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## REPORT TO FINANCE COMMITTEE MEETING OF WEDNESDAY, MARCH 5, 2025

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**SUBJECT**     Implications of a “Buy Canadian” Purchasing Preference at CRD

### **ISSUE SUMMARY**

To report on the potential implications to CRD of prioritizing the purchase of Canadian-made products and services during the trade dispute with the United States.

### **BACKGROUND**

On February 12<sup>th</sup>, the CRD Board endorsed the following motion:

*Buy Canadian*

The Board requests that staff report back to the next Finance Committee meeting on the CRD’s procurement processes and the impact of prioritizing Canadian-made products and services during the international trade dispute.

This report focuses on the options available within the CRD’s Procurement Policy and the applicable trade agreements to implement a “Buy Canadian” policy to prioritize the purchase of Canadian-made products and services.

The information contained in this report is current to the date of publishing, however, the trade dispute is a rapidly evolving matter that will likely change by the date of Committee and Board consideration. Staff anticipate more information will become available, as the Board’s concerns are held in common with other Canadian public sector organizations. While staff have endeavored to present a summary of options and impacts, other agencies such as the Federation of Canadian Municipalities, are actively working to investigate the same issues to provide additional information and resources. Staff will continue to monitor additional information as it becomes available and will update the Board accordingly.

### **IMPLICATIONS**

#### ***CRD’s Procurement Policy (BRD15)***

CRD’s Procurement Policy requires procurement processes to be conducted in a competitive, fair, open, and transparent manner and on the basis of “best value”, that is, the optimal combination of total cost, performance, economic, environmental, and social sustainability, reduced carbon dependency, and reduced waste. CRD complies with trade agreements binding on it as a local government, as well as those agreements which are not directly binding but which the Provincial and Federal Government expect public authorities to comply with.

A summary of trade agreement requirements for local government competitive procurement is summarized in the table below. Further information is available from the Federal Government.<sup>1</sup>

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<sup>1</sup> <https://www.international.gc.ca/trade-agreements-accords-commerciaux/ressources/fcm/complexe-guide-complet.aspx?lang=eng>

Trade Agreement <sup>2</sup>	Application	Goods	Services	Construction
<i>New West Partnership Trade Agreement</i>	BC, Alta., Sask., Man.	\$75,000	\$75,000	\$200,000
<i>Canadian Free Trade Agreement</i>	Canada	\$133,800	\$133,800	\$334,400
<i>Canada-Europe Free Trade Agreement</i>	EU	\$353,300	\$353,300	\$8.8-million
<i>Canada-United States-Mexico Free Trade Agreement</i>	US, Mexico	\$237,700	\$237,700	\$8.8-million

As a result, CRD purchases the majority of its goods, services, and construction competitively as they are over the *New West Partnership Trade Agreement* competitive thresholds. For procurements below competitive thresholds, staff are encouraged to work with trusted and known suppliers; award to Indigenous-controlled businesses; or consider “social” procurement thresholds, such as awarding to enterprising non-profits or those businesses who also provide benefit to historically equity-seeking groups or have ties to such groups.

**Can CRD prioritize Canadian-made Goods and Services?**

In relation to non-selection of US goods or services, the Canada-United States Mexico Agreement (CUSMA, the “new NAFTA”) permits a “Buy Canadian” preference to be applied:

- For goods or services valued at less than \$237,000; and
- For construction valued at less than \$8.8-million.

Such preferences are already applied in the US to reserve contracts to US-based businesses and suppliers. Above these CUSMA thresholds, it is expected but not legally required that local governments conduct procurements treating US businesses and products of those member states as if they were Canadian businesses and products (for simplicity called “Most Favoured Nation” treatment). However, as CUSMA is not binding on local governments, should CRD choose to exclude US vendors entirely there is no bid dispute mechanism in CUSMA that would impact local governments and result in claims.

Certain funding and grant agreements require CRD to conduct competitive procurement and be non-discriminatory relating to those procurements. These terms are contractual and would need to be respected while those agreements are in place. They would take priority over CRD’s temporary procurement policy or program language, and likely apply in Provincially-funded residential housing projects or large infrastructure projects funded by Canada.

<sup>2</sup> <https://www.canada.ca/en/treasury-board-secretariat/services/policy-notice/contracting-policy-notice-2023-6-trade-agreements.html>

From an administrative perspective, CRD could express its preference for Canadian products and services, within prescribed limits, through a change to the CRD Procurement Policy or a Board direction, valid for the duration of the trade dispute, that includes the following provisions:

**Domestic Preference**

For purchases of goods and services less than \$237,000 and construction less than \$8.8-million, CRD staff may, at their discretion with a view to “best value”:

- prefer Canadian or non-US origin, supplied, manufactured, or produced goods or services;
- consider the risk of US tariffs and threatened US tariffs as a factor undermining the price certainty of US suppliers;
- consider whether domestic products, services, or construction could be specified for some or all of the contemplated procurement;
- discount any shipping or logistics cost from Canadian suppliers or manufacturers in the calculation of “best value”;
- consider whether after-sales service may only be provided from the US, and if so, consider this a risk undermining the “best value”;
- scope Canadian products into construction, goods, or services specifications for reasons of deliverability; constructability; price; quality of manufacture; security or confidentiality, including domestic economic security; business continuity; or confidence in continued pricing;
- *determine whether products from countries other than the US, of like quality to Canadian products, could be used in place of US products given the increased cost of US products, services, and construction as a result of tariffs.*

*Where a procurement is funded by a grant or sponsorship agreement, staff must consult agreement terms to determine if it is appropriate for this “Buy Canadian” exception to apply. Staff should obtain legal advice if considering applying domestic preference or non-US-preference above the thresholds listed in this section or in contemplating a change order or amendment which would increase the contract value above the thresholds listed above.*

**Buy Local Program**

*Where a procurement is less than \$75,000 for goods or services, or less than \$200,000 for construction, the staff are encouraged to select BC-based or local suppliers for such work, always with a view to “best value” purchasing for CRD. Staff should not exceed these threshold amounts by way of amendment or change order without seeking legal advice.*

***Operational Implications of a Buy Canadian Policy***

Understanding the effectiveness of a Buy Canadian preference could be challenging. CRD uses a decentralized procurement model, rather than having dedicated staff in a centralized purchasing function. Staff engaged in purchasing are expected to do so with minimal supervision. CRD’s Procurement Policy sets out step-by-step procedures for initiation, approval and evaluation of bids and tenders, which staff must comply with. Given the number of purchases undertaken and individuals involved in purchasing, the level of administrative effort to implement will depend on whether this is a mandatory requirement with a compliance function, or an instruction to staff

without an additional compliance function. Any compliance function would require additional administrative time to implement.

As part of CRD Evolves, a Manager of Purchasing position was created within the Finance department to begin the establishment of a more centralized purchasing service. While this role will create more capacity, it is not intended to review and provide advice on each procurement and could not do so without causing delays to goods and service supply timelines.

### Effect of Implementation

CRD does not track purchasing through a centralized database, nor does it track source of origin or category of goods, and has limited ability to report on the ratio of purchases that are from US-based suppliers compared to domestic products. That said, high-level review shows that most purchases under the proposed threshold amounts are already from Canadian services and distributors. CRD does not often see bids from US-based bidders for construction projects except where projects are major capital (such as the Residuals Treatment Facility). Even absent a “Buy Canadian” preference, given the instability of the US-supply market as a result of the tariffs, it would be unlikely for CRD to use US-suppliers without practical reason (e.g. they are the only after-sales service provider; they provided the goods in the initial procurement; they are the only supplier due to technical or other reasons).

While it is unknown what the impact of a Buy Canadian preference may be, it is in CRD’s interests to build capacity in domestic or international suppliers, in the event tariffs effect the supply chain and to build relationships for critical services and supplies in other markets.

CRD relies on some US-sourced products including chemicals for water and sewer treatment and pre-fabricated structures. Those products are typically unique in the marketplace or the subject of long-standing supply arrangements with Canadian-based distributors or vendors that in turn source the materials from the United States. Chemicals for water and sewer treatment are currently not targeted by the Canadian retaliatory tariffs and therefore may not be affected in the short term. While staff are aware of the origin of some products, such as treatment chemicals, CRD does not keep records on the source of origin of all goods, services, or construction and therefore may not be able to fully identify or eliminate reliance on US-sourced products that are being procured by third party suppliers and distributors. As an initial step, if required, identifying and recording the source of products and services in upcoming procurements may assist staff in understanding the source of commodities used by the CRD.

### CONCLUSION

In the mobilization to respond to the Canada-US tariff dispute, the CRD Board has asked staff to report on the implications of instituting a Buy Canadian policy at CRD. While it is possible to amend the CRD Procurement Policy to allow for a Buy Canadian preference within specific purchasing thresholds, imposing new policy requirements in our decentralized purchasing environment would require dedicated effort to train staff on the new requirements. Staff anticipate that additional guidance and resources will be forthcoming from the Federation of Canadian Municipalities (FCM) which will help inform CRD’s responsive efforts to the imposition of future potential tariffs.

**RECOMMENDATION**

There is no recommendation. This report is for information only.

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