



April 21, 2020

The Honourable Bill Morneau
Minister of Finance
Department of Finance Canada
House of Commons, ON K1A 0A6

RE: Calculating qualifying revenue under the Canada Emergency Wage Subsidy Program

Dear Minister:

On behalf of the Canadian Home Builders Association (CHBA), I would like to thank you and your government for your continued leadership during this difficult time. We welcome the supports that are being put forward to support Canadians and Canadian businesses to address the impacts of COVID-19, and very much appreciate how responsive your government has been to feedback on the design from business stakeholders to best help Canadians in this time of need.

We are also very appreciative of the Canada Emergency Wage Subsidy program (CEWS) offering a 75 per cent wage subsidy for qualifying businesses and not-for-profits, and the subsequent adjustments and clarifications on how to calculate lost revenue to better reflect the realities of business cycles. The changes have helped many of our members now become qualified to support their employees with CEWS.

However, since the changes have been announced and our members have had a chance to assess their eligibility, we are finding that many businesses who are suffering greatly are still not eligible because of the business cycles and seasonal revenue profiles that are specific to the housing industry and their companies. Companies are all currently suffering in similar ways, but the timing of individual business cycles and particularly home-closings cycle is making some eligible and others not in a way that isn't reflective of actual current need to weather the pandemic impacts. We appreciate and share the intent of the CEWS – to avoid layoffs, and maintain the all important employee-employer link to be ready for recovery. We therefore request a simple clarification/adjustment to ensure CEWS reaches more industry members in a sector that creates 1.2 million jobs annually.

In simple terms, we are facing what will likely be the worst second quarter in home sales in history, and many of our members are having to layoff workers accordingly. While CEWS rightly notes that eligible revenue generally includes revenue earned in Canada from selling goods, the long revenue cycle for residential construction means a sale now doesn't bring revenue for months or even years—this is because the majority of revenues for residential construction come at the time of closings. Still, lack of sales now means no activity, no financing, and the need to layoff workers. This coupled with all of the challenges of trying to operate now, plus the longer time frame expected moving forward to get sales on track, permits issued, etc., is resulting in many of our members having to layoff employees. However, with a minor adjustment to CEWS this can be avoided. Doing so would help achieve the goal of the CEWS, reaching more companies, avoiding layoffs, and maintaining the all-important employee-employer connection that will be so necessary in the recovery period.

Therefore, **CHBA strongly recommends allowing the “fair value of contracts signed” to be permitted as an interpretation or special case for calculating qualifying revenue** (likely using the cash method). This will capture the steep decline in sales being experienced in the residential sector, which is causing layoffs, but in many cases can't be captured by conventional cash or accrual accounting. This could be just for residential construction, given its particular cash flow which is different than most other industries, or you may find it prudent and appropriate for all.

And while we recognize government officials are working feverishly on the details, we would like to emphasize the importance of such details being made available as soon as possible, especially for calculating qualifying revenues so that companies can ensure they are qualified to apply for the subsidy, and avoid any risk of future penalties.

CHBA recognizes the unprecedented steps being taken to support Canadian businesses and workers during this situation. Our continued input and feedback is intended to help us all deliver the best possible outcome for as many Canadians as possible, to keep the residential construction sector as strong as possible, and ready to drive Canada's economic recovery in the near future—we therefore express our deep thanks for your continued ear on recommendations and the willingness of the government to continue making adjustments to best serve the situation.

If you have any questions, please ask your staff to contact me or Alana Lavoie, Senior Director, Policy & Government Relations, at 613-230-3060 x 242 or alana.lavoie@chba.ca.

Sincerely,



Kevin Lee, P.ENG., M.ARCH.
CEO, CHBA

c.c. The Honourable Mary Ng, Minister of Small Business, Export Promotion and International Trade

The Honourable Carla Qualtrough, Minister of Employment, Workforce Development and Disability Inclusion