

Canada Emergency Business Account and Regional Relief and Recovery Fund Business Supports (2023)

Issue

The economic rebound for many industries impacted by business restrictions from 2020-2022 has been slower than anticipated, and full repayment of the Canada Emergency Business Account (CEBA) and Regional Relief and Recovery Fund (RRRF) loan by December 31, 2023 is not feasible for many Alberta businesses.

Background

Over 125,000 businesses in Alberta were approved for Canada Emergency Business Account (CEBA)²⁰⁷ and over 4,500 businesses under Western Economic Diversification Canada were approved for Regional Relief and Recovery Fund (RRRF)²⁰⁸ loans to assist with operational expenses at a time when business restrictions impacted revenues.

The repayment deadline for the loans was extended to December 31, 2023 in order for a business to qualify for the “forgivable” portion of their loan. In October of 2022, 30% of businesses surveyed said it would be a challenge to repay the funding received.²⁰⁹ Further, small businesses were more likely to expect a challenge repaying government support than larger businesses.²¹⁰ It is estimated that between 25%-42% RRRF loans would not be repaid.²¹¹

Additionally, two years after the implementation of the program, it is estimated that 50,000 Canadian businesses that received CEBA loans were deemed ineligible in October, 2022, and had to repay the full amount with no forgivable portion by the end of 2023.²¹²

A challenge when offering further business supports is mitigating default risk to the guarantor, while offering assistance to those most in need. If the Alberta government was to develop a business support program for businesses requiring an extension, the following criteria could act as a framework to provide support and offset risk.

- An active operating Alberta business that received CEBA or RRRF funding

²⁰⁷ Funds Approved by Province or Territory (%) for CEBA Loans and Expansions: <https://ceba-cuec.ca/statistics/>

²⁰⁸ Report 14—Regional Relief and Recovery Fund: https://www.oag-bvg.gc.ca/internet/English/parl_oag_202112_03_e_43967.html

²⁰⁹ The state of business financing and debt in Canada, fourth quarter of 2022: <https://www150.statcan.gc.ca/n1/pub/11-621-m/11-621-m2022020-eng.htm>

²¹⁰ The state of business financing and debt in Canada, fourth quarter of 2022: <https://www150.statcan.gc.ca/n1/pub/11-621-m/11-621-m2022020-eng.htm>

²¹¹ The state of business financing and debt in Canada, fourth quarter of 2022: <https://www150.statcan.gc.ca/n1/pub/11-621-m/11-621-m2022020-eng.htm> 5 Report 14—Regional Relief and Recovery Fund: https://www.oag-bvg.gc.ca/internet/English/parl_oag_202112_03_e_43967.html

²¹² CEBA loans: repayment extension for some, notices of ineligibility for others: <https://www.cfib-fcei.ca/en/tools-resources/canada-emergency-business-account-ceba>

- Audited financial statement for 2019 showing that the business was profitable
- Proof of at least 50% of the repayable portion either already paid or immediately available (verified by financial institution)
- Main business activity falls under one or more of the following sectors:
 - Hotels and lodging
 - Restaurants and bars
 - Tourism industry operators
 - Retail with less than 10 employees
 - Hair salons/stylists
 - Aesthetics salons/Aestheticians
 - Non-profit organizations
 - Fitness and recreation facilities/fitness trainers
 - Childcare facilities
 - Entertainment venues
 - Meeting and conference venues
 - Catering and food service
 - Special event rentals and sales

Upon confirmation that a business meets the above criteria, the CEBA or RRRF non-forgivable portion will be paid in full, with minimum 50% of the payment from the eligible business and 50% (or the remaining outstanding balance, whichever is less) via “bridge financing” from the Alberta Treasury Branch or a credit union prior to December 31, 2023 which would qualify the business for the forgivable portion of the CEBA or RRRF loan.

The Government of Alberta would act as the guarantor for the “bridge financing.” The business would then be responsible for repaying the full amount of the “bridge financing” prior to December 31, 2025. Individual financial institution terms and conditions would apply.

The Alberta Chambers of Commerce recommends that the Government of Alberta:

1. Advocate on behalf of businesses that the Government of Canada:
 - a. Extend the non-forgivable CEBA and RRRF repayment deadline to December 31, 2025, and announce this extension officially before September 30, 2023.
 - b. Require principal-only payments, on a monthly basis, for the outstanding balance of the loan commencing on January 1, 2024, with the balance of the loan repaid no later than December 31, 2025.
2. If the Government of Canada does not extend the repayment deadline for the non-forgivable portion of the CEBA or RRRF loan (by September 30, 2023), the Government of Alberta (via the Alberta Treasury Branch and credit unions) will provide “bridge financing” to businesses that meet the required criteria.