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U.S. Tariffs Implications on Procurement and Business Supports

Staff Joint Report to Council

Report Number: 2025-14

Department(s): Procurement Services and Community & Economic Innovation

Author(s): Tracy Assis, Manager, Procurement Services and Elizabeth Hawkins, Director, Community & Economic Innovation

Meeting Date: March 17, 2025

Recommendations

1. That the report entitled U.S. Tariffs Implications on Procurement and Business Supports dated March 17th, 2025, be received; and,
2. That staff be directed to modify Procurement By-Law 2014-27 and current procurement practices to prioritize Canadian goods and services by maximizing allowable threshold limits as permitted within the applicable trade treaties and amending any other provisions of the Procurement By-Law as required to reflect the increased thresholds and Councils direction; and,
3. That Community and Economic Innovation work closely with community partners (e.g. Chamber of Commerce, York Region, etc.) and the business community to ensure education and support programs related to tariffs and their implications are in place and actively promoted through the Business Assistance Concierge program and Choose Local campaigns; and,
4. That staff continue to monitor any changes to the tariffs and / or direction from the Federal or Provincial government, and report to Council as necessary; and,
5. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

This report provides a high-level overview of initiatives/strategies to support preferring Canadian suppliers through the Town's Procurement By-Law and practices as well as

an overview on how the Town will continue to support the local economy and Canadian jobs.

The following are the summarized recommendations described in this report to address the proposed U.S. Tariffs:

- Continue to support the local economy and Canadian jobs through education and partnerships with the local business community and community partners and a relaunching of the Business Assistance Concierge Program;
- Apply updated Choose Local branding to economic development initiatives to reflect support for Canadian jobs and local businesses;
- Amend Procurement By-Law 2014-27 thresholds;
- Implement evaluation strategies to prefer Canadian suppliers for new Procurements.
- Establish definitions for U.S. Supplier and Canadian Supplier;
- Consider cooperative procurement opportunities awarded to Canadian suppliers;
- Mitigate legal risk by honoring existing contracts with U.S. Suppliers; and
- Continue to collaborate with the Community and Economic Innovation Department and Procurement teams for information and monitoring purposes;

Purpose

The threat of tariffs from the United States (U.S.), and counter measures from Canada, is creating uncertainty for governments and businesses. This report provides a high-level overview of initiatives to support preferring Canadian suppliers through the Town's Procurement By-Law and practices as well as an overview on how the Town will continue to support the local economy and Canadian jobs through economic development initiatives.

Background

Over the last month the Government of the United States has threatened and implemented a variety of economic measures against Canada. The situation continues to evolve, and the timing, scale and duration of tariffs remains highly uncertain.

- On February 1, the U.S. announced 25% tariffs on all imports from Canada, except for energy products which would be subject to a 10% tariff beginning February 4.
- U.S. tariffs were then delayed for 30 days, until March 4th following commitments from the Canadian government to improve border security.
- On February 10, the U.S. President issued a proclamation adding 25% tariffs applied to steel and aluminum entering the U.S., with tariffs coming into effect on March 12.
- On March 6, 2024, the U.S. President paused the 25% tariffs on the Canada-United States-Mexico Agreement (CUSMA) compliant imports until April 2, 2025.
- On March 11, 2025, the Canadian Federal government announced that counter tariffs would come into effect on March 13, 2025, at 12:01am.
- Broader trade measures linked to proposed U.S. tariffs, including counter tariffs on items like semiconductors and pharmaceuticals are scheduled to take effect April 2, 2025

At this time, the Canadian government has announced a plan for counter tariffs on approximately \$30 billion worth of American [goods](#) and will not lift these tariffs until all U.S. tariffs are removed. Several provincial governments, including Ontario, have committed to counter tariffs.

The Federal government has also pledged support for businesses and workers impacted by the trade dispute including revisions to Employment Insurance, \$5 billion over two years to assist exporters develop new markets and a \$500-million loan program to help businesses impacted by tariffs.

Discussion

Proposed U.S. Tariffs Expected to Cause Instability & Higher Costs

Tariffs and anticipated Canadian countermeasures should be expected to cause increases in costs of goods and services for the Town. In addition, the increased cost of goods, supply chain impacts and marketing instability is likely to have significant impacts on Newmarket's local economy. Approximately 10% of Newmarket jobs are directly tied to exports with the U.S. being a primary destination for goods. The complex interconnections between the U.S. and Canadian economy impact almost all businesses in the community. The Economic Development Strategy group at York Region is working with a third party to model the overall impact of these tariffs and will make the information available to finance and economic development teams at the local level.

Community & Economic Innovation and Procurement Services have been and will continue to work closely together to monitor, measure and report out the impact on the Town and the business community.

Re-establish the Business Assistance Concierge

The Town of Newmarket continues to support businesses through Corporate Visiting, education, and outreach during this time. While this is reflective of the day-to-day activities of the economic development team, the current situation requires an increased intensity and precision of these actions. In this light, Community and Economic Innovation recommends the re-establishment the Business Assistance Concierge program, with a specific focus reaching affected businesses and connecting them to Federal and Provincial resources as they become available, including new Export Development Canada and Business Development bank funding. This will mean continuing our strong partnerships with the Region of York's Economic Strategy team, the Central York Chamber of Commerce and the business community as a whole. In addition, the BAC will monitor and report out new developments and local impacts resulting from U.S. economic policy as appropriate.

Choose Local, Canada

In 2020, Newmarket's business community rallied around the Choose Local brand to encourage Newmarket residents to support local businesses and workers. In support of these businesses and the people they employ, the Town will relaunch the Choose Local brand updated with some patriotic imagery to reflect the desire to champion the Canadian economy at this time. This imagery (see below) will be used to champion local businesses and will be part of the on-going communications to and in celebration of Newmarket businesses.



Town of Newmarket Procurement Approach to U.S. Tariffs

Town of Newmarket staff have been monitoring and working closely with other municipalities within a Greater Toronto and Hamilton Area (GTHA) municipal working group to align our procurement policies & practices as closely as possible in response to the U.S. tariffs matter. The approaches stated in this report are consistent with approaches proposed by other municipalities within this group.

It is important to note that the Town's interaction with U.S. Suppliers is minimal. In 2024, the Town's overall expenditure with U.S. suppliers was just 1.8% of total payments issued, and U.S. suppliers accounted for 1.2% of the total number of suppliers the Town engaged with.

Trade Agreements

The Town is governed by three main trade agreements that apply to municipal procurement as follows:

- **Trade and Cooperation Agreement Between Ontario and Quebec (OQTCA)**
Requires municipalities to provide public, non-discriminatory access to suppliers between Quebec and Ontario for procurements above certain thresholds.

- **Canadian Free Trade Agreement (CFTA)** – Requires municipalities to provide public, non-discriminatory access to suppliers from across Canada for procurements above certain thresholds.
- **Comprehensive Economic and Trade Agreement (CETA) with the EU** – Requires municipalities to provide non-discriminatory, equal treatment to European suppliers for applicable public procurements exceeding the specified thresholds.

Table 1 outlines the current thresholds for each trade agreement, which are updated every 2 years, with the next update scheduled for January 1, 2026. This means that procurements that exceed the identified thresholds are required to follow the provisions within that trade agreement through open market competition.

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

Amending the Town's Procurement By-Law Thresholds

To place the Town in a further position of readiness considering the proposed tariffs, an amendment to the Town's procurement thresholds is recommended to align with the OQTCA and the CFTA thresholds, in addition to the other strategies recommended in this report. This report recommends amending the current invitational threshold from \$100K to \$133,800 to align with OQTCA and CFTA thresholds for goods and services. Additionally, it is recommended that the construction threshold align with the OQTCA threshold of \$133,800 to ensure non-discriminatory public access for Ontario and Quebec suppliers. Procurements exceeding these thresholds must be publicly offered and can include a preference for Canadian suppliers where appropriate and possible, while not exceeding CETA thresholds. As a result, the Town's public procurement thresholds will be amended accordingly.

Preferring Canadian Supplier Considerations

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

- The Town has greater flexibility to prefer Canadian suppliers for procurements below the CETA thresholds. For procurements exceeding the CETA thresholds, the Town

cannot prefer Canadian suppliers as this would discriminate against European businesses and contravene the provisions of this trade agreement.

- Increasing the Town's invitational and public procurement thresholds to align with the OQTCA and CFTA thresholds, without exceeding CETA thresholds, provides greater flexibility to prefer Canadian suppliers and does not offend the provisions of CETA.
- While invitational processes offer the best opportunity to prefer Canadian suppliers, the Town can also include language in new procurements, whether invitational or public and within the provisions of the OQTCA and CFTA trade agreements, to favour Canadian suppliers where appropriate and possible. For example: If the lowest compliant bid (or highest ranked bid) is from a Non-Canadian Bidder, and if the lowest compliant bid (or highest ranked bid) from a Canadian Bidder is within 25% of the price of such Non-Canadian Bidder, the Town reserves the right to award the contract to the Canadian Bidder. The Town shall be entitled to exercise or not exercise such right in its sole discretion and without liability, cost or penalty to any bidder or other person. This ensures the Town is being fiscally responsible while supporting Canadian suppliers and adhering to the trade treaties.
- The Town can promote the purchase of Canadian products by establishing criteria for what qualifies as 'Made in Canada.' To achieve this, the Town will collaborate with the GTHA Procurement Group to define 'Made in Canada.'
- Definitions for Canadian and U.S. suppliers need to be established. The Town will collaborate with the GTHA Procurement Group to define 'Canadian Supplier' and 'U.S. Supplier'.
- The Town should continue leveraging cooperative procurement opportunities, with an emphasis on avoiding U.S. suppliers that have been awarded cooperative agreements, 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) so the Town must make provisions for these types of goods and/or services to maintain business continuity. The time investment to migrate to Canadian service providers, where possible, would take significant research and potentially years to fully implement.

The following are the summarized recommendations described in this report to address the proposed U.S. Tariffs:

- Continue to support the local economy and Canadian jobs through education and partnerships with the local business community and community partners and a relaunching of the Business Assistance Concierge Program
- Apply updated Choose Local branding to economic development initiatives to reflect support for Canadian jobs and local businesses

- Amend Procurement By-Law 2014-27 thresholds;
- Implement evaluation strategies to prefer Canadian suppliers for new Procurements.
- Establish definitions for U.S. Supplier and Canadian Supplier;
- Consider cooperative procurement opportunities awarded to Canadian suppliers;
- Mitigate legal risk by honoring existing contracts with U.S. Suppliers;
- Continue to collaborate with the Community and Economic Innovation Department and Procurement teams for information and monitoring purposes;

Consultation

Staff from Legal and Procurement Services, External Legal, Community & Economic Innovation, Financial Services, Corporate Communication and SLT were consulted on this report.

Conclusion

This report provides a high-level overview of initiatives/strategies to support preferring Canadian suppliers through the Town's Procurement By-Law and practices as well as an overview on how the Town will continue to support the local economy and Canadian jobs.

Council Priority Association

This report aligns with the following Council Priority: Community and Economic Vibrancy

Human Resource Considerations

None

Budget Impact

None

Attachments

None

Approval for Submission

Esther Armchuk, Commissioner, Corporate Services

Ian McDougall, Chief Administrative Officer

Report Contact

For more information on this report, contact info@newmarket.ca.