

Staff Report

Presented By: Jim Bundschuh, Director, Corporate Services

Meeting Date: March 24, 2025

Subject: Procurement Strategies in Response to American Tariffs

Attachment(s): Procurement Policy
AMO – Tariff Impacts on Ontario Municipalities

Recommendation

That Council direct staff to promote Canadian purchasing where feasible and allowable within the existing Purchasing Policy, through invitational procurement on goods and services up to \$100,000 and construction purchases up to \$250,000.

Report Summary

This report is further to Council's direction at the March 10, 2025 Council Meeting, requesting a report back on a procurement strategy that prioritizes the purchase of Canadian products, goods and services in response to U.S. tariffs.

Background/Analysis

Tariffs are a tax on imported goods, paid for by the person or company who has imported the goods. A government may impose tariffs to generate revenue, protect domestic industries, or deploy them as a diplomatic tool. The Federal Government is currently in negotiations with the U.S. government to address threatened tariffs on Canadian goods exported to the U.S. All levels of government in Canada are preparing plans to address the impacts of U.S. Tariffs on Canadian goods, as well as retaliatory tariffs on American goods.

Canada and the U.S. share one of the most integrated and beneficial trade relationships globally. Annual two-way trade amounts to more than \$1.3 trillion, supporting millions of jobs on both sides of the border. Tariffs will impact all businesses involved in export supply chains, but the most profoundly affected are expected to be the manufacturing (inclusive of agriculture and agri-food, automotive, and building materials), construction, mineral, and energy sectors in Canada. There will also be a spin-off effect on the transportation industries, which carry goods across both borders.

On March 4, 2025, the federal government announced that in response to unjustified U.S. tariffs announced by the U.S. earlier that same day, the Government of Canada is moving forward with

25 per cent tariffs on \$155 billion worth of imported goods, beginning immediately with a list of goods worth \$30 billion. The scope of the Canadian counter tariffs will be increased to \$155 billion if the current U.S. tariffs are maintained. The scope could also be increased if new tariffs are imposed. Two days later, the U.S. President announced a reprieve on Canada-U.S.-Mexico Agreement goods until April 2, 2025. On March 12, 2025, the U.S. will begin 25% tariffs on steel and aluminum. The shifting tariff landscape is changing constantly, and that uncertainty, is a significant burden on the Canadian economy.

Premier Ford announced on March 4, 2025, that the province is banning U.S. companies from government procurement and is encouraging municipalities to follow suit. At the March 10, 2025, Council Meeting, Council asked to have a report prepared on a Saugeen Shores response.

Legal Landscape

Municipal procurement is governed by obligations contained in inter-provincial, national and international trade agreements, legislation, case law and the Town's own policies and procedures. The core principles of public procurement are openness, fairness and transparency. One of the basic tenets of the requirement of openness is non-discrimination based on place of origin or, in other words, providing local preference to goods or services. The principle of non-discrimination is an obligation contained within applicable trade agreements. The Canadian Free Trade Agreement (CFTA), being a trade agreement between the provinces, territories and the federal government, prohibits procuring entities from evaluating tenders based on local content, such that they favour goods or services from a particular province or region. The Town's obligations under CFTA apply to procurements above \$133,800 for goods and services and \$334,400 for construction. The CFTA permits limited tendering (such as Invitational Procurements), in Procurements below those thresholds that favour Ontario goods or services would not offend the non-discrimination provisions of CFTA.

Proposed Procurement Strategy

The purpose of the Town's Purchasing Policy is to set out guidelines for the municipality to ensure that all purchases of materials, supplies and services provide the lowest costs consistent with the required quality and service. The policy will ensure an open and honest process is maintained that is fair and impartial. It promotes and maintains the integrity of the purchasing process and protects Council, vendors and staff involved in the process by providing clear direction and accountabilities. The below table dictates the existing purchasing policy thresholds:

Estimated Total Cost	Estimated Construction Cost	Method of Procurement	Authority to Award	Authority to Spend
Up to \$25,000	Up to \$25,000	Seek best pricing/value through appropriate informal process (i.e., Direct source, online, price lists, etc.)	Department Head, Authorized Delegates, Project Managers	Department Head, Authorized Delegates, Project Managers
\$25,001 to \$50,000	\$25,001 to \$100,000	3 or more Informal Quotes		
\$50,001 to \$100,000	\$100,001 to \$250,000	Formal Call for Bids (Invitation or Open Competition)	Department Head, Authorized Delegates	Department Head, Authorized Delegates
\$100,001 and greater	\$250,001 and greater	Formal Call for Bids (Open Competition)	Department Head, Authorized Delegates	Department Head, Authorized Delegates

At this point in time, for procurements below \$100,000 (Goods and Services) or \$250,000 (Construction), it is proposed that the existing limits remain, but that staff be directed to leverage opportunities to favour goods made in Canada or services provided by Canadian businesses through increased use of invitational procurements.

An invitational procurement is where a limited number of potential vendors are solicited to bid on a procurement, based on defined requirements. Invitational procurements specify evaluation criteria, a scope of work or description of deliverables, and other requirements. In response, suppliers submit a price quote for goods or services. While it is a competitive process, it is more limited in scope than a public tender. Invitational procurements can be used to select Canadian suppliers, but the potential exists that it could be used to select local suppliers. While promoting local businesses is admirable, the current economic environment impacted by tariffs, as well as restricted competition within the smaller Canadian market, will result in significant cost pressure on the Town's budget.

The attached AMO presentation on Tariff Impacts on Ontario municipalities estimates that tariffs will impact Capex costs for Ontario municipalities by an additional 2.1%. Further restricting competition to promote local suppliers would further exacerbate the challenging fiscal situation the Town will be facing. For that reason, it is not recommended that Council encourage restricting invitational bidding to local suppliers. Additionally, it should be noted construction purchasing, by its nature, already favours local vendors.

If Council wishes to further advance Canadian purchases in response to further escalation by the U.S., Council may wish to direct a change to the Purchasing Policy to further promote Canadian purchases. In that event, it would be recommended that the existing threshold increase from \$100,000 to \$133,800, the upper limit defined by CFTA. This option is not being recommended at this time but is available to Council if it wished to advance this change.

Linkages

- Strategic Plan Alignment: Pillar 3: Building Valued Relationships
- Business Plan Alignment: Corporate Services Business as Usual

Financial Impacts/Source of Funding

No costs or revenue is associated with this report.

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