COVID-19 BUSINESS IMPACT ANALYSIS

Community Futures Yellowhead East and Lesser Slave Lake Regions

Community Futures Yellowhead East

TABLE OF CONTENTS

ACKNOWLEDGEMENTS

This COVID-19 Business Impact Analysis has been prepared for stakeholders within Community Futures Yellowhead East (CFYE) and Community Futures Lesser Slave Lake (CFLSL), with funding provided through the Rural Opportunities Fund. The challenges facing businesses in these regions have become especially pronounced in the context of the COVID-19 pandemic and the stress it has placed on businesses, households, and communities across Alberta. Furthermore, in line with the fundamental economic changes brought about by the COVID-19 pandemic, this funding has been leveraged to support business resilience, retention, and pivoting towards a successful transition into the post-pandemic period.

The information contained in this report has been developed by Ballad Group, a local consulting services and training provider with offices in Whitecourt, Grande Prairie, Edmonton and Calgary. Ballad conducted in-house research and direct outreach to businesses concerning: their immediate workforce needs; resources required for workforce and business development; and options for assisting their transition through the pandemic.

Our project team expresses gratitude for the support and cooperation of businesses based in the regions covered by this assessment. Their contributions have ensured – to the greatest extent possible – that this report reflects the most pressing needs and challenges facing businesses in these communities, while their valuable insights have shed light on the localized effects of the pandemic.

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[1] Municipalities covered by this assessment are based in the regions of Yellowhead East (Barrhead, Barrhead County, Fox Creek, Lac Ste Anne County, Mayerthorpe, Onoway, Swan Hills, Whitecourt, and Woodlands County) and Lesser Slave Lake (High Prairie, Slave Lake, and Wabasca).

EXECUTIVE SUMMARY

The economic spillovers from the COVID-19 pandemic remain evident as we move into its second year. The provincial government has by now introduced multiple rounds of public health measures, which include, among others: the closure of businesses in various sectors; reduced occupancy rates; and mandatory work-from-home orders. While there was optimism at earlier points in the pandemic as hospitalizations began to fall and some restrictions were eased, this has been replaced by renewed concerns over the spread of COVID-19 variants during Spring 2021 and the slower-than-expected rollout of vaccines.

The pandemic has produced widespread signs of stress in the business community (falling profitability, business closures, uptake of financial supports from government); while in the labour market, joblessness rates have risen and there are risks posed by falling participation and skills deterioration as unemployment spells lengthen. In the specific context of the Yellowhead East and Lesser Slave Lake regions, the challenges brought about by the pandemic follow successive years of reduced growth in line with the energy sector's performance and a slow diversification towards alternative sources of investment.

Ballad has spent the past number of months engaging with businesses and wider societal stakeholders in order to determine the pandemic's specific economic impacts across these regions. The main findings include:

- **Business profitability has fallen markedly**: Over two-thirds (65%) of businesses have seen revenues fall sharply as a result of the pandemic, particularly in consumer-facing sectors (accommodation and food services, personal services, retail). However, a small number of business did experience higher sales due largely to stable demand in some sectors and higher in-province spending.
- **Many businesses have been able to pivot**: This includes either developing new sectors and markets or ensuring continued survival through temporary layoffs and strict expenditure control. This has also provided businesses with greater resiliency to future lockdowns.
- **Cost pressures are rising; supply chain issues remain a challenge:** Around two-thirds (65%) of businesses have experienced cost rises due to the pandemic, while parts and tools continue to be difficult to source in construction, oil and

gas, agricultural industries. These challenges extend to specialist users of PPE (laboratories, pharmacies) also, while retailers face shortages for a range of products as some have experienced delays among wholesalers and hoarding among competitors.

- **There is optimism regarding future sales, but risks remain elevated:** Sales are expected to rebound from current low levels across a wide range of sectors. For many, however, a return towards pre-pandemic levels will take multiple years. In the interim, business risks are elevated with one-quarter (25%) of businesses describing the risk of their business closing or downsizing as 'moderate' or 'high', while several have already closed or are reopening in a more limited capacity.
- **Businesses' focus remains overwhelmingly on short-term priorities:** Many businesses remain focused on 'keeping the lights on' and simply making it through the pandemic, in whatever shape that may be. There has been correspondingly little attention paid to post-pandemic planning and strategizing, including how to repay debts accumulated. Correspondingly, just under one-half (46%) of businesses that have accessed publicly provided interest-free loans (through CEBA or RRRF) have plans in place for repayment.

Going forward, an effective strategic and coordinated response – both across the municipalities studied and with higher levels of government – would best place the regions' communities to overcome the pandemic's current challenges and likely legacies. A strategic response is set out over the course of this report, with recommendations that can be implemented in both:

- **The short-term:** Including direct responses to the pandemic which can involve both temporary and permanent solutions; and
- **The medium and long-term:** Including measures that are designed to respond to the post-pandemic period, ensuring that the region's labour market and business community are effectively placed to take advantage of economic recovery.

Debates on future viability are already taking place and garnering great attention. There are concerns among many communities that service levels are being continuously scaled-back as locally raised finances come under pressure, while grants provided by higher levels of government are expected to diminish as the province reins in its spending to address deficit levels in the coming years. Many of the longer-term recommendations provided here seek to address these challenges.

INTRODUCTION

The COVID-19 pandemic has produced significant economic spillovers for the global, national, and provincial economy:

- Economic activity declined sharply before undergoing an intermittent rebound;
- Large numbers of workers became unemployed or started working remotely;
- Public finances at all levels of government have become stretched as income supports and stimulus measures have been rolled out; and
- Some industries are likely to be restructured permanently, meaning that some businesses and positions may no longer exist in the post-pandemic environment.[2]

Communities across rural Alberta are exposed to these shifts also. Many businesses have faced mandated closures in line with multiple rounds of tightening provincial health restrictions, reduced occupancy rates, and elevated economic uncertainties. Furthermore, for many of the communities based in the regions of Yellowhead East and Lesser Slave Lake, the pandemic's economic effects follow an already-prolonged period of weakness due to the downturn in the energy sector. Many of these communities were already experiencing challenges, with unemployment rates above average and business activity facing successive years of weak demand. The pandemic exacerbated an already-difficult position, while many businesses had only limited means to manage the additional economic stress.

Although still surrounded by risks and uncertainties, the process of economic recovery has started. This recovery is facilitated by the rollout of vaccines which is expected to continue over the coming months. As the initial economic shocks subside and regional economies and labour markets continue to adjust, efforts will be needed to ensure that the pandemic's many legacies are successfully addressed, and that the regions are able to successfully pivot towards new sources of growth in the post-pandemic period.

The present report comes at an opportune moment as municipalities consider how best to overcome these challenges with respect to: (i) tackling the pandemic's near-term effects, including the strains being placed on local labour markets and business communities; and (ii) reassessing drivers of economic growth as economies transition into the post-pandemic environment. In the process, it is hoped our recommendations provide policymakers with tangible steps forward in dealing both with the pandemic and longer-term barriers to economic prosperity.

[2] The risks of permanent structural changes across industries are numerous and presented at later points of this report. In the specific context of the Yellowhead East and Lesser Slave Lake regions, these include: (i) changes to consumer habits and the implications for retail (continued shifts to online retailing), food services (cautious rebounds in consumption at restaurants and bars), and foreign travel-related businesses; (ii) structural changes to the oil and gas industry and debt accumulation among remaining participants; and (iii) further shifts towards automation and digitalization, and its implications for the workforce across multiple industries (e.g., manufacturing, transportation, agriculture)..

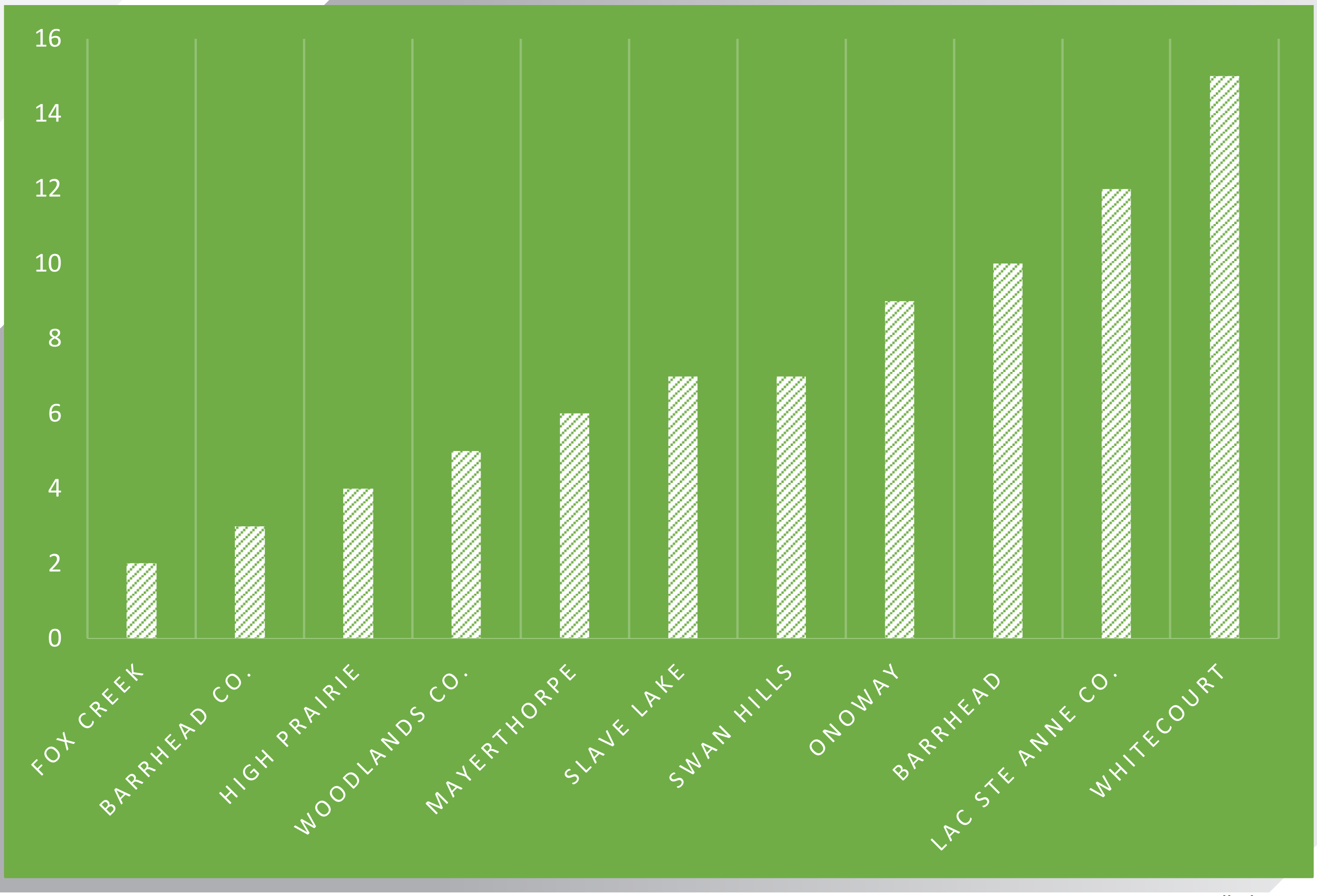
FINDINGS FROM ENGAGEMENT: IMPACTS ON BUSINESS

In order to determine the economic impacts in the specific context of the Yellowhead East and Lesser Slave Lake regions, Ballad carried out engagement with business owners and managers via one-on-one telephone interviews. The following findings reflect what we heard from businesses in relaying their experiences from the pandemic.

These interviews took place over a number of months from January to March, taking account of:

- Businesses' economic situation (sales, costs, etc.) after multiple rounds of provincial lockdowns;
- Businesses' expectations for recovery and risks posed by renewed restrictions; and
- Challenges facing businesses throughout the pandemic and remaining obstacles to be overcome in recovering towards pre-pandemic levels.

OVERVIEW OF MUNICIPALITIES INCLUDED IN ENGAGEMENT



Source: Ballad Group

Revenues have fallen sharply across most sectors

The COVID-19 pandemic has resulted in sharply falling sales and revenues across most businesses, reflecting:

i) Direct effects: multiple rounds of tightening public health restrictions resulted in workers being either temporarily furloughed or permanently laid off, while consumers were unable to access these services even as demand remained strong; and

ii) Indirect effects: in its early stages, the pandemic generated concerns over the state of the global economy and energy demand going forward, particularly as energy-intensive industries (e.g., airline transportation) were severely curtailed. These concerns prompted a sharp decline in energy prices. In the case of those municipalities that are highly dependent on oil and gas, these indirect effects are potentially as significant in explaining the economy's downturn during the course of 2020 and its prospects for recovery in future years.

The pandemic's effects have been significant: of the businesses interviewed as part of Ballad's engagement, almost two-thirds (65%) experienced a decrease in sales. In many cases, these amounted to extremely high losses, with many experiencing declines in excess of 50%.[3]

Common themes for businesses with declining sales:

- Consumer-facing sectors have been hit hard: Businesses interviewed from accommodation and foods services (motels, inns, cafes, etc.), personal services (hair and nail salons), and the retail sector have almost all experienced large declines in sales. The reasons for this include mandated shutdowns, reduced occupancy allowances, and very limited means to diversify away from in-person sales.
- Some, smaller retailers are facing competitiveness challenges: Many small retailers across the municipalities – albeit with some notable exceptions among businesses that service recreational activities (e.g., camping and hiking equipment) – have faced a more competitive environment due to consumer preferences shifting online and an inability to compete on cost with large stores.
- Oil and gas services businesses (and related sectors) continue to face challenges: The downturn in energy prices had initially curtailed activity in the sector, entailing widespread layoffs and decisions not to hire seasonal workers in the summer of 2020.
- Weaker demand has reduced advertising revenues also: Businesses that are dependent on advertising revenues (e.g., publications, newspapers, media) have seen a severe slump as businesses in their communities have struggled and consumers have become more cautious with spending, particularly as the pandemic continues to progress and renewed restrictions have been introduced.

As shown in Figure 8, there are a number of businesses that have experienced stable sales (19%), while others have actually seen increases (9%). These positive outcomes reflect:

- Greater in-province spending: Some businesses in recreational sectors (campgrounds, some retailers of niche products) have seen strong demand as restrictions on foreign travel have been introduced. Over the long term, however the positive growth benefits to these sectors are likely to diminish as foreign travel restrictions ease.
- Demand for construction has remained strong: Many in the sector have seen demand surge as more homeowners carry out renovations and upgrades on their properties, with this further driven by low borrowing costs. However, several interview participants noted that some slowdown is anticipated as financing costs are now starting to rise, while disposable income growth is slowing as income supports are unwound.
- Stable demand for essential services: This includes those businesses that were able to remain open throughout the course of the pandemic: grocery stores, pharmaceuticals suppliers, trades, legal services. The demand for goods and services of these businesses has remained strong.

[3] A small number of businesses experienced declines of 100%, with some of these businesses no longer operating by end-March 2021.

[4] Responses of 'not applicable' reflect a small number of businesses that opened during the pandemic or operated in non-profit sectors.

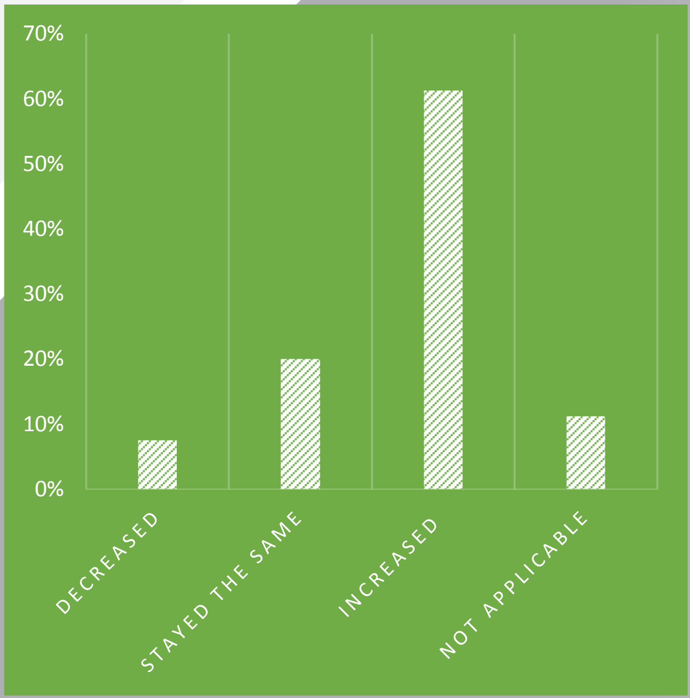
• Shifting towards alternative markets and sources of growth: Some trucking businesses that ordinarily rely on income from the oil and gas sector pivoted towards supplying aggregate or services to the forestry sector. In many cases this required additional spending (including leaning heavily on personal savings) in order to acquire new equipment.

In other sectors, businesses closed their in-person operations and shifted their attention towards exporting products to the US and further afield, shifting to online sales and delivery, and concentrating on products rather than services.

- Pre-standing contracts: Some businesses (e.g., construction, building maintenance, landscaping services) are hired on a multiannual contract basis, and their revenues have been insulated from the pandemic.

While pockets of success have been experienced by some businesses, for the vast majority the pandemic has created a period of unprecedented economic stress in which they are struggling to make it through. With the ongoing rise in new COVID-19 variant cases and the current pace of re-openings in Alberta, their concerns reflect the still-significant risks surrounding the outlook.

BUSINESSES' RESILIENCY TO COVID-19 CASES



Source: Ballad Group

Businesses have increased the resiliency of sales to new case rises

Many businesses have taken measures to insulate themselves from the pandemic, including through shifting to new markets and products. As shown in Figure 9 on the following page, a significant share (65%) of businesses now describe their sales as either 'somewhat resilient' or 'highly resilient' to rising COVID-19 cases and any potential lockdown this may prompt.

Based on Ballad's engagement with the business community, although financing issues and access to supports has clearly been a key factor in determining business survival up until this point of the pandemic, there is a key distinction to be made between: (i) 'proactive' business management which has sought out innovative means to overcome the pandemic through growth; and (ii) 'reactive' business management which has a more near-sighted lens and which appears heavily reliant on sources of public funding for ongoing operations.[5]

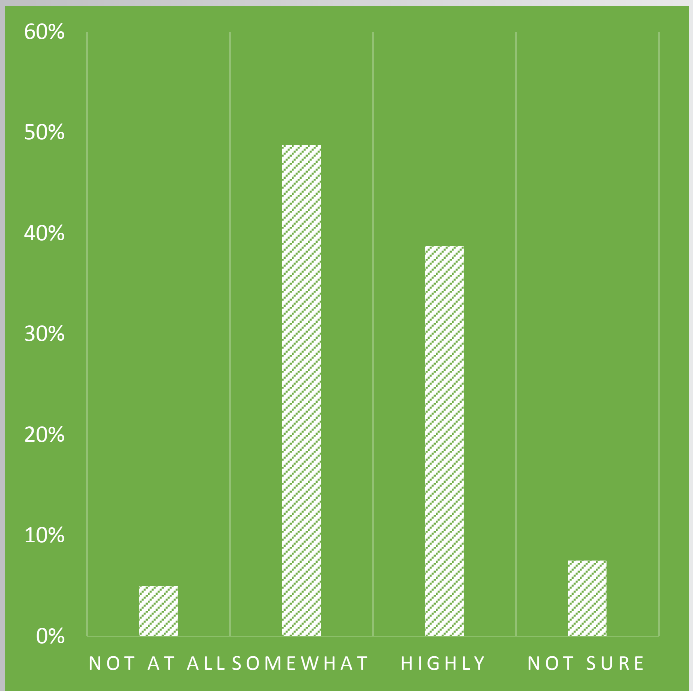
The most cited means through which have increased resiliency include:

- Temporary employee layoffs and reduced working hours for staff;
- Lengthening business operating hours to ensure continued activity while adhering to occupancy restrictions;
- Strict expenditure control, including through delaying investment;
- Shifting sales to online (in cases where it was feasible); and
- Repurposing equipment to pivot to alternative markets.

[5] By the same token, many participants noted that the failure of some businesses is not strictly related to the pandemic; rather, these businesses were set to close even in its absence, with the pandemic merely accelerating the process.

[6] Higher PPE costs have had an outsized effect on accommodation and food services businesses as many in these sectors had already been using high-grade disinfectants prior to the pandemic.

IMPACT OF COVID-19 ON BUSINESS COSTS



Source: Ballad Group

Despite this success, however, over one-third (35%) view their sales as not at all resilient to renewed lockdowns. These businesses are largely those that have already struggled to this point of the pandemic and have only limited options for diversification. This includes accommodation and food services, publishing companies (due to continued weakness of advertising revenue), personal services, and some retailers.

Profitability has suffered from rising cost pressures

Businesses have experienced cost increases due to the pandemic, with these rising cost pressures seen almost universally across industries. Prices range from relatively modest (0-5%) to much more significant (in excess of 25%), and reflect several factors, including:

- **Higher spending on Personal Protective Equipment (PPE):** Unsurprisingly, cost pressures on PPE and related materials to ensure compliance with public health guidelines have increased.[6] Some heavier users of these materials (healthcare, pharmacies, laboratories, accommodation services) noted that these make up a significant share of their costs, while shortages have emerged for some products (e.g., latex gloves) as they compete with public agencies (e.g., hospitals) for supplies.
- **Raw materials:** Many businesses in the construction industry and suppliers of industrial goods noted that raw materials costs have risen exponentially, particularly for lumber and aluminium. Record high prices are in part driven by an ongoing construction boom in the US and upward pressures are expected to be sustained in the near term.
- **Wholesalers in some retail sectors have raised margins:** Many businesses in consumer retail (electronics, florists, etc.) noted that supplier relationships have become much more challenging over recent months. This reflects higher costs and margins, as well as greater delays in delivery.
- **Higher costs due to occupancy ratios:** For businesses facing relatively high fixed costs and with a model that is dependent on customer turnover, mandated lower occupancy rates and higher staff-to-customer ratios have significantly increased the cost per customer served. Reduced profit margins due to these effects are most evident in accommodations and food services, as well as other in-person services.
- **Freight and transportation:** High transportation and delivery costs have posed particular challenges to retailers seeking to shift online, with larger online competitors and big box retailers able to offer much lower prices and promotional discounts.

Taking all of these factors together, as shown in Figure 10, over two-thirds (67%) of businesses have experience higher costs as a result of the pandemic.

[7] There are perceptions also that this hoarding and priority supplying is taking place among larger competitors and big box stores.

[8] In such businesses with high fixed costs but low marginal costs, the current pandemic has posed significant challenges; profitability will only return once demand has reached a minimum level.

Supply chain issues are still present

In addition to the higher costs of materials, businesses continue to contend with supply chain issues. It had initially been anticipated that most supply chains would have fully adjusted by this stage of the pandemic. However, severe shortages and delays are still present – and in some cases are worsening – in many sectors:

- **Construction, oil and gas extraction, agriculture:** A large number of businesses in these sectors underlined the difficulties of securing parts and tools, pointing to much slower manufacturing output from the US. Surprisingly, many interview participants expected this situation to worsen further in 2021 due to order backlogs and expectations for manufacturing output to rebound gradually. Concerns over US (and eastern Canada) manufacturing output are added to further by concerns over trade policy shifts and potential disruption with China in the post-pandemic period.
- **Retailers:** Many retailers have pointed to difficulties in securing products from suppliers, with particular shortages for promotional materials and discount items; while restocking for electrical items and appliances has been challenging amid hoarding by competitors.[7] There are also continued shortages for some products such as certain categories of pharmaceuticals or tires for the automotive sector.
- **Specialist users of PPE:** Some PPE items (e.g., surgical gloves) remain in short supply given large demand and bulk orders from government bodies. This continues to affect privately-run businesses which need access to this equipment – such as laboratories and pharmacies – many of which have already invested significant amounts into specialized equipment which cannot be safely used and maintained without these supplies.

These supply chain issues and other factors (e.g., labour constraints) are affecting businesses ability to respond to orders. As shown in Figure 11, over half of businesses (53%) considered themselves as either 'not at all responsive' or 'somewhat responsive' to an unexpected increase in demand. This can largely be explained by a combination of:

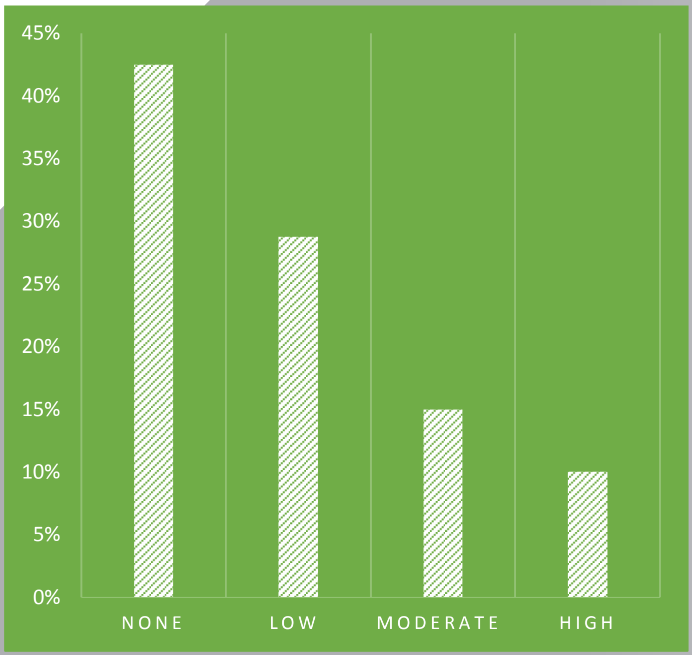
1) Supply chain issues outlined above, with these slowing down work significantly;
2) Earlier employee layoffs that have weakened capacity to respond rapidly; and
3) Specifically for those businesses that have made it through the pandemic successfully so far, there are already capacity constraints that would require greater investment and labour.

For the remaining half (47%) of businesses which are 'highly responsive' to an increase in demand, this can be explained by high levels of idle equipment and excess capacity. For example, many businesses have fixed costs that remain in place irrespective of demand, while sole proprietor businesses that are currently not busy can rapidly respond to new opportunities.[8] This points to still-significant excess capacity in many parts of the economy at present, most notably in: accommodation and food services;

[9] UNCTAD (2020) found that over 50% of consumers had made at least one online purchase every two months in a broad range of sectors, including cosmetics and personal care, digital entertainment agri-food and beverages, fashion and accessories, pharmaceutical and healthcare, and media and books. Furthermore, Selligent (2020) found that 36% of consumers now shop online weekly.

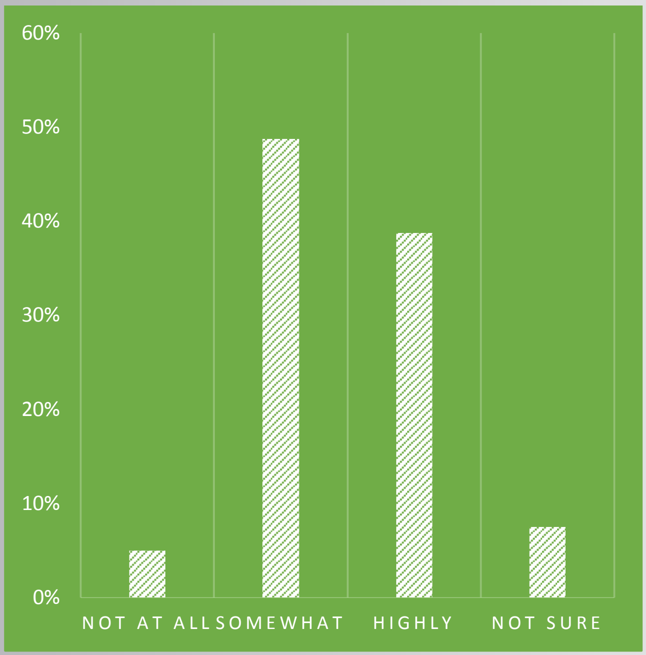
[10] Some noted that the effects of higher competition from large, out-of-region businesses was already present. Large-scale businesses with idle equipment and workforces have found opportunities in smaller markets that they would not target in normal economic circumstances. In some cases, these competition effects have been exacerbated by policies which favour larger scale businesses (e.g., local pharmacies versus chains).

IMPACT OF COVID-19 ON BUSINESS COSTS



Source: Ballad Group

BUSINESSES' EXPECTATIONS FOR FUTURE SALES



Source: Ballad Group

oil and gas services; personal services; and some sole proprietors in the construction industry.

Optimism regarding prospects for recovery going forward

There is significant uncertainty among business owners as to when sales will recover towards pre-pandemic levels, with many not able to provide any concrete forecasts for growth in the near term. As such, the current mood can best be described as 'cautious optimism', with half (50%) of businesses expecting sales to increase over the coming year (Figure 11). However, in many cases, this increase is coming from an extremely low base, and it could take several years in order to recover to pre-pandemic levels, if at all.

In consumer-facing industries, a recovery is almost entirely dependent on the public health situation and the removal of restrictions. If the pandemic subsides in line with vaccine rollouts, rebound is likely to progress rapidly in sectors such as personal services (hair salons, etc.), bars and restaurants, and retail.

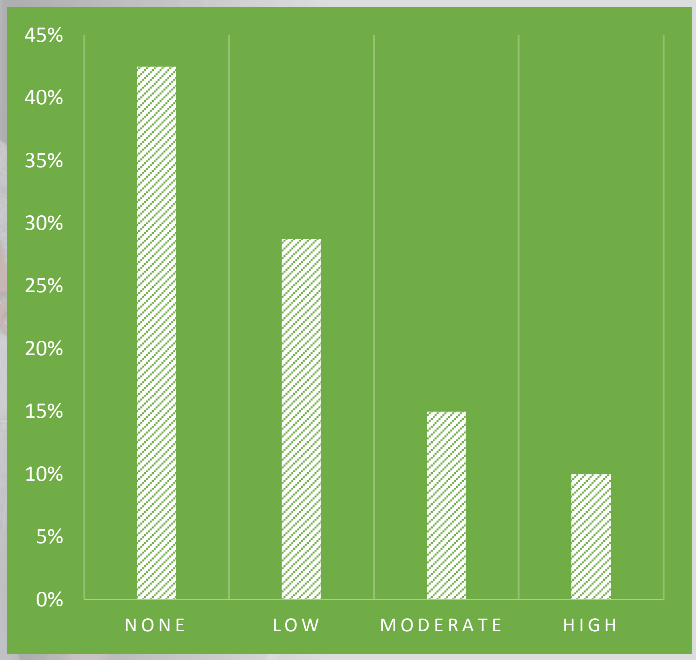
However, it is expected that some pre-pandemic consumer behaviours will take more time to return, with a portion of the population likely to remain cautious in returning to large indoor gatherings and other such activities. Furthermore, some consumer preferences have likely shifted permanently: just as the future of the labour market will be comprised of a mixture of remote and on-site work, online sales are expected to form an even greater part of consumer retail shopping backet going forward. As an illustration of this point, e-commerce as a whole is expected to have grown by 20% in 2020 alone (IBM, 2020), while a wide range of indicators suggest that consumer preferences will continue to shift in this direction.[9]

In other sectors such as oil and gas extraction, the prospect of recovering oil and gas prices will drive greater revenues, with this in turn supporting auxiliary industries. Oil prices have remained strong in recent months in line with improving optimism for global growth, falling crude oil inventories, and expectations of a more stringent regulatory environment in the US that will curb investment in the sector.

Among those businesses that are expecting sales to decrease (10%), some of this is related to demand falling as the province opens up to international travel (affecting in-province recreational spending); falling construction spending as current levels of demand are unlikely to be sustained; and leakage due to higher competition from out-of-region competitors.[10]

[11] In addition, some businesses were regional affiliates of large corporations whose funding decisions are made at the level of Head Office.

RISK OF BUSINESS CLOSURE/DOWNSIZING



Source: Ballad Group

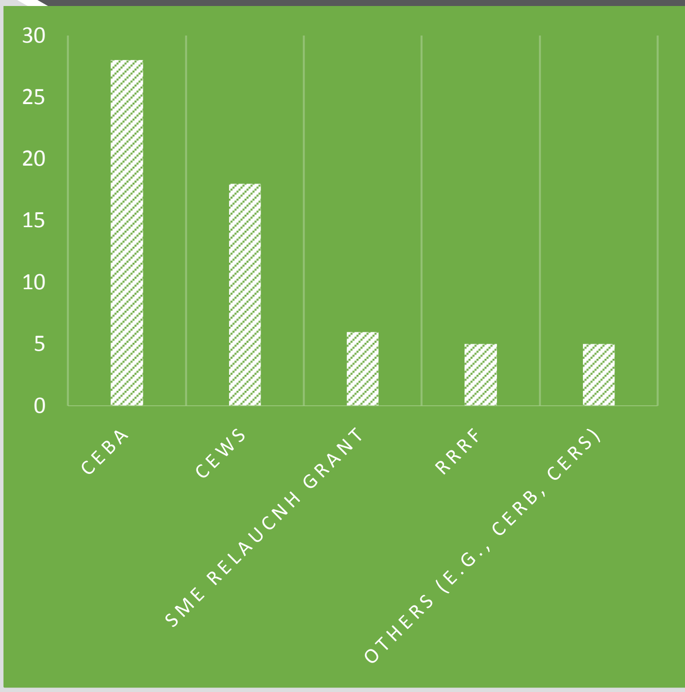
Risks of business closures remain elevated

Despite the optimism outlined above, many businesses are struggling to survive and are focusing their efforts towards 'keeping the lights on'. Furthermore, it should be noted that two businesses had already closed by the time interviews were carried out, while another two had already taken the decision to downsize. As shown in Figure 13 on the following page, of the remaining businesses, about one-quarter identified the risks of their business closing or downsizing as either moderate (15%) or high (10%).

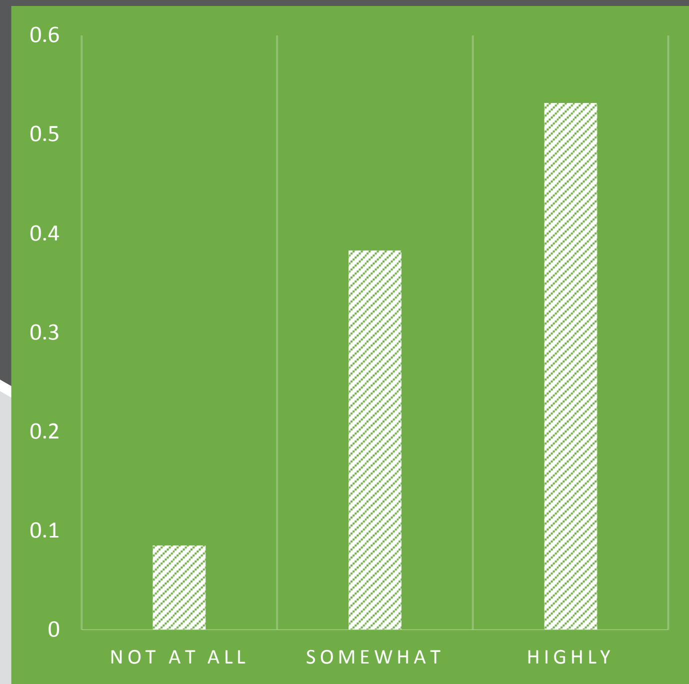
The risks can largely be explained by:

- **Prolonged period of weakness:** For many the pandemic added another shock that is proving difficult to overcome, and many are currently teetering on the edge of closure. Among some businesses, decisions have already been made not to reopen certain services (e.g., hotel bars) even after the pandemic concludes.
- **Leverage and financial vulnerabilities:** In terms of business viability, there is a marked difference between those businesses with elevated liabilities (mortgages, loans, leases) and those which own their assets outright. For number of businesses that describe their risks as low, many attribute this to not having rent payments to meet every month; while for those businesses facing pressures, cash flow is being used to meet debt servicing costs rather than being available for pivoting to new markets or sources of growth.
- **Policy shifts that reduce profitability:** Some businesses' risks are related primarily to shifting policies:
  1) Oil and gas companies face continued challenges to adapt due to increasing support for renewables and net zero emissions;
  2) Laboratories and pharmacies, having already invested significantly into specialized equipment in anticipation of publicly procured services (COVID-19 testing, vaccinations), now face funding challenges as policy has prioritized other providers; and
  3) Some safety companies (e.g., forest fire mitigation) will experience lower revenues due to forthcoming funding reforms at the provincial level.

[12] Among some businesses that have used the funding but are still planning to repay early, some noted that they can lean on other sources of finance (e.g., lines of credit) in order to repay the CEBA loan and still profit from the cash transfer.



Source: Ballad Group



Source: Ballad Group

Public funding supports have been essential to business survival

A large number of businesses have not accessed public supports due to not meeting eligibility requirements. For many, this is because sales and profitability had not fallen sufficiently and so they did not require these supports. [11]

However, there were a number of cases in which supports were needed but not accessed due to:

1) Not having the required structures in place (e.g., having a payroll in place prior to the pandemic);
2) Lack of awareness of the financial supports offered by funders such as Community Futures or the provincial government; or
3) Not viewing the supports as necessary given the tax burden they create.

Among those businesses that did access supports (Figure 14), the most frequently accessed was the federal government-funded Canada Emergency Business Account (CEBA) loan and the Canada Emergency Wage Subsidy (CEWS), followed by the SME relaunch grant, funding from Community Futures' RRRF, and the Canada Emergency Rent Subsidy (CERS).

As shown in Figure 15, Almost half of businesses (48%) considered these supports as highly effective, with this funding essentially ensuring business survival throughout the most acute phase of the pandemic. Several noted that their business would not have made through without these supports, while others pointed especially to the CEWS and its prevention of more widespread layoffs.

In the case of those businesses that closed, much of this can be explained by their more limited access to supports due to not meeting eligibility criteria. As the risks of future lockdowns grow, many businesses signalled their continued interested in accessing supports going forward and are actively exploring options for retroactively applying for those that they qualify for.

Some 39% described these funding supports as only somewhat effective, pointing to deficiencies in terms of:

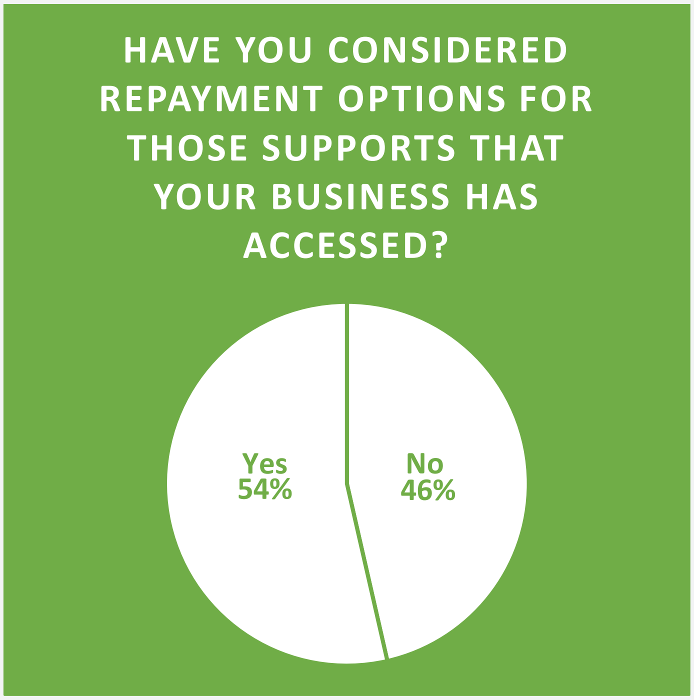
- **Insufficient targeting:** Some businesses noted that, despite their severe cash flow challenges, the eligibility criteria essentially excluded them from accessing funding, requiring them to spend additional time and resources accessing funding via other means (e.g., Community Future's RRRF).

- **Complicated applications process:** Some business signalled that those supports that they continue to access on an ongoing basis (e.g., CEWS) have grown in complexity and incur more compliance costs. One business in particular noted the need for an accountancy professional in order to determine their continued eligibility for CEWS, with this cost reducing the net benefit of the program substantially.
- **Slow rollout and limited information:** This was a concern raised by some of those who accessed the federal and provincial government supports, with the lead time between application and funding being excessive. In addition, the application process is found to be difficult to navigate at times and with only limited administrative and informational support for business owners.
- **Limited uptake of non-financial supports:** Some businesses recognized this funding as a stop gap measure. However, they argued that businesses require economic opportunities rather than loans that add further to already-weak balance sheets. As a result, business owners expressed a desire for greater focus on non-financial measures that would provide opportunities in the long term. This can include measures in the form of grants earmarked for specific activities such as marketing, export development, mentoring and training, or investment incentives that present businesses with opportunities for growth over the longer-term.
- **Future obligations that will have to be paid:** Many businesses pointed to the tax burden that such supports will ultimately create in the future. As a result, the provision of loans – even if interest-free – will prompt a double burden on businesses through: (i) the repayment of the loan; and (ii) higher tax rates in the future to fund defaults and the early repayment incentives.

For many, repayment plans have not yet been considered

Beyond these efficacy concerns, some businesses noted that the structure of the CEBA funding creates adverse incentives. Some business owners did apply for the funding but have not yet spent it and are planning on early repayment in order to benefit from this incentive.

BUSINESS REPAYMENT PLANS



Source: Ballad Group

Among those businesses that have used the funding towards meeting their expenses, their repayment plans are divided into two groups (Figure 16):

1) **Low risk (54%):** those who anticipate repayment on time given their current revenue projections and other sources of finance.[12]
2) **Moderate-to-high risk (46%):** those who have not given any thought to future repayment as their current challenges do not allow for longer-term planning.

It is important not to overstate the scale of the challenges facing these businesses as they seek to rebound into the post-pandemic period. Businesses still have until the end of 2022 to repay early, and after this point loans will transition to a 3-year term loan with a 5% fixed interest rate per year.

It is important that businesses consider a repayment plan at the earliest possible stage, while there are risks that high post-pandemic debt levels will weigh on businesses' abilities to invest and grow.

The process of deleveraging among businesses in the private sector is likely to be accompanied by similar

efforts across all levels of government as pandemic-related supports are unwound. This risks undermining economic recovery, and efforts should be made to ensure that high debt levels are successfully reduced so that resources are freed up to allow businesses to focus on growth rather than purely survival.

Near-term priorities outweigh longer-term concerns

- New export markets, including through greater emphasis on online sales;
- Repurposing idle equipment (e.g., laboratories) towards new uses; and,
- New product sales which hadn't taken place prior to the pandemic.

At the current juncture in which the post-pandemic period is by now within view, it seems possible that the business community in the Yellowhead East and Lesser Slave Lake regions will become increasingly split into two camps:

1) **Those with the capacity to transition into the post-pandemic environment:** This group includes those businesses which have experienced broadly stable demand, or which have pivoted into alternative sectors. As a result, their liabilities and debt levels remain manageable, and their future sales prospects are broadly positive, meaning that they can increasingly focus on strategic issues such as finding the right skills in their local labour market or collaborating with others to address common issues facing businesses in their municipalities.
2) **Those that will continue to struggle in the near term:** In this group, businesses have already come through a severe period of contraction and have only limited prospects for recovery, at least in the near term. Their focus will largely be on maintaining their current operations and trying to reduce debt levels until economic recovery raises growth prospects sufficiently.

SUPPORTING BUSINESS THROUGH THE PANDEMIC

As shown earlier, many businesses continue to depend on short-term public funding to sustain operations through the pandemic. Looking forward, it will be important for businesses to plan for:

(i) Short-term effects: Following a sharp contraction in 2020, growth is expected to rebound in the near-term, underpinning at least some improvement in business balance sheets and the labour market; and

(ii) Medium- and long-term effects: The pandemic is anticipated to have significant economic consequences in the medium and long-term, including:

a. The destruction of demand in some industries that may never be recovered;

b. A further shift towards new technologies and automation (displacing low-skilled labour in the process); and

c. Potentially weaker growth due to accumulated debt levels.

Based on this distinction, recommendations for supports and strategic responses can be divided into those that will ensure business survival until demand is strong enough to support businesses, and those that address pre-existing challenges (e.g., high unemployment, limited diversification, weak infrastructure in some cases) and the pandemic's legacies.

Addressing the Pandemic's Near-term Challenges

Policymakers' efforts have been directed to financial supports, with these being expanded further as case numbers have increased (e.g., the $20,000 CEBA loan and RRRF loan top-up payment, or the additional $15,000 payment provided by the provincial SME relaunch grant). These measures will remain an important component of the pandemic response going forward, although focus will have to shift towards non-financial supports where possible.

At the level of the municipalities across Yellowhead East and Lesser Slave Lake, there are many financial (depending on the available fiscal space) and non-financial measures that can be adopted in the near term that would support the sustainability of its business sector.

Supports to business cash flow[13]

Strategic responses to the pandemic at the municipal level would be appropriately directed towards supporting business cash flow through a number of measures that municipalities can rapidly implement. Although these measures involve a financial cost, many would only be temporary, ensuring that businesses based in the community are given the best chance at survival through the pandemic.

[13] Given the specific objective of these measures to support cash flow in the private sector, many will necessarily entail fiscal costs for the municipality either in terms of additional spending or foregone revenues.

MEASURES TO SUPPORT BUSINESS CASH FLOW

CATEGORY	RECOMMENDATIONS	
1. Supporting cash flow	1.1	If fiscal space allows, provide microgrants to businesses meeting certain thresholds[14]
	1.2	Temporary reduction or elimination of permitting and licensing fees (until at least end-2021 or longer).
	1.3	Temporary deferrals or forgiveness of non-residential property taxes for 2021.
	1.4	Temporary reductions in residential and non-residential property taxes for 2021.
	1.5	Elimination of late-payment fees and introduction of an instalment payment plan for non-residential property taxes.
	1.6	Introduction of grant and tax incentives for new developments and business expansion.
	1.7	Commitment to a pause on any potential tax or fee increases until the economic effects of the pandemic subside (e.g., 2023).
	1.8	Provide financial assistance to businesses needing accountancy or legal services in order to access public funding supports

Supporting business operations

Beyond direct financial supports, the regions' municipalities can take significant and relatively low-cost steps to improve the business sentiment via reduced regulation and lower compliance costs. Strategies can include the streamlining of permitting and development processes, as well as a broader outreach to the business community to hear regular feedback on current challenges and emerging regulatory bottlenecks. Furthermore, as focus begins to shift from near-term survival to a more comprehensive assessment of the post-pandemic economic landscape, businesses will likely require significant support (through workshops, information sessions, mentoring) in understanding what this landscape looks like and how best to position themselves to take advantage of emergent opportunities.

MEASURES TO SUPPORT BUSINESS OPERATIONS

CATEGORY	RECOMMENDATIONS	
2. Supporting business operations	2.1	Provide sector-specific workshops and information sessions in order to inform business of structural changes and emerging opportunities in their industries.
	2.2	Collaborate with regional partners (including GROWTH Alberta, Community Futures etc.) to provide financial workshops for businesses to consider post-pandemic balance sheets and debt reduction strategies.[15]

[14] These have been implemented on a small scale (in the region of CAD 1,000) already in other municipalities across Canada and would provide a modest cash flow boost to businesses in targeted struggling sectors.

[15] A set of potential collaborative partners includes: Business Link; Community. Futures; Growth Alberta; EDA Alberta; Economic Developers Association of Canada (EDAC); local Chambers of Commerce.

	2.3	Begin an outreach campaign for businesses that have accessed CEBA or RRRF interest-free loans, with a view to providing information on: a) Company-specific repayment plans and the assistance that Community Futures can provide; b) Implications for businesses who have not spent their funding in accordance with the program's rules
	2.4	In conjunction with the CRA and other public agencies, develop an information brochure for businesses regarding the tax implications of early repayment of CEBA and RRRF funding.
	2.5	In conjunction with the relevant public agencies, begin drafting a communication package which outlines the implications of non-repayment of CEBA and RRRF funding for business owners facing financial difficulties.
	2.6	Establish municipal task forces on business regulation comprised of staff and council members, local businesses, and interested members of the general public.
	2.7	Initiate briefing sessions for municipal leaders by business owners or industry (representatives) on issues of economic development.

Other short-term initiatives to support businesses

Some sectors (e.g., food and beverage services, personal services, retail) would significantly benefit from the rapid injection of cash flow through gift card programs and other initiatives, underpinning broader goals to support 'buy local' campaigns.

OTHER INITIATIVES TO SUPPORT LOCAL BUSINESSES ACROSS THE MUNICIPALITIES

CATEGORY	RECOMMENDATIONS	
3. Other initiatives	3.1	Support an ongoing buy local/support small businesses campaign. This initiative could include incentives for residents across municipalities to shop locally, but should also include efforts from municipal leaders and administrators to ensure local procurement options are prioritized where possible.
	3.2	Include gift cards for local businesses in marketing resources used for attracting potential investors and workers.
	3.3	Develop a joint workspace for shared services (e.g., curbside pickup) across retail businesses that allows them to compete with lower-cost online retailers.
	3.4	Launch a consultation with local communities to examine potential markets (other than agri-foods) that would further support a buy 'local campaign'.

THE PANDEMIC'S LEGACIES AND LONG-TERM CHALLENGES

In addition to COVID-19's near term economic impacts – which are important in their own right and must be overcome – the pandemic has also shed light on pre-existing difficulties, as well as identifying deficiencies that are now weighing on growth and business performance.

Challenges to shifting online and rising competition

Businesses have – to the greatest extent possible – been attempting to diversify and find new markets in response to the pandemic, with many stating that they would not have survived to date without pivoting. Nonetheless, a significant number underlined the challenges which they face in shifting towards online sales, even with the imperatives posed by rising competition and leakage to online retailers and big box stores.

Very few of the businesses surveyed have a significant online presence, with this limited to a contact point in most cases. For some, limited online presence reflects the fact the service delivery and point of sale must take place in person (e.g., oil and gas services, construction, legal services, pharmaceuticals, automotive services), and so digital demand among these businesses is weak and there is only limited means for an upturn in the use of online sales in the near term.

In other cases, however, a small number of businesses (around 5) have moved some of their sales online and are dedicating continued attention to this avenue, while even more have shifted to curbside pickup where possible.[16] These businesses are expressing interest but also barriers, including:

- Uncertainty regarding the best platforms to use and how best to build eCommerce sales
- Weak websites and limited usefulness for generating sales
- Limited time, resources, and technical know-how to improve their websites
- Competitiveness issues related to delivery costs
- Few effective advertising alternatives to Facebook and Instagram
- Business are often solely reliant on returning customers and word of mouth for sales
- Restrictions in place due to supplier relationships and legal standards (e.g. pharmaceuticals)

Proactive vs. reactive business management

Among those businesses that are placing greater emphasis on online sales since the pandemic, there is recognition that failing to do so would limit their prospects for future survival. Thus, the current environment has generated the necessary momentum needed to find innovative sources of new growth.

In others, however, even those with the capacity to shift online, some of the barriers highlighted above are considered particularly daunting. These issues are exacerbated further by the difficulties posed by low economic demand and the limited means they have to increase sales in this context, especially given their current funding constraints. This has placed them in somewhat of a Catch-22: without greater investment in marketing and advertising budgets – include in their online presence – they cannot generate higher sales; but without higher sales they cannot increase their marketing budgets.

Lack of strategic economic planning and local economic opportunities

Businesses across both regions pointed to the need for greater economic and development planning at the municipal and regional level. Such planning is vitally important to proactively respond to policy shifts taking place at higher levels of government – federal and provincial policies will play a pivotal role in determining the trajectory of growth in these regions., both in terms of the composition of the post-pandemic economy and labour market, as well as the oil and gas sector and shifts to renewables.

Of particular concern, several interview participants expressed a perceived lack of representation from their local provincial and federal representatives, while government policies are not reflective of expertise in some sectors. These challenges are especially pronounced in municipalities that are facing severe structural adjustments to a post-oil patch economy (Fox Creek, Swan Hills, and Woodlands County), with pressures already emerging in terms of economic, environmental, and personnel concerns.

Elsewhere, participants noted that local public procurement initiatives are not sufficiently advertised and promoted to the local population and business community, meaning that this spending leaves the community.

Rising long-term unemployment

It is anticipated that the pandemic will leave lasting marks on the region's labour market, adding to challenges that were already in place prior to the onset of the pandemic.[17] The pandemic's legacies and longer-term risks must be effectively mitigated, with the most prominent being the risk of long-term unemployment and increasing detachment from the labour market. There has been a large increase in the unemployment rate in 2020, and it is expected to remain elevated in the near term, while unemployment durations are likely to lengthen.

The newly unemployed (i.e., since the onset of the pandemic) and those who were previously in long-term unemployment are facing uncertain prospects for recovery. Skills may atrophy, participation rates may decline further, and individuals may struggle to regain consistent long-term employment in the absence of regular engagement and job search supports. The participation rate in the broader Economic Region (69.8% in December 2020) is around 3% lower than in the pre-pandemic period, signalling that some of these adverse labour market effects may be present already.[18]

Previous labour market shocks have resulted in increases in unemployment duration that have only fallen gradually. In the case of Yellowhed East and Lesser Slave Lake regions, there is a risk that the rise in long-term unemployment will be persistent, which risks workers becoming increasingly discouraged from searching for work.

Skills attraction, retention, education & training landscape

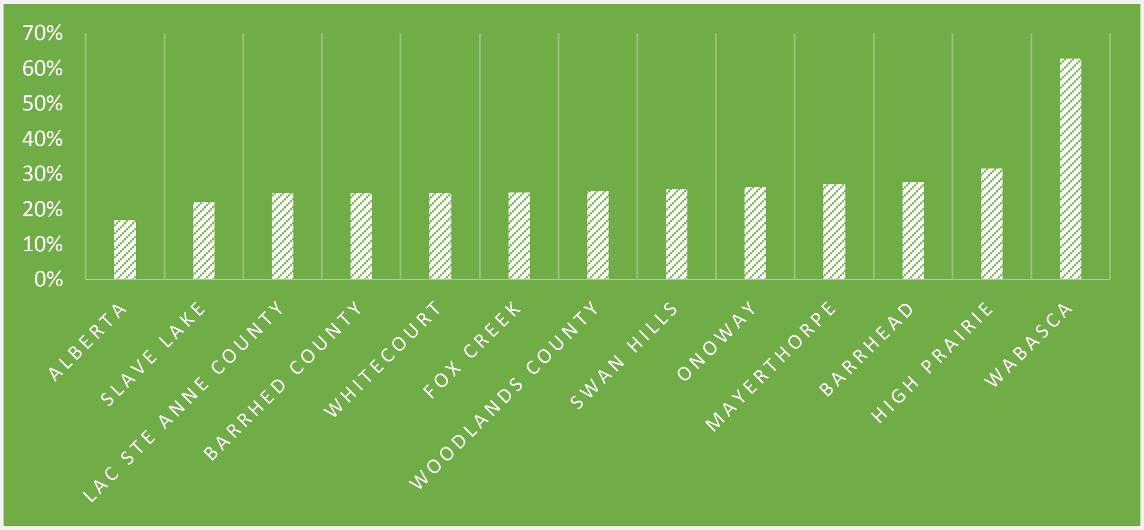
Due to the downturn in the oil and gas sector, the region is expected to have seen a steady drain of skills and expertise from the region, with the pandemic accelerating the outflow among some employers. Previous engagement in nearby regions pointed to such effects, with employers noting that many of their most skilled and experienced colleagues have left due to weak demand, falling wages, and limited employment opportunities in the region. In view of the supply constraints related to the local labour market, a combination of responses is required, with a focus on developing new workforce training opportunities focused on local youth and unemployed individuals who call the region their home, combined with initiatives to source skills from outside the region.

The pandemic is expected to have exacerbated these skills shortages and further increased the need for targeted responses. Constraints on skilled labour supply are expected to be shown through formal education levels, which in the regions analyzed are somewhat lower that the provincial average. For example, the percentage of the population which has no formal diploma (Figure 17) is just under 17% in the province, while this figure rises to between 22% and 32% for the

[17] These challenges include the high unemployment rate in some areas (see Section 2) and the outward flow of labour and skills from the region from 2015 onwards.

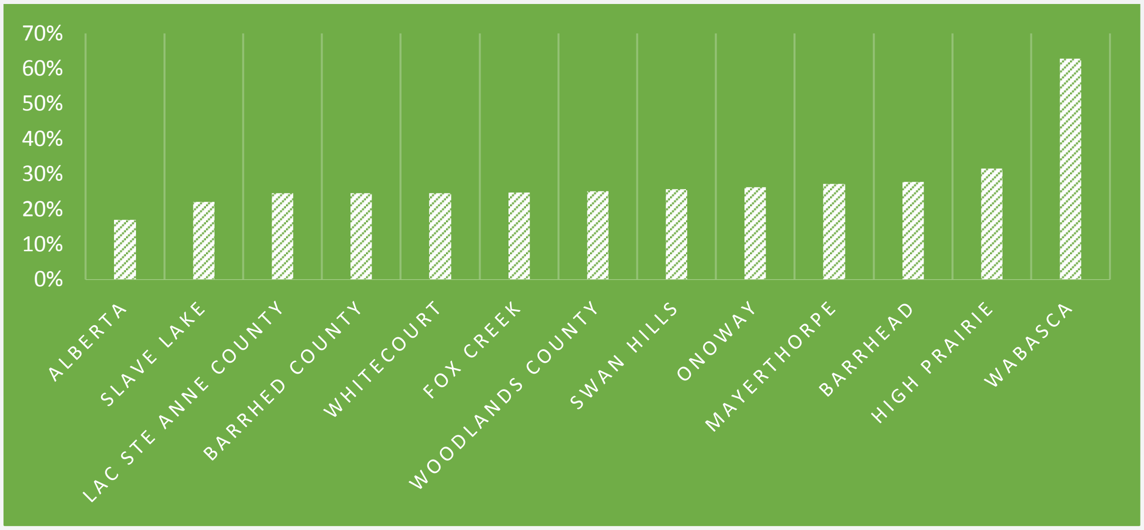
[18] For labour market purposes, the broader economic region is defined as Banff-Jasper-Rocky Mountain House-Athabasca-Grande Prairie-Peace River.

PER CENTAGE OF POPULATION WITH NO CERTIFICATE, DEGREE, OR DIPLOMA



Source: Statistics Canada (Census 2016)

PER CENTAGE OF APPRENTICESHIP OR TRADES CERTIFICATE (AS HIGHEST EDUCATION)



Source: Statistics Canada (Census 2016)

municipalities studied here.[19]

As the regions look towards generating strong and sustainable growth in the long-term, the skills deficit at the upper end may hamper the economy's transition to a post-pandemic growth trajectory that is based on emergent industries. Going forward, emerging opportunities in renewable energy and future-fit hydrocarbons (including geothermal, hydrogen, and petro-chemicals), agriculture, and tourism require a pivot towards skills development in these areas also.

To support this pivot, greater engagement with area high-schools, Post-Secondary Institutions, adult learning providers, Indigenous communities and other regional partners can be leveraged to focus on the development of local training opportunities to improve recruitment and retention.

Significant efforts may need to be made in order to address these deficits, including:

- Engagement with post-secondary institutions to secure education programs that can be offered in specific municipalities; and
- Pursuing a consortium model with other municipalities to pool resources and secure sufficient student numbers, creating a more compelling case to attract post-secondary institution involvement.

[19] In the case of Wabasca, this rises to an even more striking 63%.

MEASURES TO FACILITATE BUSINESS RETENTION IN YELLOWHEAD EAST AND LESSER SLAVE LAKE

CATEGORY	RECOMMENDATIONS	
4. Online retailing and generating sales	4.1	Provide workshops and training for businesses seeking to sell online
	4.2	Encourage the development of a shared business resource for offering curbside pickup and lowering delivery costs
	4.3	Provide funding grants for businesses to engage web designers and other professionals to assist with building online capabilities
	4.4	Provide a grant for marketing expenses to assist with sales generation
	4.5	Partner businesses with their local municipalities and Chambers of Commerce in order to promote their content, products, and services online
5. Integration with local public procurement	5.1	Launch Business Support Network on public procurement
	5.2	Provide workshops to regional businesses that assist with accessing local and provincial RFPs
6. Short-term labour market priorities and skills development	6.1	Launch regular engagement with the long-term unemployed through job search assistance and skills gaps identification across each municipality.
	6.2	Explore the potential for launching a regional Job Fair, including in a virtual format.
	6.3	Explore potential collaboration opportunities to attract PSIs and specific training and education sources to each of the regions
	6.4	Explore opportunities to encourage students across PSIs and local high schools to undertake placements, internships, and work experience programs (including the Registered Apprenticeship Program) in the regions
	6.5	Engage with local, large employers to launch demand-led small-scale training programs to upskill current workers and the unemployed.
	6.6	Advocate with other municipalities for reforms to further education and training funding to gain more autonomy over spending (i.e., away from the regional stewardship model).
	6.7	Develop a joint strategy with local indigenous groups to boost employment and training outcomes.
	6.8	Establish local labour force development offices (or a combined regional office) which takes a municipal-specific and regional approach towards labour market development.
	6.9	Provide local grants for community development, labour market upskilling, engagement with the long-term unemployed

	6.10	Attract more PSIs into the region, including through offering work-force training and placements in the local communities
	6.11	Consider the development of a labour force skills and needs assessment the covers the regions' municipalities, with this contributing to the development of a longer-term strategy for developing post-secondary training.

MUNICIPAL-SPECIFIC RECOMMENDATIONS FOR STRONG AND SUSTAINABLE GROWTH

Both regions benefit from a number of significant advantages, including:

- Natural resources and highly sophisticated primary industries in oil and gas, and lumber production;
- A strong agriculture sector and high value-added agri-food manufacturing;
- Available development land and serviceable lots;
- Pro-industry policy stances across many of the municipalities;
- Proximity to large urban markets; and
- Untapped tourism opportunities.

Each of the above contributes to strong foundations for attracting investment and supporting long-term growth, as well as providing the framework conditions for supporting the regions' municipalities in their shift towards new drivers of growth in the future.

This includes taking advantage of shifts in energy policies, with extensive local expertise in oil and gas extraction potentially shifting towards innovative industries in:

- **Energy:** Hydrogen, geothermal, natural gas and other sources of energy
- **Extraction:** Of substances from brine (lithium, boron, magnesium)
- **Food security:** Including through innovative greenhouses, agricultural crops and linkages with local indigenous groups
- **Tourism:** The region benefits from an exceptional offering of natural resource resources, and there are ample opportunities to potentially cooperate with other municipalities and groups (including, indigenous) to attract high value-added tourism.

BARRIERS TO GROWTH IDENTIFIED BY BUSINESS

Beyond the near-term effects of the COVID-19 pandemic and measures businesses are taking to adjust, Ballad received feedback on business owners' views regarding the performance of municipalities in the region. Businesses have underlined that, while direct cash flow supports (grants, interest-free loans, tax payment deferrals) have proven fundamental to survival, greater efforts are needed regarding non-financial supports.

Common themes across municipalities

There are common themes which have emerged out of feedback from businesses across the region, including:

- The need to lower the tax burden for the duration of the pandemic and beyond.
- In those municipalities which haven't already done so, eliminating business license fees and other similar charges
- Encourage more local shopping/procurement and promote local businesses
- Greater educational and resource support for business marketing
- Greater educational and resource support for shifting to online sales
- Infrastructure complaints and the need to support broadband access
- Limited post-secondary education and training opportunities

In some of these cases (e.g., infrastructure, post-secondary education), the levers available at the local municipal level are somewhat limited and as a result will require greater collaborative efforts in order to address them. As well, suggestions identified that are unique to a particular municipality have been shared in a report prepared for Community Futures board members to share with their individual municipalities.

LONGER-TERM MEASURES TO SUPPORT GROWTH ACROSS THE REGIONS

CATEGORY	RECOMMENDATIONS	
7. Investment attraction	7.1	On either a regional or municipal basis, carry out an asset mapping process for each of the communities discussed, including natural assets, infrastructure, human capital and policy-related assets (competitive tax rates and charges, incentives for investment, etc.)
	7.2	Consider the launch of a joint promotional strategy for the region in order to support inward investment.
	7.3	Targeting trade shows, business conferences and other means to expand inward investment.
	7.4	Shift the regions' approach on economic development and investment attraction to joint cooperation among the constituent municipalities (considering jointly funded business parks, innovation parks etc.)
	7.5	Consider the potential for a joint, regional investment promotion agency which would provide a single point of contact for businesses interested in the regions (for example, a revitalized and potentially rebranded GROWTH Alberta that incorporates industry and Indigenous membership).
	7.6	Consider launching joint initiatives with other communities in the region in order to achieve scale needed to attract large investments.

	7.7	Compile an inventory of available lots and shovel-ready development opportunities that cover the region.
8. Competitiveness	8.1	Consider a comprehensive review of tax rates in order to ensure competitiveness.
	8.2	Consider the establishment of a permanent Task Force in business regulation that would address red tape issues in each of the municipalities analysed.
9. Supporting local business	9.1	Encourage greater local shopping and procurement among staff and elected members of local institutions (e.g., Town and County Councils and Administrations).
	9.2	Promote entrepreneurship development and training opportunities.
	9.3	Provide workshops on entrepreneurship to interested community members.
	9.4	Develop the capacity for high-speed internet across all of the municipalities.
	9.5	Provide office space for small scale entrepreneurship.
	9.6	Explore ways to offer start-up capital to local businesses.
	9.7	Depending on its success, consider the application of Mayerthorpe's tax incentives in other municipalities across the region, including: • Redevelopment infill tax rebates • Vitalization grant program for businesses to enhance storefronts • Brownfield redevelopment grant program to assist landowners with completing a phase I and ii environmental assessment on their land
	9.8	Explore the potential for developing vacant spaces to be used as early-stage business incubators.
10. Strategic planning	10.1	Leverage the success of the Lac Ste Anne County and Onoway partnership (Partners in Progress) to include other members, or highlight that model as a best practice to emulate with other municipal and county relationships.
	10.2	Undertake specific economic development strategies for the region as a whole (including its composite members) in order to identify future drivers of growth and sources of investment.
	10.3	Develop a dashboard of critical objective metrics, updated regularly and facing local citizens and business owners as well as potential investors on: • Economic performance • Local population wellbeing • Skill levels • Availability of development lands • Local enterprise supports that are available

	10.5	Municipalities across the regions should collaborate with other resource-based municipalities to find a successfully resolution to non-payment of property taxes by some in the oil and gas sector.
	10.6	Develop formal working groups across the municipalities in order to address issues of common concern (infrastructure deficits, education and training, energy sector policy, etc.) at higher orders of government.
11. Developing a robust regional tourism strategy	11.1	Collaborate with other municipalities to attract regional, national, and international competitions that would showcase local tourism opportunities.
	11.2	Establish formal working groups with other municipalities to explore joint cooperation on a regional tourism strategy.
	11.3	Enhance local knowledge of tourism products, potentially via a program that provides discounts to local residents.
	11.4	Develop a comprehensive regional tourism strategy and marketing plan, in collaboration with potential stakeholders in the region.
	11.5	Collaborate with local First Nations to jointly develop an Indigenous-based tourism strategy that emphasizes experience-based tourism.
	11.6	Explore the potential for collaboration with partners and training providers to enhance capacity in the labour force, including: Workshops that enhance tourism knowledge and related skills among local business owners; and training programs that equip the local workforce with the necessary skills to boost the regions' tourism offering.

SUMMARY AND CONCLUSIONS

The COVID-19 pandemic continues to create economic spillovers, with businesses now having experienced multiple rounds of business closures, while the prospect for further disruption in the near term remains uncertain as COVID-19 variants spread. For the regions of Yellowhead East and Lesser Slave Lake, these economic impacts include rapid falls in business profitability, rising unemployment, and the potential that some sectors may never fully recover to pre-pandemic levels.

This report has sought to highlight the effects of the pandemic in the specific context of these neighbouring regions. For most businesses, near-term challenges remain significant and risks of closure or downsizing is elevated; while owners' concentration remains firmly on near-term cash flow pressures until broader economic recovery picks up. A number of measures and recommendations are proposed in this report to assist businesses through this phase of the pandemic and its economic fallout.

Over the longer-term, if the regions and their municipalities are to maximize the benefits of economic recovery and orient themselves towards success in the post-pandemic period, focus must begin to shift towards pre-existing challenges and addressing the pandemic's many legacies. The major issues facing businesses in successfully transitioning into the post-pandemic period include:

- Addressing financial vulnerabilities and legacy debts from the pandemic;
- Building competitiveness;
- Securing skilled labour; and,
- Pivoting towards new forms of sales and markets.

The regions' municipalities can play a fundamental role in assisting the business community with this transition, and a number of recommendations are set out to meet this end. This includes temporary measures that entail fiscal costs in the near term, as well as more long-term structural initiatives that would reap benefits for many years to come. Given issues of scale, it is strongly recommended that the municipalities collaborate where possible in order to achieve common goals.

Failure to tackle these challenges at the current juncture risks placing the regions on an uncertain trajectory that remains highly volatile in terms of growth, labour market performance, and revenues. By contrast, the regions benefit from many advantages, and the current pandemic provides a useful backdrop to begin implementing reforms and reorienting the economy towards economic sectors that are expected to remain robust over the long-term.

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