



Submission on Phase 2 Countermeasures in Response to U.S. Tariffs

Thank you for the opportunity to respond to the public consultation on phase two of Canada's tariffs in response to the unjustified tariffs imposed on Canada by the United States. As the Canadian Home Builders' Association (CHBA)—representing some 8,500 companies that includes home builders, renovators, land developers, trade contractors, material manufacturers, and building product suppliers—our recommendation would be to avoid all counter tariffs on construction materials. Our industry is exposed to the tariff situation from both the increased costs of building materials and through an expected further decline in home purchasing and renovation demand due to a sagging economy. While CHBA understands that the use of targeted counter tariffs is necessary, many of the items listed will impact residential construction. Given the government's desire to address housing affordability and supply, the application of counter tariffs must be done without significantly exacerbating the ongoing housing affordability crisis in Canada. Ultimately, CHBA is hopeful that this trade war situation can be resolved without the need for long-term actions that will negatively affect businesses and consumers.

To limit what would be very detrimental impacts to residential construction in Canada, CHBA has compiled a short list of materials that the government should not be subjecting to tariffs based on import exposure from the US and a lack of domestic production and/or alternate sources, based on association analysis and feedback from both builder and building material suppliers. In addition to raising the price of new homes and renovations, counter tariffs on widely used building materials work against the extensive housing related investments and policy changes the federal government has implemented over the past 2 years.

Presented in order of Harmonized System (HS) Code, building material products that are of critical concern and should be excluded from phase two of counter tariffs due to their overly damaging implications are:

HS Code 3917.23 Tubes, pipes and hoses, rigid of polymers of vinyl chloride. These products are used extensively for home plumbing. While Canada maintains a slightly positive trade balance in the finished product, 88% of Canada's \$577.6 million deficit in the input primary forms of polyvinyl chloride (which is also subject to counter tariffs) stemmed from the deficit Canada holds with the US. Association members have noted that PVC tubing price and availability has historically been sensitive to changes in US market conditions and manufacturing.





HS Code 5603.13 Nonwovens, weather or not impregnated, coated, covered or laminated of man-made filaments weighing more than 70 g/m² but not more than 150 g/m². This specific fabric weight category covers most home wraps which is used on all wood frame homes. Last year, 66% of all imports came from the US. While Canada has some manufacturing capacity, it is not nearly enough to cover domestic demand. This will add to the cost of new homes.

HS Code 5703.29.10 Carpets & textile floor coverings of nylon or other polyamides. Canada imports over \$250 million of nylon carpeting each year from the US, representing over 90% of global imports. This is not a product with a strong domestic manufacturing base ready to absorb additional demand, with global domestic exports of just over \$3 million last year. While used extensively in single-family homes, large quantities of this carpeting are used in the hallways of multi-unit buildings—including renovations.

HS Code 6807.90 Articles of asphalt or of similar material. This product category contains roofing shingles. Historically, there is strong bi-lateral trade between the US and Canada, which suggests that the supply chains for shingles prioritize north-south trade rather than interprovincially. Builders have also noted that their shingle suppliers were some of the first to send notifications of price increases because of impending tariffs.

HS Code 6809.11 Boards, sheets, panels, tiles of plaster faced or reinforced with paper or paperboard. Drywall is sourced very differently across the country. Builders in western provinces already pay anti-dumping duties on gypsum board from the US, which is a major supplier in that region. Canada maintains a large trade deficit of over \$100 million of this product category but the weight of the material makes it expensive and impractical to ship east-west. This tariff would represent another significant and unnecessary tax on a core building material, particularly in Western Canada.

HS Code 6811.82 Sheets, panels tiles and similar articles of cellulose fibre-cement or the like, not containing asbestos. This category contains Hardie Plank siding panels, which is exclusively produced in the US. Last year, Canada held a global trade deficit of \$192.7 million in this product category, driven primarily by the demand specifically for Hardie Plank. This side panel product is used in Western Canada due to its resistance to fires, in line with building code objectives of building more resilient homes. Given the critical importance of climate change resiliency for housing, it is critical that this product category be removed from the tariff list.

HS Code 6904.10 Ceramic building bricks. While Canada does produce building bricks domestically, we do not produce enough, and 95% of our \$52 million global trade deficit came from the US. This would lead to price escalation for some builders regionally, as domestic supply adjusts away from US sources.

HS Codes 7005.10 Non-wired float glass, having an absorbent, reflecting or non-reflecting layer. This is the most problematic building material included on the phase two tariff list, and we join Canada's





fenestration industry in underlining the importance of this product category being removed. 90% of Canada's \$240 million in imports of this product last year came from the US, which is the core element of Canada's window-manufacturing industry. Canada no longer has glass manufacturing capacity for this core input for finished window products. Strong trade deficits with the US, due to a lack of domestic production, extend to HS Code 7005.29 which captures all other types of non-wired float glass.

HS Code 7008.00 Multiple-walled insulating units of glass. This product group includes energy efficient windows. While there is some domestic production, 70% of Canada's \$290 million in global imports of this product group came from the US. Combined with the tariff on float glass, this will significantly raise the price of new homes and window replacement work. Furthermore, these tariffs will also work against the government's energy efficient retrofit initiatives for existing homes.

HS Code 7216.33 H sections of height 80mm or more of iron or non alloy steel. This steel beam product can be used extensively in certain residential projects. Last year, Canada held a deficit of \$256 million with the US, which was 41% of the global deficit of \$625 million. This is a significant volume of material that would need to be sourced elsewhere to avoid raising the cost of projects that already struggle to make sense financially. Industry feedback is that retooling of factories to increase domestic production would be expensive and only undertaken if tariff prove to last for an extended period.

HS Code 7318.15 Threaded screws and bolts of iron or steel & HS Code 7318.16 Threaded nuts of iron or steel. Last year Canada held global trade deficits of \$937 million and \$352 million respectively of these two product categories, with over a third of both deficits coming from the US—like steel H beam sections. This is a large volume of goods critical to high rise construction and exacerbates the increased cost being placed on certain types of framing and supports.

HS Code 7616.10 Nails, tacks, staples, screws, and bolts of aluminum. This fastener hardware is used when installing aluminum siding or flashing and over half of the considerable trade deficit stems from the US imports. This is yet another product where prices are likely to rise as either through paying the tariff or incentivizing domestic production rise to meet the new demand.

HS Code 8536 Electrical apparatus for switching, protecting, or making connections to electrical circuits, with a voltage not exceeding 1,000V. This group of products covers nearly all the non-wire electrical components that go into residential construction like light switches, wall sockets, and relays. Last years US trade deficit was over \$785 million, which will otherwise require alternative sourcing.

Despite variations in where building materials are sourced in different parts of the country and large regional differences in the current health of home sales, the impact of tariffs will be universally felt within residential construction. Furthermore, it is difficult to fully verify the impacts of the numerous chemical and primary material products that the government plans to tariff. In many instances, these products are key inputs in the domestic manufacturing of finished or semi-finished building materials.





Given that long-standing free trade has worked so well, other unforeseen considerations will emerge from this rapid change in US trade relations. Therefore, it is very difficult to fully assess the true impact of these tariffs with have on residential construction materials until the situation starts to play itself out – we expect other problematic categories will emerge going forward and we will advise accordingly.

Thank you for the opportunity to provide feedback on the issues tariffs will create for our industry and new home buyers. With the understanding that the situation is fluid, I ask that you reach out to me directly, at kevin.lee@chaba.ca, so that we can provide feedback from the perspective of builders and developers. Given the ongoing housing crisis, policy decisions made today will have an impact on the housing outcomes of Canadians in the decades to follow.

Sincerely,

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CEO, Canadian Home Builders' Association

