



Cumberland Business CONNECTOR

Forestry Sector Update

April 1, 2020

The Bad News:

The global pandemic of COVID -19 has preoccupied most of us for the past 3 weeks. There are ways that this has increased the crisis level for the forestry sector including:

- Decreased demand and /or increased difficulty in shipping the high-quality paper from Port Hawkesbury Paper. This has contributed to the shutdown in PHP for a couple of months and stopped their purchase of wood chips
- The drop in oil prices due to decreased demand for transportation fuel, will reduce the demand and prices for bulk wood pellets used in electricity production.
 - For companies looking at expanding a wood pellet plant in Nova Scotia, or starting a new one, the risk level has dramatically increased and most likely will halt any potential expansion in this area. No one should count on pellet mills taking more wood fibre in the near term than they have in the past
 - Cheaper prices for oil could potentially reduce the existing market for existing pellet mills in Musquodoboit and Lantz. If unsold inventory were to increase these businesses may (or may not) scale back production. If production at these facilities were to decrease, it would decrease the demand for wood fibre even more in Nova Scotia
- Lumber futures prices are dropping due to expected lower demand for housing construction during 2020
- With less markets for wood chips and sawdust, and lower projected market prices for lumber most of Nova Scotia's sawmills will no longer be accepting wood, starting in early April.

The Good News:

The good news for the forestry sector is that all levels of government are putting in place massive supports for businesses and industries that are in danger of collapsing. The government's (correct) view is that they need to act urgently or else entire industries and supply chains will disappear.

- The COVID -19 pandemic has made the forestry industry's crisis worse. Therefore, businesses involved in the forestry supply chain should be able to benefit from many of the federal and provincial business supports that have been put in place over the past few weeks to help companies deal with the effects of the COVID-19 crisis.
- The \$50 million forestry transition fund is still available to meet specific industry needs that these broad-based programs do not address
- Fuel prices have decreased by more than 40 % in the past month

In the following pages, we have provided a summary of some of the programs that the federal and provincial government have rolled out to support businesses. This summary is not all-encompassing, but is focused on the programs that may be most beneficial to the forestry industry at this time.

Many of these policies and programs are being developed on the fly and details change from day to day. Therefore, this summary should be considered as a direction to look into possible programs that could be beneficial. It is intended to be

accurate as of April 1, 2020, but be sure to always rely on the federal or provincial websites for the most accurate and up-to-date information.

A. Maintaining a Skilled Workforce

Many of the emergency programs that the federal government has developed address this point. For the forestry sector, this objective is the highest priority of the Cumberland Forestry Advisory Committee prior to the COVID-19 Pandemic.

1. Canada Emergency Response Benefit (CERB)

This program is applicable for people who do not qualify for EI including self-employed entrepreneurs. Records of Employment do not need to be issued prior to applying for this benefit.

The Canada Emergency Response Benefit (CERB) will be replacing the previously announced Emergency Care and Emergency Support Benefits and will provide temporary income support to workers who are without employment or self-employment income for reasons related to COVID-19.

The CERB will be available to workers residing in Canada, who are at least 15 years old, and who:

- Have earned at least \$5,000 in 2019 or in the year prior to their application from any of a combination of the following sources: employment, self employment, Employment Insurance maternity and parental benefits, and/or similar benefits paid in Quebec under the Quebec Parental Insurance Plan (QPIP); and
- Are without employment or self-employment income for at least 14 consecutive days in a four-week period, for reasons related to COVID-19, including if they have temporarily stopped working, lost their job, are sick or in quarantine, or need to care for a child or a family member.

Both EI and non-EI eligible individuals will be able to access this new Benefit. The new Benefit will provide a flat amount of \$2,000 a month, paid in four-week instalments for up to 16 weeks. This Benefit is available until October 3, 2020 and retroactive to March 15th, 2020.

Workers will be able to apply online for the CERB starting in April of 2020. It is expected that this program will be available for on-line applications beginning on April 6th, 2020.

For more details and frequently asked questions, please go to
<https://www.canada.ca/en/services/benefits/ei/cerb-application.html>

2. Employment Insurance (EI)

The government proposes to modify the EI system to cope with the already over a million claims in the EI system, in order to dovetail with the CERB.

The idea around the modifications is that individuals—EI eligible-- who have filed EI benefits applications should not have to abandon their claims in order to take up the CERB, which will be administered through CRA.

For EI purposes (not CERB), it remains important that EI Records of Employment (ROEs) for employees are correctly filled for the circumstances (e.g. quarantine/sickness, shortage of work).

The bulletins (FR, EN) on this which the Canadian Payroll Association kindly prepared and allowed our Commissioner (Employers) office to share previously, remain openly available to everyone on their website:

- <https://payroll.ca/PDF/Resources/Payroll-and-Covid19-Infoline.aspx>
- <https://paie.ca/FRPDF/Ressources/Paie-et-COVID19-LigneInfo.aspx>

3. Wage Subsidy

This program has been developed to encourage employers to keep employees on their payroll. It will reduce stress and bring greater certainty to the employees, while allowing employers to keep their work force intact to handle business where there is an economic rebound.

- The program will be in place for a 12-week period, retroactive to March 15 and ending June 6, 2020.
- Eligible businesses of all sizes and from all sectors of the economy, regardless of the number of workers they employ, that suffer a drop of at least 30% in gross revenues due to COVID-19 in March, April or May, when compared to the same month in 2019, would be able to access the subsidy.
- Businesses will have to apply for this subsidy each month and confirm that their revenue is down by at least 30%
- Businesses will have to attest that they are doing all that they can to pay the remaining 25% of salaries
- Wages per employee will be subsidized at 75% for wages that are up to \$57,700 per year. This means that the subsidy rate per employee is up to \$847 per week on a wage of up to \$1,129 per week.
- The government is encouraging companies to rehire employees
- For companies that are new start-ups (or otherwise can't compare to last year's revenue) the government is working on ways to identify the 30% drop in business. This is still being developed. For scenarios like this, you should discuss with a qualified accountant to ensure you understand the benefits, limitations and criteria of the program
- **Companies must pay employees first and then CRA will reimburse them. It is unlikely that businesses will be reimbursed within 6 weeks, so they must be able to cashflow the wages in the interim period**
- This program is short term and is intended to be in place for 3 months

Note: Businesses should sign up for direct deposit as it will streamline and speed up the process of being reimbursed.

4. Work Sharing Program

Work-Sharing (WS) is a program that helps employers and employees avoid layoffs when there is a temporary decrease in business activity beyond the control of the employer. The program provides EI benefits to eligible employees who agree to reduce their normal working hours and share the available work while their employer recovers. Work-Sharing is an agreement between employers, employees and the Government of Canada.

Allows Employers to: -retain qualified and experienced workers, and
 -avoid recruiting and training new employees

Allows employees to: -keep their jobs, and
 -maintain their work skills

Key program features

- **WS unit:** A WS unit is a group of employees with similar job duties who agree to reduce their hours of work over a specific period of time
- **Equal sharing of work:** All members of a WS unit agree to reduce their hours of work by the same percentage and to share the available work
- **Expected work reduction:** A WS unit must reduce its hours of work by at least 10% to 60%. The reduction of hours can vary from week to week, as long as the average reduction over the course of the agreement is from 10% to 60%
- **Agreement length and extension:** A WS agreement has to be at least 6 consecutive weeks long and can last up to 26 consecutive weeks. Employers may be able to extend their agreements up to a total of 76 weeks

Work-Sharing temporary special measures to support employers and workers affected by COVID-19

- Effective March 15, 2020 to March 14, 2021, and not limited to one specific sector or industry, the Government of Canada is introducing temporary special measures.
- Extension of the maximum possible duration of an agreement from 38 weeks to 76 weeks

- Mandatory cooling off period has been waived for employers who have already used the Work-Sharing program so that eligible employers may immediately enter into a new agreement
- Reduce the requirement and expand eligibility to employers affected by accepting business who have been in business for only 1 year rather than 2, and eliminate the burden of having to provide sales/production figures at the same time

For more details check out this link: <https://www.canada.ca/en/employment-social-development/corporate/notices/coronavirus.html>

Note: In the past, work sharing agreements take some time to set up. Employers start these discussions with the Government of Canada at least 30 days before the Work Sharing program is set to start. We have asked that this 30-day period be shortened but assume that this is still the case.

B. Support for Businesses and Business Owners

a. Government of Canada initiatives to help with Cash Flow Needs

(i) Canada Emergency Business Account

- This provides interest-free loans of up to \$40,000 to small businesses and not-for-profits through their financial institutions.
- Up to 25% of the loan will be forgiven if repaid by December 31, 2022.
- Interest free for 1 year
- **More details to follow**

(ii) HST/GST and import duties

- Remittances postponed until end of June

(iii) Corporate Income Tax Payments

- Can be deferred until August 31st without penalties

(iv) Farm Credit Canada

- FCC is Canada's leading lender to the farming and food processing industry. Its capacity to lend is being increased by \$5 billion which is a 11% increase in its loans portfolio. The government's objective is to increase cash flow and liquidity to farms, agri-businesses and food processors.

<https://www.fcc-fac.ca/en.html>

(v) Business Credit Availability Program

This program was created to make more than \$10 billion available to Canadian businesses in financing and credit insurance solutions through EDC and BDC

(vi) Co-lending Program

- This program through the Business Development Bank of Canada (BDC), which will team up with financial institutions to co-lend term loans to support cash-flow requirements. **Details to follow.**

b. Provincial Initiatives to help with Cash Flow Needs

Changes to the Small Business Loan Guarantee Program (administered through Credit Unions) include:

- For businesses that currently have loans guaranteed through this program:

- i. deferring principal and interest payments until June 30
- For businesses needing additional credit/liquidity
 - ii. enhancing the program to make it easier for businesses to access credit up to \$500,000
 - iii. **For businesses that would not qualify for a loan, the provincial government will guarantee the first \$100,000**
- Contact your Credit Union for details

Note: the Forestry-specific Small Business Loan Guarantee Program that was announced a couple of months ago is still in existence. It is likely that the Forestry Loan Guarantee Program is the program that the Credit Unions would still use to process most forestry businesses loan applications. The difference in the most recent announcement is that the province will guarantee the full 100% loan up to \$100,000 for this COVID-19 lending program.

Government will defer payments until June 30 for:

- all government loans, including those under the
 - iv. Farm Loan Board
 - v. Fisheries and Aquaculture Loan Board
 - vi. Jobs Fund
 - vii. Nova Scotia Business Fund
 - viii. Municipal Finance Corp.
 - ix. Housing Nova Scotia.
- b. small business fees, including:
 - i. business renewal fees (a list of fees will be posted online)
 - ii. workers compensation premiums will be deferred until July

Further measures include:

- small businesses which do business with the government will be paid within five days instead of the standard 30 days

C. Summary of some other initiatives that could support businesses in the Forestry Sector

Employer Assessment Tool

The Province of Nova Scotia has heard that businesses and non-profits need clarity on how they can comply with the Public Health Order. An on-line tool to quickly help employers determine if they may remain open, in compliance with current workplace safety requirements, has been posted to the provincial coronavirus website. You can find the assessment tool here <https://covid19-employer-assessment.novascotia.ca/en>

If your business needs help dealing with matters of provincial concerns, including if your business is allowed to be open or not, please contact the Province of Nova Scotia's Business Navigators at 1-844-628-7347 from Monday to Friday, 8 am to 5 pm.

Nova Scotia Business Inc.'s Support Programs for Small Businesses

Small Business Development Program

NSBI has updated the Small Business Development Program. The program helps businesses work with a private consultant to overcome a pain point or barrier, or a business expert to help identify and develop the leadership skills needed to scale your company. www.nsbj.ca/bdp

Virtual Training

NSBI is providing more online digital content to support small and medium sized businesses access programming at times that work for them. The virtual workshops and training courses provide companies with vital strategies and hands-on tips on how to deal with the current crisis. More information can be found at <https://www.novascotiabusiness.com/events/nsbi.ca/events>

D. What you can do for your business

Cash Flow is King! To help businesses forecast changes to projected Cash Flow, a spreadsheet was developed by our consultant, Jason Steele, who works with our Cumberland Business Accelerator clients. This “Forecasting Under Crisis Management” tool uses concepts supplied by Simplicity Designs of “Customers, Constraints and Cash Flow.” Please feel free to use this to forecast changes in your Cash Flow (instructions are found on the 5th tab of the spreadsheet). You can find this resource at <https://www.cumberlandbusinessconnector.ca/covid-19.html>

Other Resources and Information

In addition to the <https://www.cumberlandbusinessconnector.ca/covid-19.html> website, another good resource is the Amherst and Area Chamber of Commerce’s website at <https://amherstchambers.ca/covid-19-information-page/>

Business Support from Saint Mary’s University Entrepreneurship Centre

In response to COVID-19, Saint Mary’s University Entrepreneurship Centre is offering free virtual one-on-one strategy sessions to Atlantic Canadian entrepreneurs. The sessions aim to provide support, insight, and additional resources to help entrepreneurs overcome current challenges. More information can be found at <https://smuec.ca/>

If you require general business assistance, the Canadian Federation of Independent Business has a help line for businesses to call. This help line is now open to both members and non-members of the CFIB. A link to the CFIB COVID-19 page is on our website

The Cumberland Business Connector is working with our municipal partners, Chambers of Commerce, CBDC

Cumberland and other local partners to assist the business community as much as possible. If you would like to talk to one of us, please send us an email to: research@cumberlandbusinessconnector.ca

Please include your name, phone number and one of us will get back to you as quickly as possible. Please be patient as we do not have many employees.

It is expected that the Federal and Provincial Government will be continue to provide more details around new business support program as well as announce specific, incremental programs in the coming days.

Rely on Government Websites for accurate information as the situation is changing daily. If there are any discrepancies between this summary and government websites, the government websites should be taken as the most accurate and as the most up to date.

Take care and stay safe,

**Jonathan McClelland, CEO
Cumberland Business Connector**