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Canadian
Home Builders'
Association



Association canadienne
des constructeurs
d'habitations

CHBA Submission on Renegotiation of the North American Free Trade Agreement

July 2017

About the Canadian Home Builders' Association

Since 1943, the Canadian Home Builders' Association (CHBA) has been "the voice of Canada's residential construction industry" - one of the most vital and enterprising industries in Canada. Representing more than 8,500 member firms across Canada, CHBA members represent every part of Canada's housing industry - home builders, renovators, land developers, trade contractors, product and material manufacturers, building product suppliers, lending institutions, insurance providers, service professionals and others.

The industry supports over 1 million jobs in new home construction, renovation and repair, and as such is one of the largest employers in Canada. One of every 18 workers in Canada is employed, directly or indirectly, in residential construction. Total wages paid in 2016 were \$59.4 billion.

The economic impact of the sector, including new home construction, renovations and repairs exceeded \$138 billion in 2016.

Submission on the renegotiation of NAFTA

The federal government solicited comments on NAFTA under four prescribed questions in an online form. CHBA's responses are in bold:

- 1) In your view, what should be a priority for the Government of Canada in the renegotiation of NAFTA (e.g. trade areas, practices, issues)?

The priority for all three countries should be the efficient flow of goods and materials and limiting the disruption to that flow that results from disputes.

Like other sectors, many of the materials needed for residential construction are produced within a highly integrated North American supply chain. For instance, home builders and contractors may source a variety of materials from a single vendor, but those materials come from both sides of the border – e.g. a home in Alberta is built with lumber from B.C., sheets of drywall from a plant in Wyoming and wallboard and joint compound from a plant in Chambly, Québec.

Recent and ongoing disputes that have resulted in tariffs and anti-dumping duties – drywall in Canada and softwood lumber in the United States – create uncertainty in both price and the availability of materials for the residential construction industry in both Canada and the U.S. This uncertainty impacts builders and contractors and ultimately results in higher costs for home buyers and homeowners renovating their homes.

The residential construction industry, like other sectors, can only maximize efficiencies and productivity when there is price and supply certainty, which in turn supports jobs and housing affordability. Trade disputes on products have broad ranging impacts well beyond manufacturing jobs that negatively impact jobs in the sector at large and housing costs for consumers.

2) Are there elements of NAFTA that are working well and should be preserved or improved upon?

Overall, NAFTA appears to be working reasonably well in relation to the residential construction sector. From a sector perspective, Canada has a significant trade deficit - \$25 billion in 2014. However, this level rises and falls in relation to comparative production costs, rates of innovation, and exchange rates. That was the original intent of NAFTA.

There does need to be improvement to current trade dispute mechanisms (dumping and countervailing duties) to limit the disruption these processes can cause to markets. Currently, duties and tariffs are announced with immediate effect, which are highly disruptive to industries like residential construction that operate on price-guaranteed contracts months or years into the future. These contracts rely on material price and supply certainty.

Phased in levies/duties with sufficient lead time would allow industry to fulfill existing contracts without absorbing unexpected (and sometimes crippling) cost increases, and would provide certainty in bidding for future projects.

Importers can be limited to average volumes for subject goods during the interim period to prevent hoarding.

3) Are you aware of any trade practices, laws or regulations in the United States, and/or in Mexico, that undermine or could undermine meaningful market access for Canadian goods and services?

N/A for CHBA.

4) Are there any new issues that you believe should be incorporated into NAFTA, or are there issues that you believe should be expanded upon to reflect advancements since NAFTA was originally negotiated?

There are an increasing number of Canadian residential developers operating on both sides of the border. Just as a small business 'lens' is used to evaluate the impact of rules and regulations on SMBs, a similar lens should be used to ensure that a renegotiated NAFTA does not impede the ability of Canadian residential developers to establish operations in foreign markets.

5) Other comments?

During the trade tribunal process to evaluate duties on U.S. drywall being imported into Western Canada, the involvement of end users – home builders and contractors – was critical to the Canadian International Trade Tribunal's ultimate recommendations and the federal government's decision on final levies and reimbursement program.

While it is typical to only have importers/exporters involved in this process, the government should revamp its approach to include actively engaging end users in such disputes, including identifying an advocate for consumers.