'Back-to-Work' bonus CPC legislation;
5. Continue to Request the Government prepare for a gradual transition away from CERB;
6. Introduce Expanded Sector-Specific CEBA Support; and
7. Ensure a 'CEBA: Unique Circumstances' Portal is available.

Taskforce Membership

The Taskforce was comprised of members of each level of Government in Calgary, along with 22 volunteer members of the Calgary business community. The following people were members of the Taskforce:



Stephanie Kusie
Calgary Midnapore MP



Richard Gotfried
Calgary-Fish Creek MLA

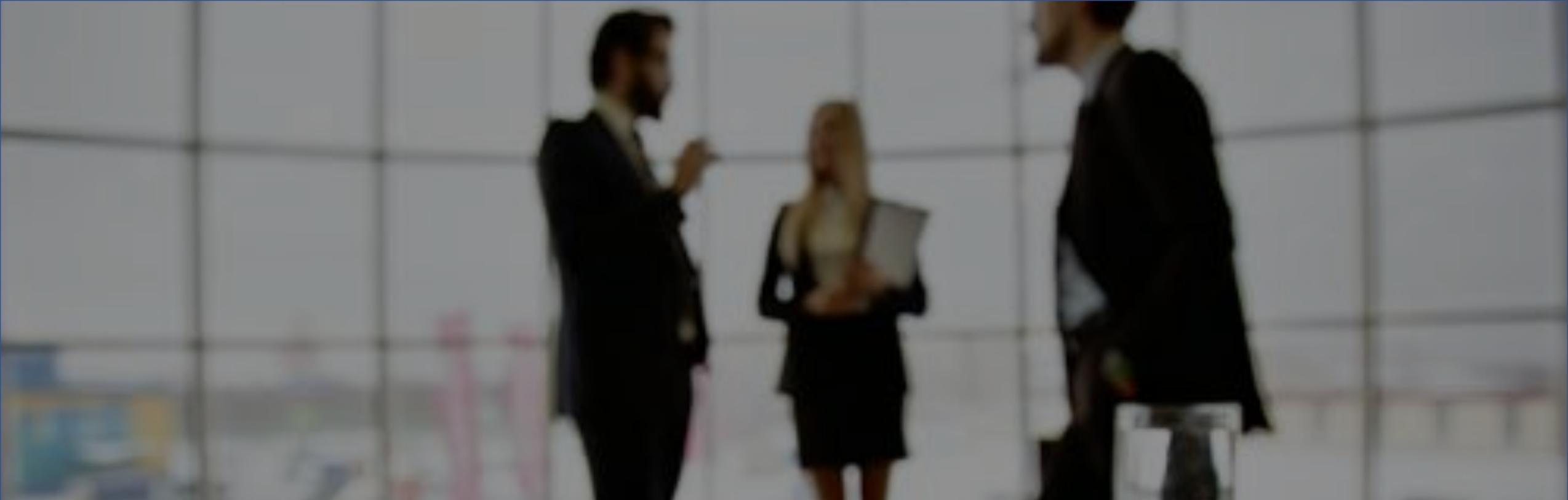


Peter Demong
Ward 14 City Councillor

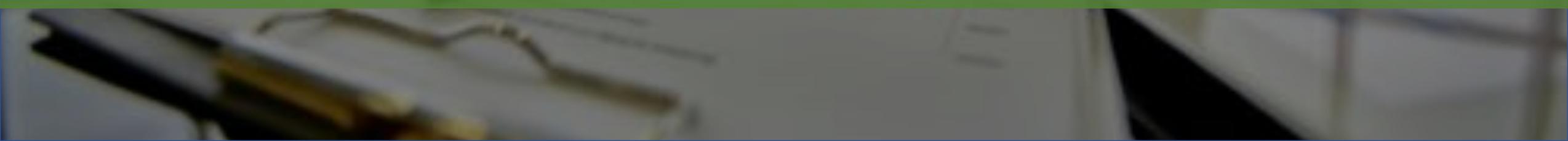
Shamez Kassam Anita Arduini
Donna Reid Colleen Gnyp
Stuart Parnell Chris Haynes
John Evans Nancy Bergeron

Robert Howland Chuck Brophy
Cheryl Guyong Dean Radomsky
Michelle Bullas Mike Kelly
Geoff Matthews Justin Trupp

James Grant Chris Daskas
Brian deHaan Mark Peverett
Derek Banera Gautum Dadlani



Approach & Methodology



Project Approach

1

Research & Data Collection

Secondary research was conducted to better understand the provincial and federal landscape in terms of existing small business supports and industry-wide challenges.

2

Riding Householder Survey

A riding-wide householder was distributed that highlighted the work of Economic Recovery Taskforce and solicited the input of small business owners in a brief survey.

3

Business Input Survey

A Small Business Survey was used to collect primary research and direct input from small business owners in the community to better understand their challenges and ideas.

4

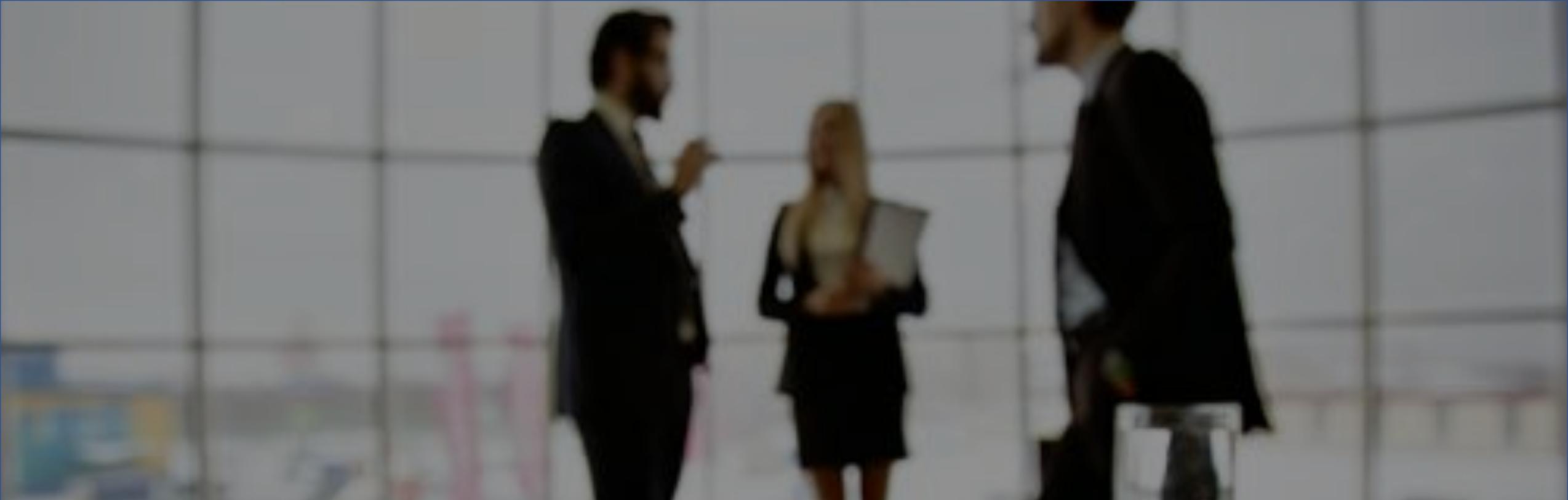
Taskforce Meetings

Two Taskforce meetings were hosted with 22 members of the Calgary Midnapore business community. Direct feedback was received on the direction that Government can take to support the small business community and rebuild the local economy.

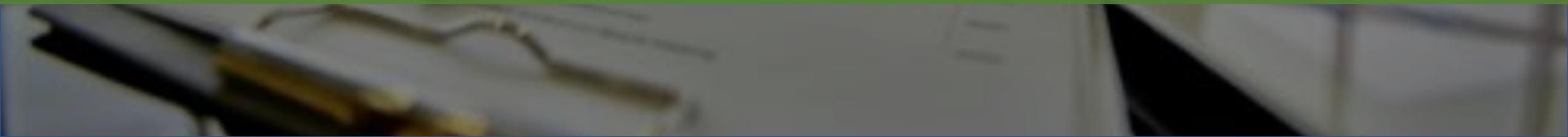
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Taskforce Follow-Up Survey

A follow-up survey was distributed to the Taskforce Members to provide additional, detailed insight into their concerns and solutions for the existing Government Supports.



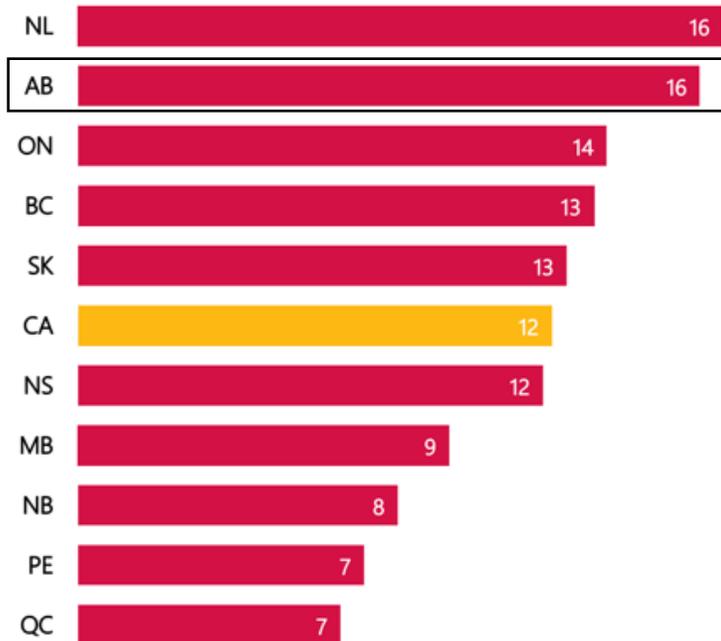
Key Findings



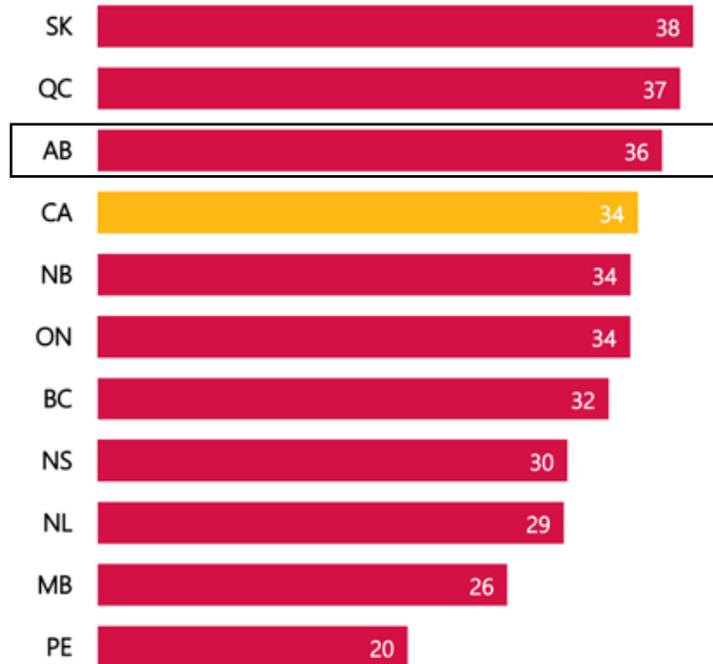
National and Provincial Landscape

Small businesses across the nation are facing increasing financial and operational pressures. Businesses of all sizes have been calling for Government assistance to support their survival. Alongside the challenges posed by the COVID-19 pandemic, Albertan businesses have been exposed to additional challenges associated with falling oil prices.

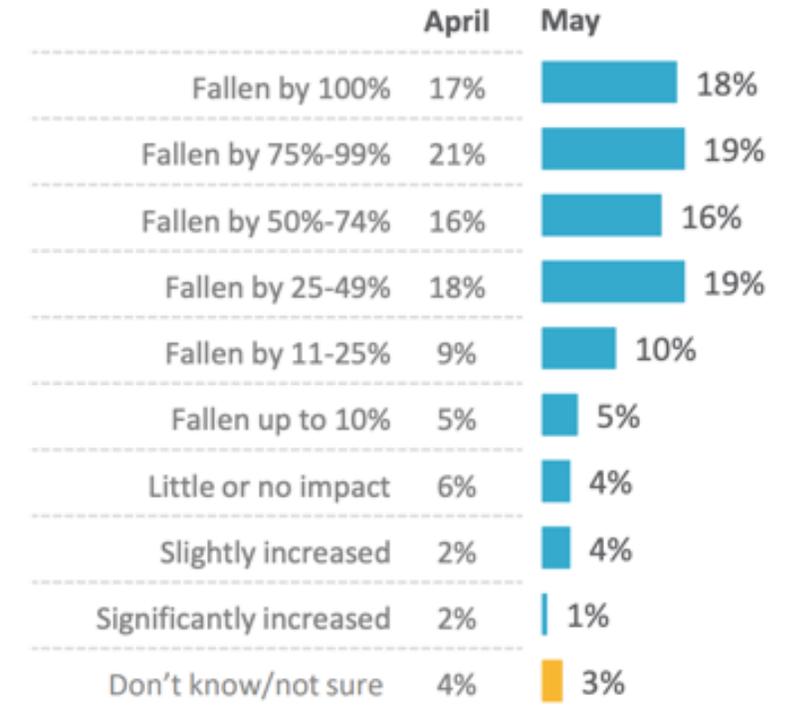
Businesses that are Considering Bankruptcy/Closing Business (%)



Businesses that are Behind on Major Bill Payments (%)



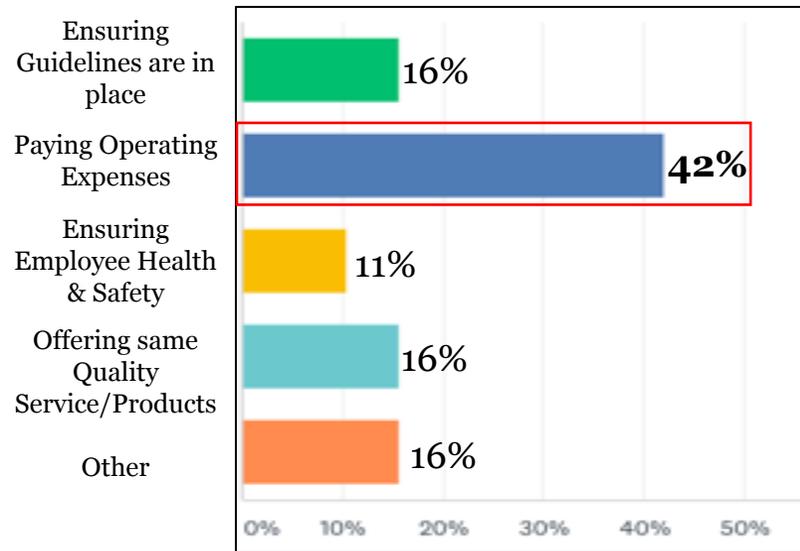
Alberta Businesses' Revenue Loss due to COVID-19



Small Business Insights – Calgary Midnapore

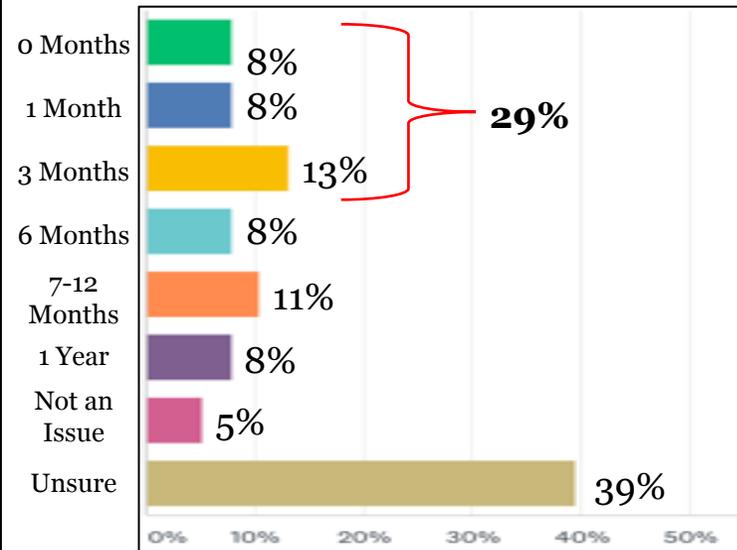
In Calgary Midnapore, business owners across each sector are feeling similar pressures that are felt across the provincial and federal landscape. Additionally, while many Calgary Midnapore residents are employed in the energy and energy services sector, this riding has a high proportion of retail service employees that are especially impacted by COVID-19.

Businesses' Greatest Challenges with Re-Opening (%)



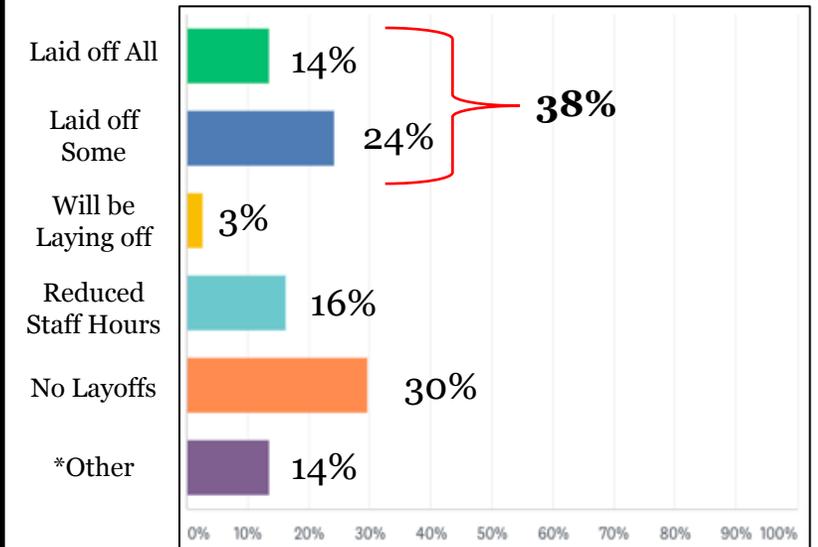
- **42%** of Calgary Midnapore Businesses believe **having the funds to pay operating expenses** will be their primary challenge in the coming months

How long can Businesses sustain themselves for (%)



- **29%** of Calgary Midnapore Businesses admit that will not be able to sustain themselves beyond a period of 3 months
- **39%** of Businesses are 'Unsure' of how long they can sustain themselves for

Businesses who have laid off or reduced the hours of workers (%)



- **38%** of Calgary Midnapore Businesses have **laid off ALL or SOME** of their staff as a result of COVID-19

Core Themes

The Taskforce discussions, along with the data provided through the Small Business Survey, highlight some of the concerns that small businesses are facing in Calgary Midnapore. The five core themes that emerged were: Liquidity Challenges, Operational Difficulties, Talent Concerns, Supply Chain Challenges, and Regulation Barriers.



Liquidity

- Businesses overwhelmingly expressed that their **credit (37%) and cash reserves (50%)** are fully or near depleted.
- **47%** of Businesses are worried they will not be able to financially sustain themselves beyond 1 year.
- **Deferrals** are generally seen as “slowing the death of small businesses”.



Operations

- **37%** of Businesses have diversified their business models and are adjusting to the new reality.
- Business owners reinforced consumer concerns around the **lack of clarity in industry regulations** – i.e. how clean are restaurants/hotels?
“Our clinic members are all working remotely from home, so there are zero funds coming in to cover overhead.”



Talent

- **38%** of Businesses have reported laying off some or all their staff as a result of COVID-19.
- Businesses have highlighted concerns with CERB (80%) and CESB (37%) potentially **disincentivizing their staff** members from returning to work or working more hours.
- Employers are unsure how to hire staff without clear enough predictions for support programs (i.e. CEWS).



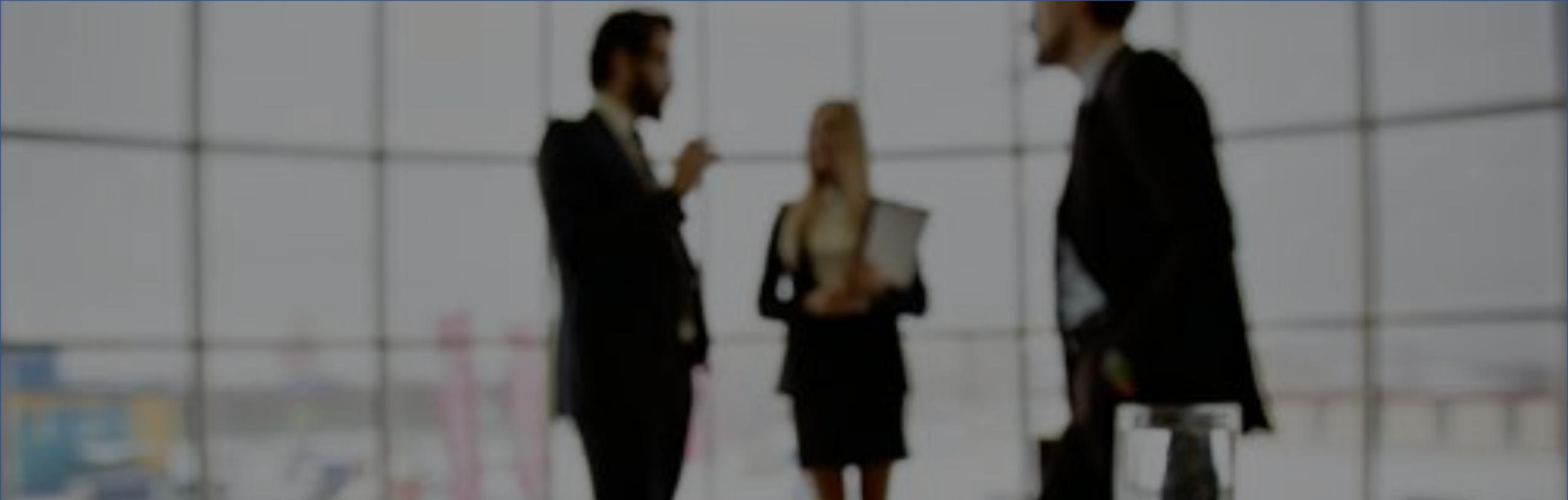
Supply

- Small Business owners have expressed concerns with **their ability to procure PPE** and manage the implications that may have on their operating costs.
- Business Owners broadly highlighted a need for the Canadian Government to take a stronger approach to **supporting Canadian supply chains** and Canadian, locally-made products.

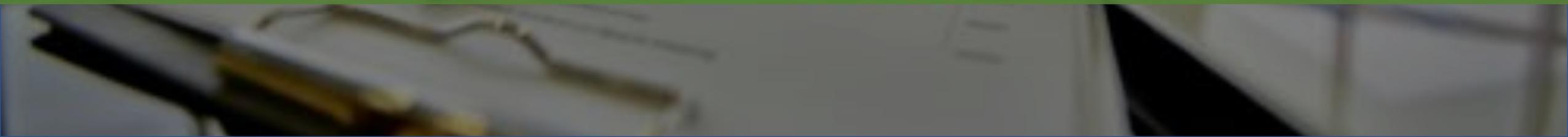


Regulations

- Many business owners have expressed the **lack of predictability** in Government programs as a barrier to ‘rebuilding their businesses’.
- Business owners are concerned about the Government’s approach to a **‘second wave’**.
“It is difficult to make business plans when we don’t know if our eligibility will continue. The Government needs to communicate before they just begin.”



Moving Forward



Anticipated Challenges

While small business owners are acutely focused on addressing the current needs of their businesses, there were several themes that emerged as potential areas of challenges in the coming months. These anticipated difficulties were primarily around hiring/re-hiring talent, managing growth, and the adjustment to a new normal.



1

Talent

- Businesses that laid off staff are indicating that hiring staff back will be a challenge because of the lack of stability in their businesses and the implications of competing with CERB.
- Businesses are not sure how to forecast hiring needs given the lack of predictability in Government supports (i.e. CEWS) and the potential for a 'second wave' impacting the supply of labour.



2

Growth

- Business owners' concerns with the structure of certain Government programs; there are certain points where increased revenues can put a small business in a 'worse off' position after they would no longer qualify for a benefit (i.e. CEWS).

"The policies cannot be the same for the next stage. There must be incentive for job creation and growth."



3

'New Normal'

- Business Owners have an overwhelming fear of the economic repercussions of a second wave of COVID-19. Businesses have been clear; Governments need to proactively work with industry ahead of time to prepare for a second wave.

"I worry about the second wave of COVID-19 just as much as I worry about the second wave of bankruptcies."

Recommendations

The existing Federal Government supports and programs that exist for businesses are providing a foundation for small business survival, but many businesses still feel as though they are “falling through the cracks”. The following pages detail the core concerns and recommendations associated with each of the following four primary Government supports, on the guidance of the Calgary Midnapore Economic Recovery Taskforce:

Canadian Emergency Wage Subsidy (CEWS)

Canadian Emergency Commercial Rent Assistance (CECRA)

Canadian Emergency Response Benefit (CERB)

Canadian Emergency Business Account Program (CEBA)

Government Supports & Program Challenges: CEWS

The Canada Emergency Wage Subsidy (CEWS) program provides coverage of up to 75% of an employee's wages for eligible job creators. The program intends to allow employers to re-hire employees to reduce layoffs. The decision for how long this program will continue for is still unclear (currently extended to August 29th, 2020).

Canadian Emergency Wage Subsidy (CEWS)

- One of the most significant concerns raised surrounding CEWS has been around the delay in getting funds which many businesses have experienced.
- While CEWS is helpful, many feel it has been treated as an “end all be all” though alone it proves ineffective. Only **34%** of business owners find CEWS to be ‘very effective’.
- Its execution since day 1 has been flawed. Many believe the extension of the program to more businesses was necessary, however, business owners have expressed concern with the lack of program predictability moving forward.

“Can they actually afford to reopen again, or do they have to lay a bunch of people off again? The money needs to flow.”

Recommendation 1:

Give Businesses Predictability - Extend CEWS to the end of 2020:

Apart from the time lag to receive CEWS, this program has been well received by businesses. CEWS offers a practical and predictable support program that enables businesses to ensure staff can remain on the payroll and contributing to the rebuilding of their business. CEWS offers a stability to both employers, and employees, who continue to work. As such, CEWS should be extended until the end of 2020. This should be brought to the attention of the CPC Small Business Advisory Caucus for consideration.

Recommendation 2:

Adjust the revenue-decline component for vulnerable Sectors and introduce a slide scale:

Currently, revenue must decline by 30% to be eligible for CEWS. However, many sectors are struggling even with a decline between 10% and 30%. It is recommended that the Government introduce additional sector-specific consideration to meet the revenue decline criteria (i.e. healthcare, tourism), along with a sliding scale. This would enable small businesses to be able to qualify for a smaller wage subsidy with smaller revenue losses.

Government Supports & Program Challenges: CECRA

The Canada Emergency Commercial Rent Assistance program (CECRA) provides small businesses with a forgivable loan worth 50% of the value of their rent each month for April, May, and June. Landlords must agree to participate and are required to cover another 25% of the rent. Tenants pay the remaining 25% of their rent through this program.

Canadian Emergency Commercial Rent Assistance (CECRA)

- There are concerns that the CECRA is disproportionately supporting landlords while doing little for actual business owners.
- CECRA's implementation, in no small part because of its requirement for landlords to register, has generally been considered an ineffective measure. Only **13%** of business owners find CECRA to be effective.
- Business owners communicated the rigidity of the CECRA not allowing businesses to demonstrate revenue loss in a meaningful way. If a business evolved in past years, the revenue comparison would not make sense.

“We are also commercial landlords; I know a lot of other small business operators are as well ... we are on both sides of that equation. We are enrolled in that program to offer that to our tenants and we don't see any upside to that.”

Recommendation 3:

Request the Government immediately address the fundamental flaws of the CECRA program:

From the program's initial announcement to its final execution, CECRA has failed tenants and small business landlords. The CECRA program must be adjusted to introduce the following considerations:

- Extend the CECRA program beyond April, May, and June;
- Additional consideration for small businesses who are also landlords;
- Include a sliding scale for businesses with less than a 70% revenue loss, so that those experiencing revenue decline can qualify for some rent relief;
- Adjust the CECRA application process to enable tenants to at least initiate the process, rather than being strictly landlord-driven; and
- Additional considerations for the most vulnerable small business sectors (i.e. not-for-profits, travel, entertainment).

Government Supports & Program Challenges: CERB

The Canada Emergency Response Benefit (CERB) provides a taxable benefit of \$2,000 every 4 weeks for up to 16 weeks for eligible workers who have lost income or stopped working due to COVID-19. This benefit was extended for an additional 8 weeks, for a total of 24 weeks of support.

Canadian Emergency Response Benefit (CERB)

- While most are not unhappy the program has been extended, they believe an affirmative plan must be put in place to get Canadians back to work.
- Business owners have been clear - CERB gradually needs to wind down and they need confidence that their employees are able to take on more work without penalty.
- The \$1,000/month threshold is too strict. Across many sectors, business owners expressed a common theme: CERB is disincentivizing staff and pitting business owners against the Government. **80%** of business owners reported that CERB is potentially disincentivizing employees from returning to work or working more hours.

“We need to restore demand; and not by throwing money on a trail and leading consumers off a cliff.”

Recommendation 4:

Advance the ‘Back-to-Work’ Bonus CPC Legislation:

On June 25th, Opposition Leader Andrew Scheer announced the CPC’s ‘Back-to-Work’ Bonus program. This initiative should be at the forefront of the changes to the CERB. This cost-effective initiative, relative to a continuation of the CERB program, will enable Calgarians to return to work without being financially penalized for doing so.

Recommendation 5:

Continue to Request the Government prepare for a gradual transition away from CERB

Business owners have been clear – CERB needs to change. It is recommended that MP Kusie continue to advance the conversation, potentially with a Federal petition, to ensure the Government is prioritizing a gradual transition away from CERB. Business owners need to be reassured that they are not competing against the Government to retain their own employees, and employees need to know they can continue to work without trading off a benefit.

Government Supports & Program Challenges: CEBA

In collaboration with financial institutions such as banks and credit unions, the Canada Emergency Business Account (CEBA) provides interest-free loans of up to \$40,000 to small businesses and not-for-profits, where revenue has been temporarily reduced.

Canadian Emergency Business Account Program (CEBA)

- Concerns have been raised about the initial eligibility criteria of CEBA, ignoring the needs of small businesses. This has been partially addressed through the expansion of CEBA eligibility and the Western Canada Regional Economic Development Agency business support.
- **26%** of business owners reported CEBA being not effective at all.
- Adding additional debt to business owners' balance sheets has been received poorly. While many business owners expressed that CEBA has been effective (**37%**), the loan portion (\$30k) of the loan will have negative implications for business owners.

“The best thing the government can do right now is work to get everything back to normal rather than just throwing money at the problems.”

Recommendation 6:

Introduce Expanded Sector-Specific CEBA Support:

While many sectors have begun to re-open their doors and start accumulating revenues again, there are other sectors that are being left behind, such as the hospitality and entertainment sector. To address the needs of the small businesses that are still unable to begin their recovery (i.e. travel agencies, entertainment venues), a second phase of CEBA should be introduced to provide liquidity for the businesses that need it the most.

This should be brought to the attention of the CPC Small Business Advisory Caucus for consideration.

Recommendation 7:

Ensure a ‘unique circumstances’ portal is available:

Not all business owners can meet the rigid criteria to qualify for CEBA. It is recommended that the Federal Government create a medium through the Western Canada Regional Economic Development Agency for small business owners to be able to ‘make their case’ as to why they should qualify for CEBA.

Next Steps

The road to economic recovery will be gradual and will require a concerted level of attention from all levels of Government, Industry partners, and Communities-at-large. This report, along with the efforts of the Calgary Midnapore Economic Recovery Taskforce, have highlighted where opportunities exist to support the small business community and rebuild the local economy.

Moving forward, the suggested policy changes for the primary Government supports – CEBA, CEWS, CERB, and CECRA - should be the primary focus for supporting the business community. Business owners are demanding predictability, certainty, and financial support from the Canadian Government to ensure business owners no longer feel blindsided or must compete against their own government to get their business back on track.



Certainty



Predictability



Financial Support

Additionally, the Calgary small business community is deeply engaged and committed to rebuilding the economy. MP Stephanie Kusie will continue to engage with the Economic Recovery Taskforce members, along with other small business owners in the community with ongoing business support communications, quarterly small business townhalls, joint-discussions with Industry and Government partners (i.e. Shadow Minister James Cumming, Directors from Western Economic Development Canada), and by regularly submitting input to the CPC Small Business Advisory Caucus.

Appendix

Overview of Survey Demographics: Small Business Input Survey (hosted on MP Stephanie Kusie's website)

Survey Profile (n=38)



Business Owners from the following Communities:

- Acadia
- Belmont
- Chaparral
- Cranston
- Deer Ridge
- Deer Run
- Diamond Cove
- Fairview
- Lake Bonaventure
- Lake Bonavista
- Legacy
- Maple Ridge
- Midnapore
- Millrise
- Queensland
- Shawnessey
- Silverado
- Somerset
- Sundance
- Walden
- Willow Park
- Wolf Willow
- Yorkville



Business Owners from the following Sectors:

- Accommodation & Food Services
- Arts, Recreation, and Culture
- Construction
- Educational Services
- Finance and Insurance
- Fitness and Health
- Healthcare and Social Assistance
- Information Management
- Legal/Law
- Non-Profits
- Professional, Scientific, and Technical Services
- Real Estate, Rental, and Leasing
- Retail Trade
- Transportation and Warehousing
- Travel



Businesses in various stages of Existence & Operation:

