

# Cost estimate of Election Campaign Proposal

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Short title: Eliminate business advisory services fees for small businesses

Description: Eliminating all fees for business advisory services from the Business Development Bank of Canada (BDC), Export Development Canada (EDC), and Farm Credit Canada (FCC), as applicable.

Operating line(s): Other revenues

Data sources:	<u>Variable</u>	<u>Source</u>
	Business Advisory Services Revenue	Annual Financial Statements and Corporate Plans of BDC, EDC, and FCC

Estimation and projection method: We used the annual financial statements to estimate the cost of eliminating all business advisory fees for the following services: strategic planning, financial management, HR management, technology selection, sales and marketing, digital strategy, website development, eCommerce implementation, international expansion, operational efficiency, certification support (ISO, HACCP).

We used BDC's Corporate Plan Summary 2019-20 to 2023-24 to obtain the forecasts of revenue from business advisory services. The forecast was extended to 2028-29 based on a weighted average of this trend (0.85) and past activity from annual financial statements (0.15).

Export Development Canada (EDC) started generating revenue from business advisory services in 2018-19. Forecasted future revenues were calculated using growth in real exports.

Farm Credit Canada (FCC) provides financing to agribusiness and agri-food operations. It does not collect fees for business advisory services.

The policy is assumed to be implemented on January 1st, 2020. The impact on the corporate income tax revenues (as a result of lower deductible business expenses) is expected to be negligible.

Uncertainty assessment: The estimate has moderate uncertainty. The uncertainty arises from the long horizon of the projections.

### Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost for BDC and EDC	6	28	32	34	37	39	39	40	41	42

Estimates represents costs to BDC and EDC. Total impact to FCC is estimated to be nil.

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost