

Report to Council

Report Title: Impacts of US Tariffs on Brockton's Procurement
Prepared By: Trish Serratore, Chief Financial Officer
Department: Finance
Date: May 13, 2025
Report Number: FIN2025-13 **File Number:** C11FIN

Attachments:

Recommendation:

That the Council of the Municipality of Brockton hereby receives Report Number FIN2025-13 - Impacts of US Tariffs on Brockton's Procurement, prepared by Trish Serratore, Chief Financial Officer and in doing so approves the recommended Amendment to Procurement By-law 2021-005 to align procurement thresholds with OQCTA and CFTA thresholds for goods and services.

Report:

Background:

On February 1, 2025, U.S. President Donald Trump announced the introduction of tariffs on Canadian imports, including a 25% tariff on all Canadian goods, excluding energy products, which would face a 10% tariff, effective February 4, 2025. Following diplomatic discussions between Prime Minister Justin Trudeau and President Trump, a 30-day temporary pause on the tariffs was agreed upon. Despite this pause, uncertainty remained regarding the final scope and duration of the proposed measures.

On March 4, 2025, the United States implemented the tariffs as originally announced:

- 25% on Canadian goods, and
- 10% on Canadian energy exports.

Subsequently, on March 12, 2025, the U.S. imposed an additional 25% tariff on Canadian steel and aluminum products.

In response, Canada announced reciprocal tariffs on April 2, 2025, scheduled to take effect on April 9, 2025. However, these countermeasures were also paused for a 90-day period, with the exception of tariffs related to China, which remain in effect and are part of an evolving tariff escalation between the U.S. and China.

As of April 9, 2025, the following tariffs remain in effect for Canada:

- **Automobiles:**
 - 25% tariff on finished vehicles and light trucks imported into the U.S.
 - Also applies to imported parts assembled into vehicles at U.S. plants.
 - U.S.-manufactured auto parts are exempt.
- **Steel and Aluminum:**
 - 25% tariff on Canadian steel and aluminum exports (effective March 12, 2025).
- **Energy and Potash:**
 - 10% tariff on Canadian energy products and potash that do not qualify under the Canada-United States-Mexico Agreement (CUSMA).
 - CUSMA-compliant energy and potash exports remain tariff-free.
- **Non-CUSMA Compliant Goods:**
 - 25% tariff on non-CUSMA compliant goods.
 - 10% tariff on non-CUSMA compliant energy and potash.

Note: As of April 9, over 90% of Canadian exports to the U.S. (excluding autos, steel, and aluminum) are now eligible for zero tariffs under CUSMA, provided they meet the “rules of origin” requirements. These requirements often necessitate additional administrative documentation for compliance.





In response to the US tariffs on automobiles entering into force, the Canadian government announced countermeasures including 25% cent tariffs on some fully assembled vehicles imported into Canada from the US. To mitigate the impacts of US tariffs, on April 7, the Ontario government announced \$11 billion in new supports to industry including deferred taxes and rebates to businesses

Implications for Municipal Procurement

With the introduction of these tariffs and the possibility of Canadian countermeasures, the cost of goods and services procured by the Municipality is expected to be affected. While these changes do not directly alter the Municipality’s Procurement Policy, they are likely to increase procurement costs and may contribute to supply chain instability and disruptions.

Canadian municipalities must comply with trade agreements designed to ensure fair and open access to suppliers across provinces and countries. These agreements establish rules for open competition in procurement based on supplier location, rather than company ownership or the origin of goods. This means that any supplier based in an eligible country under a trade agreement must be allowed to compete for contracts, regardless of ownership or manufacturing location.

Below is a chart from the Oxford Economics report, *Tariff Impacts on Ontario Municipalities* that summarizes the current and proposed Canada and US tariffs:

Imposing Country	Target Country	Type of tariff	Amount	Date	Status
		Non-USMCA energy and potash products	10%	March 4	✓
		Non-USMCA goods (excl. energy & potash)	25%	March 4	✓
		Steel and aluminium products	25%	March 12	✓
		Automobiles	25%	April 3	✓
		Automobile parts	25%	May 3	TBC
		Dairy products	250%	TBC	TBC
		Timber	TBC	TBC	TBC
		Various consumer goods and industrial products	25%	March 4	✓
		Steel and aluminium products	25%	March 13	✓
		Non-USMCA vehicles and US content of USMCA vehicles	25%	April 9	✓
		\$125B worth of goods	25%	TBC	✓

The primary trade agreements affecting municipal procurement include:

- **Ontario Quebec Trade and Cooperation Agreement (OQTCA):** Requires municipalities to provide open, non-discriminatory access to suppliers and their goods and services from Quebec for procurements above a certain threshold.
- **Canadian Free Trade Agreement (CFTA):** Requires municipalities to provide open, non-discriminatory access to suppliers across Canada for procurements exceeding specific thresholds.
- **Comprehensive Economic and Trade Agreement (CETA) with the European Union (EU):** Requires municipalities to ensure non-discriminatory, equal treatment of European suppliers for applicable procurements that exceed the specified thresholds.

Procurements that exceed the trade agreement thresholds must be procured through open market competition and without discriminating against suppliers and goods from the trading partners' jurisdictions.

The table below outlines the thresholds for applicability for each trade agreement. It should be noted that thresholds are updated annually or bi-annually to track inflation.

Trade Agreement	Procurement Type	Threshold
CFTA	Goods and Services	\$133,800 CAD
CFTA	Construction	\$334,400 CAD
CETA	Goods and Services	\$353,300 CAD
CETA	Construction	\$8,800,000 CAD

The Municipality's Purchasing and Procurement Policy is designed to align with these trade agreements, ensuring open, fair, and barrier-free trade, however the Policy thresholds are lower, and therefore more restrictive, than the open public thresholds set out in the trade agreements.

To better position the Municipality to prioritize Canadian goods and services in light of newly imposed tariffs, it is recommended that amendments be made to the Municipality's procurement thresholds. Specifically, procurements with values below the thresholds set by the Ontario-Quebec Trade and Cooperation Agreement (OQTCA), the Canadian Free Trade Agreement (CFTA), and the Comprehensive Economic and Trade Agreement (CETA) would no longer be required to undergo an open competitive process (i.e., Request for Proposal [RFP] or Request for Tender [RFT]). However, these procurements will still utilize appropriate procurement vehicles such as Request for Quotation – Formal (RFQ-F) or Request for Quotation – Informal (RFQ-I), as applicable.

Recent Large Purchases and Supplier Information

- **Fleet and Equipment Procurement:**

- Self-Contained Breathing Apparatus (SCBA) units were purchased from A.J. Stone, a Canadian supplier based in Vaughan, Ontario. The SCBA units themselves are manufactured by MSA, an American company. Currently, there are no Canadian manufacturers of SCBA units; only three manufacturers exist globally—two based in the U.S. and one in Germany. The total purchase value in 2024 was \$268,049 CAD.
- Brooms for the street sweeper were procured from a company located in Barrie, Ontario. However, the brooms themselves are manufactured in the United States. Staff recently received an invoice that included a \$450.00 CAD tariff charge. The total invoice, including the tariff, was \$2,758.36 CAD. There are other suppliers, however the brooms themselves are still manufactured in the US.
- The majority of the Municipality's trucks, including the most recently acquired grader, are manufactured in the United States. The grader was not subject to a tariff, as it was ordered prior to the implementation of the new tariff measures. All related equipment and parts are also imported from the U.S.

Analysis:

Current Procurement Policy

Currently, the Municipality's Procurement Policy requires an open competitive process for all purchases with an estimated value of \$75,000 or greater, where bids are solicited through a publicly advertised Bid Solicitation. All procurements between \$25,000 and \$75,000 must also follow either a formal invitational competitive process or an open competitive process (RFT, RFP). Award criteria are made either solely on price or other evaluation criteria included in the Bid Solicitation. In compliance with the trade agreements, the Municipality does allow for any geographical preference when selecting vendors or products, as per section 13.

Amending the Purchasing and Procurement Policy:

The following table outlines the **existing** purchasing policy thresholds:

Contract Value (incl. potential renewals)	Procurement Strategy	Permitted Procurement Vehicle
UP to \$10,000	Non-competitive / direct purchase Optional: Invitational Competitive Process (minimum 2 quotes)	Procurement Card, Purchase Order, Petty Cash, RFQ-I Optional: RFQ-F
\$10,001 - \$25,000	Invitational Competitive Process (minimum 2 quotes)	RFQ-I (recommended) Optional: RFQ-F, RFP, RFT
\$25,001 - \$75,000	Invitational Competitive Process (minimum 3 quotes) Optional: Advertised Competitive Process	RFQ-F (recommended) Optional: RFP, RFT
Over \$75,000	Advertised Competitive Process	RFP, RFT

Staff recommends an amendment to the Municipality's procurement thresholds to align with OQTCA and CFTA thresholds. This recommendation would increase the current formal invitational threshold from \$25,000 to \$133,800 to align with OQTCA and CFTA thresholds for goods and services. Procurements exceeding \$133,800 must be publicly offered through an open competitive process.

The following table outlines the **proposed** purchasing policy thresholds:

Contract Value (incl. potential renewals)	Procurement Strategy	Permitted Procurement Vehicle
UP to \$10,000	Non-competitive / direct purchase Optional: Invitational Competitive Process (minimum 2 quotes)	Procurement Card, Purchase Order, Petty Cash, RFQ-I Optional: RFQ-F
\$10,001 - \$25,000	Invitational Competitive Process (minimum 2 quotes)	RFQ-I (recommended) Optional: RFQ-F, RFP, RFT
\$25,001 - \$133,799	Invitational Competitive Process (minimum 3 quotes) Optional: Advertised Competitive Process	RFQ-F (recommended) Optional: RFP, RFT
Over \$133,800	Advertised Competitive Process	RFP, RFT

Considerations:

The following are factors that have been considered in the development of the strategies identified in this report to mitigate the impact of tariffs:

- Invitational procurements provide the Municipality with greater flexibility to give preference to Canadian and local suppliers for procurements below CFTA and OQTCA thresholds.
- Increasing the Municipality's invitational and public procurement thresholds to align with OQTCA and CFTA thresholds, without exceeding CETA thresholds, provides greater flexibility to prefer Canadian and local suppliers and does not offend the provisions of CETA.
- While giving preference to local and Canadian businesses is a reasonable approach, the current economic climate impacted by tariffs, as well as restricted competition within the smaller Canadian market, will result in significant cost pressures on the Municipality's budget. Restricting competition to promote local suppliers would further exacerbate the challenging fiscal situation that the Municipality will be facing. For this reason, it is not recommended that Council restrict invitational bidding to only local suppliers. Additionally, it should be noted that construction purchasing, by its nature, already favours local vendors due to geographical proximity to the work.
- The Municipality should continue leveraging cooperative procurement opportunities, such as Canoe Procurement and other buying groups, where appropriate and possible.
- It is important to consider that some goods and/or services can only be provided by U.S. suppliers (i.e. IT systems/solutions, specialized emergency services deliverables, etc.) so the Municipality must continue to make provisions for U.S. purchases in order to maintain business continuity and value for money.

Consultation Overview:

Municipal staff have reviewed the legal landscape in consultation with the Municipality's procurement lawyer when developing the proposed amendments to the policy.

Municipal staff have also reviewed how other municipalities have been responding to the tariffs. In response to the U.S. tariffs, many municipalities are amending their procurement policies to increase their thresholds for invitational procurement to align to the trade agreement thresholds, which increases opportunities to work only with local or Canadian vendors.

Additionally, some municipalities are also changing the language in new procurements (invitational or public) to favour Canadian suppliers where appropriate and possible. For example, if the lowest compliant bid (or highest ranked bid) from a Canadian bidder is within 25% of the price of a non-Canadian bidder, the municipality reserves the right to award the contract to the Canadian bidder. Staff are not recommending this approach due to potential legal risks.

This approach would also require establishing criteria for what qualifies as 'Made in Canada', and definitions for Canadian and U.S. suppliers would also be required.

Strategic Action Plan Checklist:

What aspect of the Brockton Strategic Action Plan does the content/recommendations in this report help advance?

- | | |
|---|-----|
| • Recommendations help move the Municipality closer to its Vision | N/A |
| • Recommendations contribute to achieving Heritage, Culture, and Community | N/A |
| • Recommendations contribute to achieving Quality of Life | N/A |
| • Recommendations contribute to achieving Land Use Planning and the Natural Environment | N/A |
| • Recommendations contribute to achieving Economic Development | Yes |
| • Recommendations contribute to achieving Municipal Governance | Yes |

Financial Impacts/Source of Funding:

- Do the recommendations represent a sound financial investment from a sustainability perspective? Yes

Respectfully Submitted by:



Trish Serratore, Chief Financial Officer

Reviewed By:



Sonya Watson, Chief Administrative Officer