



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Mike Morrice
Member of Parliament

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance

August 10, 2023

The Honourable Richie Valdez
Minister of Small Business

RE: Urgent Need for Repayment Deadline Extension of the Canada Emergency Business Account (CEBA)

Dear Minister Freeland and Minister Valdez,

I hope you are both well. I am writing to share my concerns regarding the significant risk posed to the continued survival of small businesses, both in my community and across the country, by the fast-approaching repayment deadline for the Canada Emergency Business Account (CEBA). I am also calling on you to extend the current repayment deadline for businesses to maintain loan forgiveness under CEBA. My concerns amplify those expressed to me directly by dozens of small businesses in my community, as well as echo the calls of numerous industry groups, more than 250 local and provincial chambers of commerce and tourism, and national business organizations such as the Canadian Federation of Independent Business (CFIB) and Restaurants Canada. These businesses and organizations have conveyed one clear, unified message post-COVID-19 pandemic: *reopening is not recovery, nor a return to normal.*

I join local businesses in my constituency, as well as small businesses and industry organizations across Canada, in urging you to extend the deadline for full, interest-free repayment of outstanding CEBA loans to December 31, 2025, and to maintain loan forgiveness portions to that date. Giving small businesses additional time to repay their full CEBA loan—without losing access to the forgivable portion of the loan—will provide much-needed relief and allow these businesses to remain a strong, vibrant contributor to our economy and communities. This is particularly crucial for small businesses still experiencing negative business and operational impacts of the pandemic, such as those in the hospitality, arts, recreation, entertainment, social services and retail industries, as well as for women, immigrant, and minority-owned small businesses that were hit harder by the economic impacts of COVID-19 and are recovering disproportionately slower post-pandemic.

I have heard directly from dozens of small businesses in my community that the current CEBA repayment deadline to qualify for loan forgiveness of December 31, 2023, is a source of significant personal stress and financial anxiety. These are small businesses that: were operating profitably pre-pandemic; did the right thing by closing during the pandemic, unlike many big box stores; and are now disproportionately experiencing lasting impacts of longer than expected pandemic lockdowns.

The prospect of additional debt being added through the elimination of their forgivable loan portion is a daunting prospect for many, with many businesses in my community voicing that this would almost certainly lead to the closing of their business. I worry about the well-being of my constituents and the vibrancy of my community if this is allowed to happen.

Critically, things have clearly not returned to normal for many small businesses and they are still struggling to fully recover following the pandemic. For example:

- The CFIB reported that more 250,000 small businesses across the country are at risk of closing should the CEBA deadline not be extended, and their loan forgiveness portion not maintained.
- Only 10 percent of businesses have been able to repay their entire CEBA loan and 78 percent believe that additional time to repay their CEBA loan will increase the likelihood of their business surviving.
- A slower-than-anticipated economic recovery from the pandemic has been compounded by higher inflation and interest rates, which have, in turn, negatively affected consumer spending and resulted in lower revenues and profits for many small businesses.
- For many businesses and industries, sales have remained lower than normal, debt levels have climbed or remained high, and businesses have simultaneously had to cope with supply chain challenges, severe labour shortages, high inflation, and increasing interest rates.
- An estimated 12 percent of businesses are carrying a heavy debt load that is threatening their long-term viability, 28 percent are uncertain about their ability to repay their debts, 49 percent are still generating below-normal revenues compared to pre-pandemic levels, and 58 percent are still carrying pandemic debt in excess of \$100,000. These numbers are likely to be even higher for businesses in hospitality, arts, recreation, entertainment, social services and retail industries, given their disproportionate reliance on customer foot traffic for revenues that remains well below pre-pandemic levels. In the hospitality industry alone, bankruptcy levels in 2023 have been more than double the levels in 2022.
- Small businesses and business organizations have been clear that maintaining the current CEBA repayment deadline will cause many businesses to either take out additional high-interest loans to meet the deadlines, or close entirely. In both cases, this will only serve to further decimate Canada's small businesses and communities, and further reduce the prospect of the federal government obtaining full repayment of CEBA loans.

The CEBA loan program was undoubtedly a financial lifeline for nearly 900,000 businesses and non-profits during the pandemic, providing them with essential cash flow through lockdowns, capacity restrictions, and other public health measures that constrained their normal operations. However, I share the view expressed by business and industry groups across Canada that CEBA's current repayment terms do not adequately account for the economic realities and supply chain conditions facing small businesses today, nor the enduring impacts of the pandemic that continue to decimate small businesses across the country.

Now, post-pandemic, small and medium-sized businesses across the country, which comprise 98 percent of all businesses in Canada, are still recovering and need continued government support to survive. **I strongly urge you to provide these businesses with additional time to repay their CEBA loans, without losing access to the forgivable portion, by extending the current repayment deadline and maintaining loan forgiveness portions to December 31, 2025.** Canada's small businesses are at the heart of our economy and communities, and their survival and success ensure that our economy and communities continue to remain vibrant and resilient.

I welcome the opportunity to meet with you to discuss the need for this repayment extension and to share with you the stories and perspectives of essential small businesses in my community at risk of closure due to the current deadlines.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Morrice". The signature is fluid and cursive, with the first name "Mike" and last name "Morrice" clearly distinguishable.

Mike Morrice
MP for Kitchener Centre

Cc:
Corrine Pohlmann, Executive Vice-President, Advocacy, Canadian Federation of Independent Business
Aaron Bider, Director, Better Way Alliance
Ian McLean, President & Chief Executive Officer, Greater Kitchener Waterloo Chamber of Commerce
Jade Martindale, Owner, Big Bliss Yoga and Fitness
Ian McMullan, Owner, McMullan's Pub and Pizzeria
Carolann Mackie, Owner, The Frugal Decorator
Graeme Kobayashi, Owner, Counterpoint Brewing Company
Sam Nabi, Owner, Full Circle Foods