

**2021-05-20 Kevin Lee, CEO, Canadian Home Builders' Association**

**Opening Remarks to the Standing Committee on International Trade**

Thank you, Madame Chair.

The Canadian Home Builders' Association is the voice of Canada's residential construction industry. We represent some 9,000 member firms from coast to coast, including home builders, renovators, trade contractors, product and material manufacturers, and building suppliers and services.

There is no question that the pandemic has shown the extreme exposure Canada's residential construction industry, and in turn consumers, have to lumber price volatility. Record price increases and product scarcity have caused major issues for industry, homebuyers and homeowners, over the past two years, and the effects of those issues persist today. CHBA's 2021 Q4 Housing Market Index survey showed that the national average construction cost for a 2,500 sq. ft. home has increased over \$34,000 due to lumber prices. This has resulted in higher prices for consumers, and in some cases severe losses for builders with fixed-price contracts.

Canada already has a housing affordability crisis. Adding tens of thousands of dollars to the price of a new home due to lumber price hikes has contributed to this crisis. A major contributor to rapidly escalating house prices in Canada is also lack of housing supply – access to more stable lumber prices is critical to building more homes – both market rate housing and affordable housing.

This crisis also impacts the ability of municipalities and not-for-profit organizations to deliver affordable housing units. Social housing budgets are fixed, so increases in input costs mean fewer units coming online for those in most dire need of housing.

In addition to rapidly rising lumber costs, the lumber crisis has also meant delays in construction, as price increases have been accompanied by physical supply shortfalls. On average, home closings are now delayed 10 weeks across the country, due to ongoing supply chain challenges.

It is also noteworthy that there is another Canada-US trade issue on the horizon for construction, and that is the Canadian Gypsum Board Anti-Dumping Order

from the Canadian Government on US drywall shipped into Western Canada. This duty, which was dramatically reduced from its original intended levels five years ago due to the impact it would have on housing affordability, is set to expire or be extended. CHBA strongly recommends the government to take action to ensure this duty is ended.

Overall, given the many challenges facing all aspects of the supply chain for construction and other industries, it is clear all efforts should be made to address every aspect of Canada's supply chains. Where lumber is concerned, actions are required to provide a more consistent supply and to stabilize prices. This is doubly true given that lumber for construction should be part of a sustainable construction future for Canada – lumber is a Canadian product that is renewable and a carbon sink; but if availability and pricing volatility continue as such large issues, it may become necessary to look at replacement materials.

CHBA recommends the following actions to the federal government:

1. Make it a priority to investigate all issues of lumber supply as well as potential solutions to ensure a reliable lumber supply in Canada with less price volatility.
2. Redouble efforts to resolve the present softwood lumber dispute with the United States.
3. Where possible, include end users in trade tribunals, so that final arbiters can appreciate the real and human impact that prolonged trade disputes have, especially in home construction. This was the case with the drywall dispute five years ago and may need to be the case again this year.
4. Work with domestic lumber producers to increase capacity to ramp up production, including by working with other levels of government to ensure more responsive and certain access to raw material.
5. Consider all actions possible to support the construction products and materials supply chain, including supporting domestic manufacturing capacity of construction products and materials.
6. Swiftly deal with transportation disruptions within Canada whether that be import issues with respect to shipping and receiving, work stoppages by rail, or other interruptions caused by infrastructure issues.

As the country recovers from the COVID-19 pandemic, we have a chance to build a housing continuum that supports all Canadians from social housing to aspiring first-time homebuyers to seniors wishing to adapt their homes to age in place. From new Canadians looking to establish roots in their chosen communities, to those looking to expand their homes as their families' needs evolve, to new Canadians joining our communities, all have housing needs, and Canadian lumber should be part of that solution.

On behalf of CHBA, I thank you for undertaking this study and look forward to answering any questions members of the committee may have.