



# **Buy Canadian – Procurement Strategies**

April 1, 2025



From **January 20<sup>th</sup> to March 26<sup>th</sup>** – multiple tariff announcements from U.S. and Canada.

The latest U.S. executive order states that:

- 25 % of tariffs will be placed on goods that do not satisfy the Canada-United States-Mexico Agreement (CUSMA)
- 10 % tariff will be imposed on Canadian energy products
- 10 % tariff on any potash imported from Canada that falls outside the CUSMA preference
- 25 % tariff on steel and aluminum
- 25 % tariff on automobiles starting on April 3rd, and some automobile parts later in April.

The Canadian government and the Government of Ontario have responded with their own countermeasures:

- Canada: Imposing tariffs on \$30 billion in goods imported from the U.S., effective March 4, 2025.
- Canada: Intention to apply tariffs on \$125 billion worth of imports from the U.S.
- Ontario: Removal of U.S. alcohol from LCBO
- Ontario: Barring U.S. companies from bidding on Ontario procurement projects
- Ontario: Cancellation of Elon Musk's \$100 million Starlink contract



### Manufacturing Industry

- Makes up 7.3% of Markham's total employment / major manufacturing employers are in food + auto, - small footprint compared to Markham's total manufacturing sector, but vulnerable to negative effects of tariffs.

### Innovation & Tech

- Not currently affected - tariffs do not include digital services. tech/R+D employers confirmed job growth
- Observation from past employment data trends: Markham's diversified economy supports resilience to buffer severe economic impacts (i.e. 2009 economic recession, COVID-19 epidemic – Markham's economy persevered due to dominance of tech and knowledge-based employment to balance out job losses in other sectors).



### Impact level

- Vary by business based on size, operation, industry and U.S. trade footprint.

### Uncertainty

- Constant shift in tariff landscape poses challenges for businesses to plan. Most take on a wait and see approach.

### Market Diversification

- Businesses recognized the need to pivot to domestic or other global markets (Asia, Europe, etc. depending on their operations)

### U.S. Footprint

- Businesses may be looking at establishing footprint in the U.S. to mitigate impacts.





# Markham's Economic Development Office's Response Plan

## Financial Services

- Deployed communication strategy
  - Dedicated online Tariffs page
  - Social media & e-newsletter
  - Survey to measure impacts
  - Promote "Buy Local"
  - Partnering with York Region to highlight key Markham businesses
- Planning webinars for businesses on the tariffs landscape
- Leveraging employment database for market research
- Expanding business retention & expansion outreach efforts to major employers
- Partnering with York Region, province and federal government to connect businesses with grants and funding.





- Procurement by Canadian municipalities is governed by public procurement obligations contained in inter-provincial, national and international trade agreements, legislation, case law and municipal by-laws, policies and procedures. The core principles of public procurement are openness, fairness and transparency.
- Canadian municipalities are subject to various trade agreements intended to ensure fair and open access to vendors in other provinces or countries.

The main trade agreements that apply to Canadian municipalities are:

- **Canadian Free Trade Agreement (CFTA)** – Requires municipalities to provide open, non-discriminatory access to vendors from across Canada for applicable procurements above certain thresholds.
- **Comprehensive Economic and Trade Agreement (CETA) with the European Union** – Requires municipalities to provide open, non-discriminatory access to Europe member vendors for applicable procurements above certain thresholds.

**NOTE:** Canadian municipalities are not directly subject to the provisions of the Canada-United States-Mexico Agreement (CUSMA), which is being impacted by the tariffs.



# Proposed Procurement Strategy

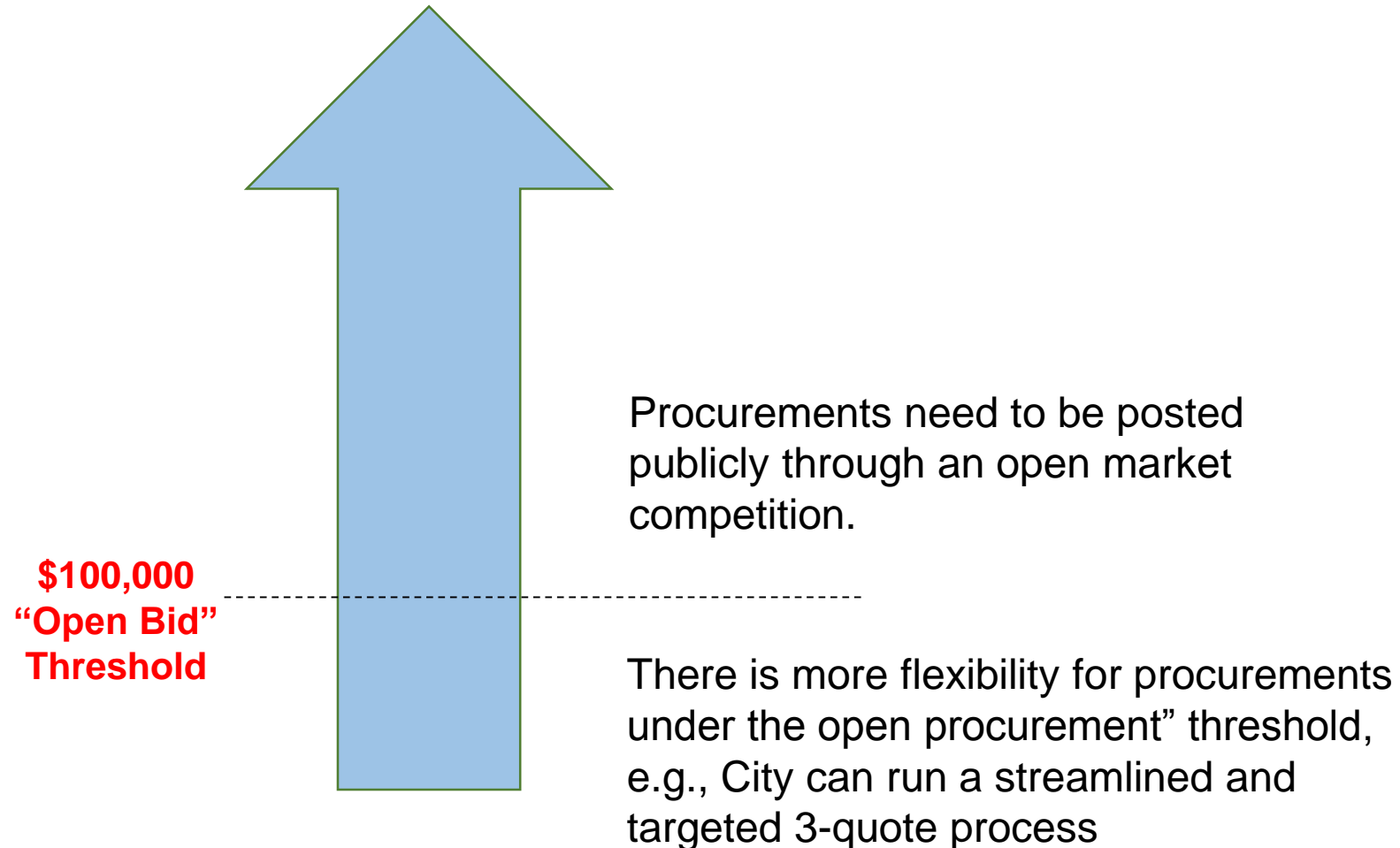
Financial Services

Subject to listed exceptions/exclusions, procurements that exceed the thresholds noted below are required to be conducted through open market competition.

Trade Agreement	Procurement Type	Threshold (CAD)
CFTA	Goods	\$ 133,800.00
	Service	\$ 133,800.00
	Construction	\$ 334,400.00
CETA	Goods	\$ 353,300.00
	Service	\$ 353,300.00
	Construction	\$ 8,800,000.00



The current open procurement threshold in the City's Procurement By-law falls below the CFTA and CETA thresholds.







### Make-up of City Vendors

The majority (>95%) of the City's vendors are Canadian-based, and "spends" based on Accounts Payable data over the past three years show a small proportion in U.S. dollars (USD):

Year	CAD	USD	Percentage of USD payments
2022	\$ 254,000,000	\$ 2,200,000	0.87%
2023	\$ 237,000,000	\$ 2,100,000	0.89%
2024	\$ 207,000,000	\$ 6,100,000	2.95%

Even though our USD spends are low, the City has some key, strategic U.S. vendors for various goods and services (e.g., payroll and financial system, various computer hardware and software products, certain fire apparatus and vehicles). These U.S. vendors, particularly those in Information Technology (IT), often have a Canadian presence through domestic satellite offices.

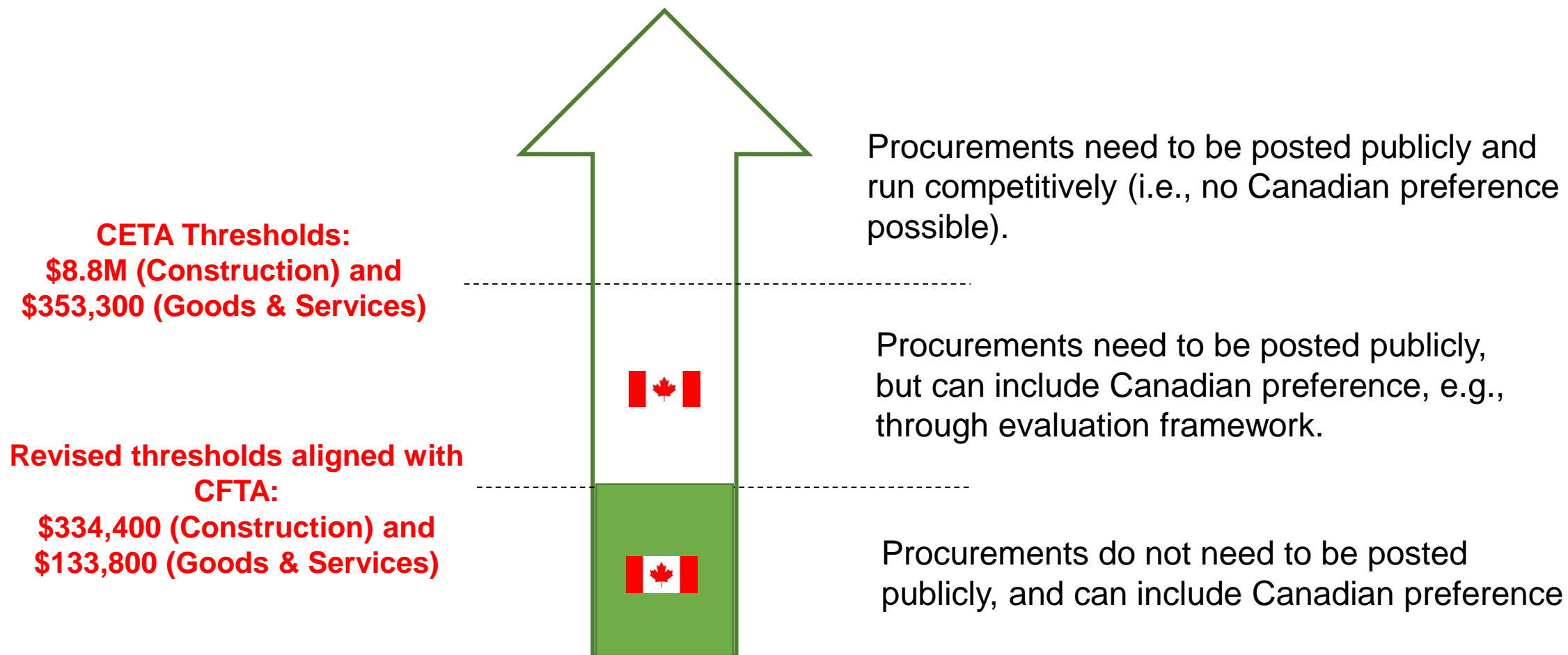
NOTE: The chart above excludes U.S. vendors who are paid through CAD funds, these are U.S. owned vendors who have Canadian subsidiaries or distributors.



# Proposed Procurement Strategy

Financial Services

Possible Buy Canadian approach will involve aligning City open procurement thresholds with CFTA levels. Canadian preference can then be applied up to CETA levels.





# Proposed Procurement Strategy

Financial Services

- Amend the Procurement By-law 2017-8 to increase the current open procurement thresholds (publicly advertised) to match those thresholds applicable to municipalities under CFTA. This will allow Staff to procure goods and services from Canadian vendors below the threshold, as they may directly approach Canadian vendors to get a minimum of 3 quotes.
- For low dollar value buys (less than \$25k), the Procurement team will encourage City Staff to procure goods and services from Canadian vendors, where feasible.
- For procurements below the CFTA thresholds, obtain a minimum of 3 quotes from Canadian vendors, where feasible.
- For procurements above the CFTA thresholds and below the CETA thresholds, include provisions in the City's open procurement documents, and adjust the evaluation points framework, to favour Canadian vendors. Other elements of the evaluation points framework will ensure best value and quality for taxpayers.



- The impact of tariffs on Canadian municipalities can vary depending on the nature of the goods being imported or exported, the industries involved, and the specific economic dynamics of each municipality.

However, several general impacts can be expected, such as increased costs, supply chain disruptions and inflationary pressures.

- Any requests by vendors for price adjustments in existing contracts (on the basis of tariff impacts) will need to be examined on a case-by-case basis, based on the terms of the contract and other factors.

Any adjustments will require approval by the Senior Manager, Procurement and the applicable Director, in consultation with the City Solicitor and the Treasurer (as required).

- To manage any of these types of requests, Staff, as part of the normal course of business, will ensure compliance with the City's Expenditure Control Policy.

Utilizing this policy, the City will rely on our current mechanism that allows Staff to add funds to existing projects / contracts, subject to review by Procurement and approval by Treasurer/finance on availability of funds.

These changes are reported out as part of status of capital reports and/or brought to Council for significant values or issues, as required and appropriate.



As part of a Buy Canadian approach, Staff will be considering a definition for a Canadian vendor. In particular, Staff are looking at a definition of a “Canadian Business”, similar to the definition of “Ontario Business” in the “Building Ontario Businesses Initiative Act”.

“Canadian Business” means a supplier, manufacturer or distributor of any business structure that conducts its activities on a permanent basis in Canada.

The business either:

- a) has its headquarters or main office in any province or territory in Canada; **OR**
- b) has at least 250 full-time employees in any province or territory in Canada at the time of the applicable procurement process.

This definition will be considered for open procurements above CFTA but below CETA thresholds, which include a requirement or preference for Canadian goods or services.



## Recommendations

### Financial Services

That Council approve, in principle, a “Buy Canadian” approach in the City’s procurement of goods and services, where feasible and in the best interest of the City, and in compliance with applicable trade agreements and legislation;

That the Senior Manager, Procurement, as approved by the City Treasurer and in consultation with the City Solicitor or their designate, be authorized to implement (as a temporary measure in response to U.S. tariffs) amendments to the City’s Procurement By-law and associated policies and procedures to give effect to the “Buy Canadian” approach, including, but not limited to:

- a. Amendment of Part II - Methods of Procurement, Sections 5.1, 6.1 and 8.1 and Appendix A of Procurement By-Law 2017-8 to increase the open procurement dollar thresholds to match the dollar thresholds applicable to municipalities under the Canadian Free Trade Agreement (CFTA), to enable Staff to procure goods and services directly from Canadian vendors below the thresholds;
- a. Inclusion of the requirement or preference, where feasible, in the best interests of the City and in compliance with the City’s trade agreement obligations, for the procurement of Canadian goods and services.



## Recommendations

## Financial Services

That the Senior Manager, Procurement and the applicable Director, with approval from the City Solicitor and City Treasurer (or their designates), be authorized to amend or establish contracts for goods and services, as required, to manage the impacts of tariffs on costs and supply chains and ensure continuity of business operations in compliance with the City's Expenditure Control Policy; and

That Staff be authorized and directed to do all things necessary to give effect to this resolution.



# Thank you