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RE: The WRLA and the Lumber and Building Materials Industry's Role in the Economic Recovery

Industry Scope

The building supply industry is a \$80+ billion industry that directly employs over 262,000 Canadians. This industry brings a multitude of economic benefits, jobs and investment to the provinces and country.

It enables the work and contribution of other Canadian businesses, such as Canada's developers and builders, small contractors and do-it yourselfers. The building supply industry extends into every community across the country contributing to the very fabric of Canada.

Current Realities

The lumber and building supply industry (LBM) was deemed essential in most Canadian provinces. Despite this, member businesses are still struggling due to staff layoffs, increased investment in sanitation and social distancing practices, and reduced sales. Abrupt changes in sales levels can play havoc with cash flow and most businesses are feeling that pain.

Product purchases by member businesses are done months prior due to the volumes. Substantial inventory had been purchased by member businesses prior to the knowledge of the impact of COVID-19. Bookings made in November have now been shipped/received, which means payment is due. As sales are down due to the unemployment rate and financial uncertainty, decreased permit approvals, etc., the inventory must be financed. To compound the issue, general contractors are slowing down payment for materials to conserve cash. This means our member businesses are experiencing a delay in getting paid for sales that *do* occur.

Current federal support programs intended to support small and medium enterprises have not provided viable support to most of our member businesses as their payrolls make them ineligible for the emergency business loan. Unless businesses are recording at least 15% less sales in March or 30% less sales in April, they do not qualify for the 75% wage subsidy. Prior to COVID-19, the markets in the West were already struggling and another 10-30% drop in sales is unsustainable. The rate for eligibility for the wage subsidy should be lowered dramatically. Members are preparing for another wave of layoffs at the end of this month.

Low-Cost/High-Impact Programs

To help spark the economy and reinstate consumer and business confidence, we are proposing the following strategies be implemented throughout the recovery phases to support consumer spending and help support businesses to get back on their feet:

1. Adjustment of the criteria for federal support programs to help businesses now.
2. Home renovation tax credit (HRTC) of up to \$3,000 by federal government and \$1,000 by provincial governments.
3. Eco-renovation tax credit (ERTC) of up to \$5,000 by federal government and \$2,000 by provincial governments for houses 20 years and older.

4. Removal of the Stress Test.
5. Ensuring financial institutions provide short-term financing for pre-COVID inventory purchases to allow our dealers the opportunity to sell product recently delivered to their warehouses.

The Rationale

The impact that the 2009 federal HRTC had on our members was extremely positive and a desired strategy that we would like to see once again. This HRTC helped consumers feel comfortable contributing to the economy; created jobs to meet higher demand; and, as proof of purchase was needed to claim the credit, brought the underground cash economy out, ensuring taxes were paid.

Climate change will continue to be a top-of-mind issue and can't be overlooked. With the number of existing older homes, incentivizing retrofits to become more energy efficient would be a positive way to help implement change. Rebate programs that create energy efficiency coupled with an ERTC will help support homeowners in making their homes more efficient while supporting local economies.

Removal of the stress test would help support new construction. (While we are aware this is a federal program, it is important for our provincial governments to be aware of the constraints this causes in Western Canada and the Prairies.)

Next Steps

The LBM industry has positioned itself to help support economic recovery and is committed to restoring consumer confidence. Several new best practices have been adopted and businesses continue to follow protocols to ensure the health and safety of their staff and customers as we continue to progress through the current and future stages of the pandemic.

There are still challenges that need to be addressed during this time and we feel our proposed programs will address these challenges head-on. We included a blend of provincial and federal initiatives, and we know it will take collaboration between governments to implement these programs to support these vital businesses as they continue to provide Canadians and the economy with essentials needs and viable employment.

We would like to schedule a meeting to discuss economic recovery and the proposed programs with you. Key stakeholders that have first-hand experience with the HRTC will be available to participate to answer any questions and discuss further options.

We want to be a part of the solution and ensure we are working together with government to move our economy forward.

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