

My name is Margo Crawford and I am the founder, President & CEO of Business Sherpa Group (BSG). Since 2008 our team have been working with over 400 small and mid-sized businesses. We support the internal finance and HR functions with seasoned professionals who bring their corporate experience to lead these core business activities for our clients. They are very close to the current situation and are at the front line helping small businesses navigate through this crisis. I'm writing today to make clear what the real issues are that SMEs are dealing with and to highlight that there are critical gaps in the support programs announced for these smaller organizations.

As a small business owner myself, I have my own personal perspective yet also am able to share the collective experience of our team who is working day to day to help these businesses get through and try to leverage the COVID-19 programs that have been put into place. The reality we are seeing is that the government programs intended to help are falling flat. As a strong believer in small business and a proud Canadian, I feel it is important to share this concern. While these gaps are a worry, there is much to feel positive and hopeful about. I feel privileged now more than ever for living in Canada and will be forever grateful for our front-line workers in health care and in the community, fearlessly protecting us and serving our basic needs as a society. Likewise, I am grateful for our public servants working feverishly to get desperately needed funds to individuals and businesses as well as our elected officials at the federal, provincial and municipal levels who are working together in unprecedented ways to keep us safe while trying to buoy our economy.

Understandably, getting funds to individuals and families is a priority and the measures introduced will hopefully provide minimal financial security to get through. But ultimately all of these efforts will be for naught if small businesses cannot find a way through this crisis and survive, then recover quickly and get back to thriving. Small and mid-sized business have been the foundation to our economy and are the largest job creators. The prospect of their failures has many of us wide-eyed and worried, knowing their importance and the impact of their decline. This is why the financial supports to businesses have to be done right to achieve the outcomes they were put in place for. Below are my views on the issues and possible solutions to make these programs more effective.

I am sending this letter as an appeal to all politicians, business leaders, policy makers and community influencers to please reconsider the details behind the design of supports to small businesses. The principles and goals are right – keep businesses going and try to avoid layoffs. However, the parameters for eligibility are going to cause these well intended programs to fail on launch.

The issues:

75% wage subsidy.

There was a collective and almost audible sigh of relief on Friday March 27th when Justin Trudeau announced the wage subsidy for small business would be increased from 10% to 75%. I heard from CEOs literally saying “we are saved” ...only to then have these hopes dashed the following week with the details. Limiting this subsidy to those businesses that have shown a monthly decline of 30% of revenue compared to the same period last year, pretty much eviscerated the potential of this relief. A few will benefit, but most will not. To assume that any business that has not hit this measure will be ‘OK’ and can keep people on payroll is simply not true and short sighted. Successful, growing businesses may not show a net decline of 30% if they had been growing at 10%+ year over year; new companies may be pre-revenue and ready to take off; companies may only have a 10% decline in revenue, but have just been hanging on, etc. Revenue decline is not the measure that matters for such near-term business survival goals – what matters is cash....and soon!

Every business owner will tell you that cash is king, and they are keeping a close eye on cash flow. Cash flow depends on receivables and confidence that they will not turn into bad debt. Any business straddling this razor thin edge of survival has their eyes on this alone and will make decisions (layoffs or closing) based on their confidence that they will have incoming funds over the coming months.

Additionally, the notion that this subsidy will incent those who have laid off to rehire will not happen. Those businesses that laid off a large number or all of their staff in March was not because their revenue declined year over year by 30%. They did layoffs because they were mandated to close and simply cannot operate. No amount of wage subsidy will bring these employees back. These businesses need to successfully incubate to stay alive so need relief on other costs such as rent and debt. They also cannot be saddled with additional debt just to stay alive...this is not a recipe for quick recovery once we get to the other side. The burden of this will move up the supply chain to landlords, many of whom have their own mortgage obligations. Ultimately banks, who received their needed liquidity support in 2008, need to do their part now to support and provide material relief to small and mid-sized business.

\$40,000 interest free loan.

Again, this would have provided a needed operating line to help keep many businesses afloat that have had to close and given an extra lever to those who are able to stay open. But the conditions of a payroll at the end of 2019 between \$50,000 to \$1,000,000 will make this unavailable for many small businesses. It does not take much to hit a payroll of \$1,000,000 and does not reflect the payroll of recent months in 2020 (a business of 20 employees could easily exceed this threshold). At the other end of the spectrum, solopreneurs who often use contractors to support their businesses may not have a payroll at all.

Solutions

Businesses that can continue need cash flow, if not from their receivables, from the supports from the government can provide to adequately fund their operating expenses. Businesses that cannot operate need to successfully incubate – they need immediate relief on their fixed costs and ongoing obligations.

The only parameter that should be used for businesses to qualify for support should be one of the measure Statistics Canada uses to identify SMEs; being an employer with fewer than 100 employees (98% of employers have less than 100 employees, 95% have fewer than 50 employees). Every SME is struggling to some degree and need help now. If we really want to come out of this with a thriving small and mid-sized business economy and to avoid more layoffs, we need to get cash to these businesses now!

Ideas:

75% wage subsidy. Make this available to **ANY** small and mid-sized business with fewer than 100 employees. If an employer wants to use this relief, they *must* agree not to layoff an employee for the period the subsidy is available (which by the way will be much easier to monitor - it is easy to track if an ROE is issued from an employer that has signed up for the wage subsidy). If an employer cannot sign up to these terms, then so be it.

\$40,000 loan. Just make it available. There are clear repayment terms in place, and this will get needed cash to employers quickly.

For those businesses that have been ordered closed – provide them with additional interest free loans, or mandate rent relief. Many will simply not come back without this relief now.

For businesses that really do not need these financial supports, rather than threatening severe punishment for ‘bad actors’, appeal to our ‘better angels’ and ask those businesses that do not need this support to leave the funds available for those businesses that do. Either way, you are appealing to good will and trust that people will do the right thing using our collective moral compass to guide our actions in this challenging time.

These are my own personal opinions and ideas, but I know in working with the many businesses we have over the years and watching many of them struggling now, I feel it is a perspective that has merit and is worthy of consideration in the coming days. I am respectfully asking you to lend your voice and influence to shape policy that will help some businesses incubate, others survive and all of us thrive in the end. We are a strong country, and no one (individuals and businesses) want to feel helpless. I believe it is imperative that businesses need to feel that they have agency to do something and are able to move forward. Yet for many it will simply be impossible and the dire consequences we are trying to avoid will be realized.

I remain hopeful and trusting,

Margo Crawford