



# SOUNDING BOARD



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## A Message from the Greater Vancouver Board of Trade

COVID-19 | B.C. business community stands united to support impacted businesses

BY BRIDGITTE ANDERSON,  
PRESIDENT AND CEO

The start of 2020 was to bring new opportunities and another decade of growth. Instead, our world is gripped with a public health pandemic unlike anything we've experienced in our lifetime. The intensity and scale of the economic impact resulting from COVID-19 is enormous as businesses remain empty, restaurants closed, and revenues fall - or disappear completely in some cases.

We are all in this together and in these trying times we are striving to help. We are advocating on your behalf, working closely with all governments to communicate the priorities of business and to ensure measures will support your business during the crisis. We are sharing details of



government programs as they are rolled out and updating resources for our Members.

To enhance our efforts, we established the COVID-19 Cabinet, a group of business organizations that will serve as the united voice of the B.C. business community, ensure the appropriate support and resources are in place

for impacted businesses and their employees, and to ensure that announced funds can flow quickly because we know time is of the essence.

We surveyed our Members so governments can better understand the impacts businesses are seeing and how to provide timely and appropriate relief until the

pandemic has passed. We heard that the majority of businesses are impacted and that things are only expected to get worse. Sales volumes have already fallen for 85 percent of businesses, for nearly half of them, the drop has exceeded 50 percent.

In response, about a third of businesses have closed temporarily, about half reduced staff hours and more than 40 percent had to lay off staff. Although governments have started introducing various supports and programs, businesses do not expect much reprieve in the immediate future. Over the next two weeks, four in five businesses expect sales to decline further and nearly 40 percent anticipate additional layoffs.

With a view to recovery, we are working closely with the provincial government as a member of its newly created Economic

Recovery Task Force. Our hope is to establish an effective and constructive plan that will enable us to emerge from the economic recession post-COVID-19.

It is in these difficult times that we must remember to take care of ourselves and those around us. We have already started seeing incredible leadership and resilience, with so many businesses stepping up to help their community. We are celebrating these acts of kindness through our #HERE4YVR campaign as it is our collective strength that will enable us to endure these difficult and uncertain times.

Be Kind. Be Calm. Be Safe.

These wise words from Dr. Bonnie Henry serve as a North Star for all of us right now and will help us navigate through an ever-changing crisis situation.

We are in this together and we will come out of this together. **SB**

## Recovery will require more trade not less

TRADE | Confidence in Canada must be restored along with pride in being a trading nation

It will be many months or perhaps years until we know the full extent of the economic impacts caused by COVID-19. At this point, recovery seems a long way away, but it is not too early to begin planning.

As part of the provincial government's initial economic response, \$1.5 billion has been set aside to prepare and support the economic recovery - this is prudent. We will need to adjust our tax system,

provide funding for impacted businesses, and incent innovation and transformation. Above all, however, we must decide that Canada is "open for business."

While it seems so long ago, it was only a few months ago that protests halted trade through our ports. More broadly, uncertainty about the timeliness of decision making around major projects and whether decisions, once made, count for anything had



Kari Yuers

become a serious problem.

During the pandemic, we are focused on securing supply chains for critical medical supplies, food, and other essentials. Breweries have shifted to producing hand sanitizer, apparel companies are making masks, and AI companies are working with pharmaceutical manufacturers on a vaccine.

In recovery, we must harness and encourage that ingenuity.

Together, we need to ensure Canada is an attractive place to invest, work and raise our families for generations to come.

Canada has always been a trading nation and coming out of this pandemic, we must redouble our efforts to be a strong player in international trade. We have a lot to offer the world, and the world needs our products, resources, and services. Let's build a brighter future together. **SB**



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## RESOURCES FOR BUSINESS

## LEADERSHIP | What are the legal implications of COVID-19?

Duncan McPherson from Bennett Jones provides trusted advice to manage the crisis

Bridgitte Anderson sat down with Duncan McPherson, Partner at Bennett Jones, practising corporate and commercial law. This informative discussion sheds light on legal issues such as disclosure, *force majeure*, and *material adverse change* clauses helping Members navigate the challenges arising from the COVID-19 global pandemic.

**What do companies need to know about force majeure clauses?**

Many contracts, but not all, will have a *force majeure* clause. This clause excuses performance under the contract and is meant to be a relief in extraordinary circumstances. Companies that are grappling with COVID-19, and wondering if they are able to deliver on their contracts, first must read through the contract and see what the *force majeure* clause covers. Often, these clauses speak specifically to disease and epidemics, but sometimes they won't and only speak to circumstances that are beyond the control of the party. You need to consider if the *force majeure* clause applies in your

situation – consider this as a simple rule of thumb – do the extraordinary circumstances make performance of the contract impossible or near impossible. Circumstances that make performance more difficult or more expensive, typically do not rise to the threshold of *force majeure*. It is important to be cautious and do all you can under the circumstances to avoid breaching your contract. If you find that you can't perform, then it's time to think seriously about giving *force majeure* notice.

**When it comes to public companies, what do these companies need to know about disclosure?**

Disclosure is primarily a concern for public companies. The key points on disclosure are to consider the risk factors created by COVID-19 and identify them in your public disclosure. Additionally, as it is difficult to know what the overall financial impact will be, consult your securities advisor lawyers on forward-looking statements to ensure that you are properly



Duncan McPherson

identifying the uncertainty and current financial predictions.

**What do companies need to know about holding their annual general meetings during this time of physical isolation and quarantine? What are the regulations and rules around that?**

That is a very timely question. There may be an option to avoid the typical in-person AGM by having a virtual on-line meeting. To pursue this as a possibility, you will want to review the legislation that governs your company. Different legislation has different requirements regarding virtual meetings. Additionally, you should check the by-laws of your constituting document. If the statute in

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the by-laws permits the virtual meetings, make sure the technology you use allows for shareholders to communicate.

**What are the things to keep top of mind for companies that are involved in mergers and acquisitions (M&A)?**

It is a very interesting time for M&As. Valuations are rapidly changing. In these cases, where deals have not been finalized, there will be lots of thought on valuations and mechanisms that allow for price adjustment over time. In circumstances where transactions have been agreed to in recent weeks, it is possible that buyers will not want to close that deal. In that case, it is important to review that contract for the *material adverse change* clause. As a general rule, these clauses won't apply to circumstances of general changes in the economy but only apply to circumstances of a particular effect on a particular company – a complex area where one should seek advice. It is certainly possible that the recent rapid changes resulting from COVID-19 will have an impact on ongoing deals. SB

More resources at [boardoftrade.com/covid-19](https://boardoftrade.com/covid-19)

## LEADERSHIP | 'During a crisis, cash is king'

KPMG's Huey Lee offers businesses financial strategies on how to weather the COVID-19 storm

In response to the ongoing COVID-19 crisis, the Greater Vancouver Board of Trade launched the *Leadership Series – Trusted Advice to Manage the Impact of COVID-19*. Bridgitte Anderson, GVBOT's CEO, sat down with Huey Lee, Partner at KPMG Canada, to discuss challenges that businesses are facing, the importance of building a sound financial and resilient business plan and the importance of open communication with all stakeholders.

**What is your advice for businesses that are, for the first time, trying to do stress-testing and scenario planning their cash position?**

Firstly, understand your "base case" - how your business typically operates. Then, make assumptions in terms of drops in revenues. Have a "base case," a "worse-case," and a "really bad case" that accounts for various potential declines in revenues. Assess where your cash is coming from – generally tied to your number of clients and get clinical about your cash outflow

- be disciplined in what needs to be paid, stretching a little bit if necessary.

**What is your advice for SMEs that are navigating their cash flow?**

Cash is always king – particularly in times of uncertainty. It is very important to understand what your cash position and needs are. Understand your inflows and outflows, and at the same time, manage your working capital such that if things change, you have enough runway to be flexible and agile to act.

**How should companies manage internal and external expectations?**

If there were ever a time to over-communicate, now would be the time. First and foremost, the health and safety of your people should be a priority. But, you cannot forget the other stakeholders who are critical to your business – your customers, suppliers, lenders, regulators and government. Many SMEs right now are looking at what the government is going to do to help build confidence

and shore up liquidity needs for the businesses that are important to our economy.

**How often should businesses be visiting their cashflow analysis?**

Right now, it's difficult to say. Stick to understanding your business and what you can control, and this will inform what you can and cannot do. For things you cannot control, you should continuously understand various scenarios and their implications on your business.

**As businesses navigate the constant changes, how important is stakeholder support in getting through a crisis like this?**

Now is the time to lean on your stakeholders. Don't be shy, especially with the stakeholders that are key to your business – they will understand the changes that are going on. But, they will want to hear from you on what you are doing to try and stabilize the business, given the circumstances. Operate under the "No Surprises Rule." Get in front of your stakeholders to let them know you are being proactive, doing scenario and contingency planning, and understanding what control costs levers are available to give you more runway until this thing corrects.



Huey Lee

**What would you say is the most important thing SMEs should be doing right now?**

Take a good look at your cash flow and understand the constraints of where the money is coming in. Understand what happens in a case where up to 50% of revenue isn't there anymore. In terms of outflows, take a hard look at what disbursements need to be made. We are all in this together - have conversations with your stakeholders, ensuring them that you are not ignoring them and that your mind is focused on getting through this process. SB

Don't be shy, especially with the stakeholders that are key to your business - they will understand the changes that are going on.



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