ontario chamber of commerce

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May 12, 2020

Hon. Bill Morneau
Minister of Finance, Government of Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

RE: Access to capital during the reopening and recovery phases of COVID-19

Dear Minister Morneau,

Thank you for your continued leadership during the COVID-19 pandemic. The Ontario Chamber of Commerce (OCC) is working closely with the business community and government to support a successful reopening and economic recovery.

In the coming weeks and months, businesses' ability to access capital will have a significant impact on Canada's economy. During the reopening phase, companies will need to make capital investments to ensure that workplaces are safe and that employees feel comfortable returning to work. This includes purchasing equipment needed to maintain social distancing as well as body thermometers and other testing tools. Access to capital will also affect the speed and duration of economic recovery, especially for low-margin, capital-intensive industries such as food and beverage manufacturing.

In a previous letter dated April 16, we offered a series of recommendations, which included reinstating the Canadian Secured Credit Facility to provide additional liquidity to asset-based finance (ABF) lenders, and expanding the Canada Small Business Finance Program to include soft costs such as training, franchise fees, and some working capital as eligible expenses.

Since then, we were pleased to see your government announce new liquidity measures to support large and medium-sized businesses impacted by COVID-19, including a new Large Employer Emergency Financing Facility, expansion of the Business Credit Availability Program, and continued financing through the Business Development Bank of Canada (BDC), Export Development Canada, and the Canada Account.

In addition, the OCC recommends the following:

- **Expand and streamline access to longer-term capital**. In the context of economic recovery, businesses will need a broader suite of options to finance their investments as they adapt to the changing economy. Less burdensome, more patient forms of funding will be especially critical. Reducing regulatory impediments to capital flow is one avenue for this,[1] in addition to expanding programs offered through the BDC and sector-specific initiatives such as the Next Generation Manufacturing Supercluster. Further, eligibility for these programs should be simplified, as many businesses currently find they are unable to qualify due to onerous criteria.

[1] CD Howe, COVID-19 Crisis Working Group: Monetary and Financial Measures. 2020. *Communique #5: Viable Businesses Need Access to Capital.* https://www.cdhowe.org/sites/default/files/attachments/communiques/mixed/CWGR_2020_0507.pdf.

- **Institute a buyback distressed lease and loan program**. The BDC can facilitate the buyback within the confines of their existing operations. The BDC would permit the lender to remain as servicer, who would reimburse the BDC as they collect the funds from firms, keeping them in business and able to support the communities which they serve.
- **Make the Canada Emergency Wage Subsidy accessible to ABF lenders**. The accurate loss of revenue criterion in the ABF industry is measured by the loss of originations of new lease and loan transactions, which have all but ceased as a result of the current environment. Without granting ABF lenders access to the wage subsidy, the sector will not be able to keep its own staff employed and lending will be curtailed.
- **Implement a rural investment tax credit (RITC).** The RITC is designed to support small- and medium-sized enterprises (SMEs) in rural and northern regions that are facing hardship due to COVID-19. In Ontario, the program would allow for the creation of a $250-300 million pool of private capital for investment in SMEs with high growth potential. This capital will be flexible and responsive to the needs of each business, which might include workforce training, equipment, payroll, adaption due to COVID-19, or technology. Institutional investors that invest in rural and northern investment funds will get a delayed, at-risk tax credit and this capital will be leveraged to raise the other half of the funds from traditional private sources that will not receive a tax credit. Further, capital can be invested within sixty days of the program's approval to ensure money is flowing efficiently during economic recovery.

While access to capital has long been a competitiveness challenge for Canadian businesses, the current crisis has added great urgency. We welcome the opportunity to discuss these proposals further. The OCC will continue to monitor and assess new developments pertaining to COVID-19 and work with our members, partners, and all levels of government to support our business community.

Sincerely,

Rocco Rossi
President and CEO
Ontario Chamber of Commerce

CC: The Honourable Mary Ng, Minister of Small Business, Export Promotion and International Trade, Government of Canada