

May 24, 2023

The Honourable Chrystia Freeland, P.C., M.P.
Minister of Finance
Member of Parliament for University—Rosedale
90 Elgin St, Ottawa, Ontario
K1A 0G5

VIA EMAIL:

chrystia.freeland@fin.gc.ca

Dear Minister:

We write on behalf British Columbia's liquor and hospitality industry associations. Together, we represent thousands of businesses, nearly 250,000 workers, and contribute over \$15 billion to BC's economy every year.

We greatly appreciate the Government of Canada's critical support during the COVID-19 pandemic. For example, Canada Emergency Business Account (CEBA) loans were a critical financial lifeline, particularly for small hospitality businesses.

Unfortunately, Canada's hospitality industry is still struggling to recover financially from the pandemic. As of today, half of industry is operating at a loss or barely breaking even. With the CEBA loan reimbursement deadline approaching quickly, we have serious concerns about industry's financial health and their ability to repay debt.

The CEBA program offered interest-free loans up to \$60,000 to small businesses and not-for-profits. A large percentage of our industry received a loan through CEBA, including 83 per cent of table-service businesses. Most hospitality businesses required these loans to keep staff (77%) and to pay for utilities (65%), goods from suppliers (62%), and rent (61%).

As of May 2023, a staggering 20% of the hospitality businesses report they will be unable to repay their CEBA loan—even in part. A record high percentage of industry is teetering on the edge of bankruptcy, with bankruptcy filings having already increased 116 per cent since 2022.

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To ensure that the hospitality sector continues to play a major role in a strong economic recovery, we support Restaurants Canada's proposal to:

- 1) Extend the CEBA repayment deadline by at least 36 months to ensure that debt repayments do not undermine industry profitability in the short-term, and
- 2) Implement a "scale-down" model of the forgivable part, decreasing by five per cent every six months.

Please see the attached note from Restaurants Canada for more details of this proposal.

BC's hospitality industry is at a critical juncture, with thousands of pubs, bars, restaurants, and other Canadian small businesses at risk of declaring bankruptcy by the end of the year. Extending the repayment deadline and scaling-down the forgivable portion of the loan will reduce this risk, while increasing the likelihood that government will see the CEBA loan repaid. It also creates an incentive for businesses to repay the loan as soon as possible to keep a larger forgivable part.

Canada's foodservice and hospitality sector contributes nearly \$100 billion to Canada's economy, directly employs 1.2 million people, and serves 22 million customers across the country every day. We launch careers, invest in training, and are Canada's fourth-largest private sector employer. To ensure that Canada's foodservice industry continues to recover financially, we once again need support from our federal government partners.

We look forward to your collaboration and am at your disposal should you wish to discuss this matter further.

Sincerely,

- **Jeff Guignard**, *Alliance of Beverage Licensees (ABLE BC)*
- **Ken Beattie**, *BC Craft Brewers Guild*
- **Ian Tostenson**, *BC Restaurants and Foodservices Association (BCRFA)*
- **CJ Helie**, *Beer Canada*
- **Tyler Dyck**, *Craft Distillers Guild of BC*
- **Pat Bell**, *New Wave Wine Society*
- **Ted Latimer**, *Import Vintners and Spirits Association (IVSA)*
- **Mark von Schellwitz**, *Restaurants Canada*
- **Trent Leggett**, *Rural Agency Store Advisory Society*
- **Jan Westcott**, *Spirits Canada*
- **Miles Prodan**, *Wine Growers BC*

For further details, please contact: Jeff Guignard (jeff@ablebc.ca or 604-499-2566)



Canada Emergency Business Account (CEBA)

Program Overview

The CEBA program offered interest-free loans of up to \$60,000 to small businesses and not-for-profits.

For eligible CEBA borrowers in good standing, repaying the balance of the loan on or before December 31, 2023, will result in loan forgiveness of up to 33 percent (up to \$20,000).

- 83% of table-service restaurants and 56% of quick-service restaurants received a loan through the Canada Emergency Business Account (CEBA).
- The majority of restaurant operators required these loans to keep staff (77%) and also to pay for utilities (65%), goods from suppliers (62%) and rent (61%).

Extend and re-structure the CEBA loans to make repayment palatable

Taking into consideration that 20% of the restaurants that haven't reimbursed CEBA yet will not be able to repay it in part or entirely, to ensure that the foodservice sector continues to play a major role in a strong economic recovery, Restaurants Canada recommends that the federal government:

- Provide additional leniency to CEBA recipients by extending it for a 36-months period
- Implement a scale-down model of the forgivable part (5% decrease every 6 months)
 - That extension, with the scale-down model will:
 - Provide more chance for the government to see the CEBA loan reimbursed;
 - Encourage businesses (restaurants for us) to reimburse as soon as possible, in order to keep a larger forgivable part.

Canada Emergency Business Account Repayment Schedule

repayment of loan over 36 months based on various restaurant revenues

	Restaurant A	Restaurant B	Restaurant C	Restaurant D
Average annual revenue per location	\$400,000	\$750,000	\$1,200,000	\$2,000,000
Average monthly revenue	\$33,333	\$62,500	\$100,000	\$166,667
CEBA loan amount	\$40,000	\$40,000	\$40,000	\$40,000
Monthly repayment of CEBA loan	\$1,111	\$1,111	\$1,111	\$1,111
CEBA repayment as a share of monthly revenue	3.3%	1.8%	1.1%	0.7%

CEBA Repayment Schedule	Forgivable Portion Amount	Percentage of total loan (\$60,000)
Repay \$40,000 on, or before, December 31, 2023	\$20,000	33%
Repay by July 1, 2024	\$17,143	29%
Repay by December 31, 2024	\$14,286	24%
Repay by July 1, 2025	\$11,429	19%
Repay by December 31, 2025	\$8,572	14%
Repay by July 1, 2026	\$5,715	10%
Repay by December 31, 2026	\$2,857	5%
Repay after December 31, 2026	\$0	0%