

Subject: **Strategy to Address the Impacts of U.S. Tariffs on the Town of Whitchurch-Stouffville’s Procurements and Interim Procurement By-law Amendment**

Staff Report No. **FI-003-25**

**Department/
Commission:** **Finance Services Commission**

Date: **March 19, 2025**

Recommendation:

- 1) That Council increase the Chief Administrative Officer’s (CAO) delegated award approval authority for non-competitive procurements from \$100,000 to align with the Canadian Free Trade Agreement (CFTA) thresholds as an interim measure to award contracts to non-U.S. contractors until January 2026;
- 2) That Council authorize staff to leverage the Canada European Union Comprehensive Economic and Trade Agreement (CETA) thresholds to acquire Canadian goods and services through competitive bidding among Canadian contractors only;
- 3) That Council authorize the Chief Administrative Officer and the Commissioner of Finance to manage funding sources required to address any additional budget requirements, as a result of the impact of tariffs; and
- 4) That staff continue to assess the impacts and risks of tariffs on the Town of Whitchurch-Stouffville’s current contracts and procurements and develop further procurement strategies in collaboration with other municipalities that minimize exposure to tariffs, including assessing options for alternatives to U.S. goods and services where possible.

Report Highlights

- Effective March 4, 2025, U.S. President Donald J. Trump imposed blanket 25% tariffs on non-energy imports and 10% on energy products.

- On March 6, 2025, President Trump paused tariffs on Canadian products that meet rule of origin requirements under the Canada-U.S.-Mexico Agreement until April 12, 2025.
- On March 12, 2025, the U.S. is threatening to impose 50% tariffs on Canadian steel and aluminum products.
- On April 2, 2025, the U.S. plans retaliatory tariffs against all trading partners that currently have tariffs in place against the United States. They are also threatening tariffs up to 250% on Canadian dairy and lumber products.
- The Canadian government has implemented a plan for retaliatory tariffs and provincial governments, including Ontario having committed to retaliatory measures.
- The U.S. tariffs and retaliation measures from Canada could impact the Town's operating budget and capital plans.
- The majority of the Town's current procurement is with Canadian vendors (approx. 97% of total Town's Vendors).
- Staff is proposing an amendment in the Procurement By-law 2024-032-F1 to increase the CAO non-competitive delegated authority limit from \$100,000 to CFTA thresholds. This will be used for acquiring goods and services from Canadian contractors if required, while staying in compliance with the trade agreement as an interim measure until January 2026.
- Staff will leverage the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) thresholds to acquire goods and services by awarding contracts to Canadian vendors, only for the purpose of minimizing exposure to U.S. tariffs, as an interim measure until January 2026.
- Despite the announcement imposing and pausing tariffs and counter tariffs, significant uncertainty remains due to continuing statements, whether the tariffs will proceed as proposed, be modified, or be cancelled altogether.
- Staff will continue assessing the impacts and develop procurement strategies keeping in view Federal, Provincial, and other municipal governments' approach and plans.

1. Purpose:

The Tariffs from the United States (U.S.), and retaliatory tariffs from Canada, are creating uncertainty for governments and businesses. Based on available information, as of March 11, 2025, this report provides a high-level overview of potential impacts to the Town and outlines initiatives underway to assess and mitigate these impacts, including a

recommendation to develop a strategy to address the impacts of the tariffs by limiting procurement competition to Canadian vendors where possible.

2. Background:

On March 4, 2025, President Trump imposed tariffs of 25% on all Canadian goods, except for energy products, which would face a 10% tariff. In response, Canada announced retaliatory tariffs, which will affect the cost of goods and/or services procured by the Town. On March 6, the U.S. government paused tariffs on Canadian products that meet rules of origin requirements under the Canada-U.S.-Mexico Agreement. Tariffs of 50% are expected to be put in place against Canadian steel and aluminum products beginning on March 12. Further retaliatory tariffs from the U.S. are expected to take effect April 2, 2025, as well as tariffs of up to 250% on Canadian dairy and lumber products.

Public Procurement Trade Agreements

When considering municipal procurement options and strategies to mitigate the impact of the U.S. tariffs, consideration must be given to the following applicable domestic and international trade agreements that have been entered into by Canada.

The Town’s procurements are governed by several trade agreements, notably the Canada Free Trade Agreement (CFTA) and the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). CFTA governs trade within Canada, while CETA governs trade between Canada and member European states.

Table 1 outlines the current thresholds for applicability for each trade agreement. *This means that procurements that exceed the identified thresholds are required to follow the provisions within that trade agreement through open market competition.*

Table 1 Trade Agreement Threshold

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

The Town as a municipality, is not directly subject to the provisions of the Canada-United States-Mexico Agreement that is currently being affected by the tariffs.

*CFTA and CETA thresholds are adjusted every two years. These thresholds will be revised on January 1, 2026.

The Town's Procurement Strategy and Trade Agreements

The Town's Procurement By-law and subsequent policies are built on the framework of the trade agreements to ensure open, fair and barrier free trade. To place the Town in a better position to deal with imposed tariffs, staff will leverage the CETA thresholds (\$353,300 for general goods and services, and \$8,800,000 for construction services) to limit procurement competition to Canadian vendors, without involving vendors from other countries.

The EU is Canada's second largest trading partner and, as such, it is important to navigate procurement strategies in response to U.S. tariffs in a manner that is also mindful of Canada's obligations to the EU under CETA.

In the context of this report, the competitive bidding process means that only Canadian vendors will be allowed to compete for contracts, as the competition will be limited to Canadian vendors. This approach is used to support Canadian vendors, promote economic benefits within Canada and will still comply with both CETA and CFTA trade agreements.

3. Analysis:

The following factors have been considered in the development of the Town's procurement plan to mitigate the impact of tariffs:

- The Town has more flexibility for adopting a "Buy Canadian" approach for procurements below the CETA thresholds, while staying in compliance with the trade agreements.
- Some goods and/or services may only be provided by U.S. vendors (i.e., IT systems), so the Town must make provisions for these types of goods and/or services to maintain business continuity.

Town's Current Contracts

As with any instance of a supply chain disruption, Procurement Services anticipates questions from vendors regarding the Town's position on tariffs and their implication on increased costs. Any request for price adjustments in existing contracts will need to be determined based on the terms of the contract.

4. Options:

Council to approve recommendations as presented by staff.

5. Financial Implications:

With the U.S. and Canada trade tariffs, there could be significant implications on the cost of goods and services purchased by the Town. Impacts will apply to future goods acquired from the U.S. and existing contracts where vendors could not have accounted for the costs of future imposed tariffs at the time of bidding their contracts.

Although the bulk of the Town's contracts are procured directly with Canadian vendors in Canadian dollars, tariff impacts are still a significant concern as the supply chains for the various goods and services procured by the Town, are complex and intertwined across borders. The full extent of goods that the Town's Canadian vendors may be sourcing from the U.S., as part of their contracts with the Town, is unknown and would require further assessment. Staff will continue to monitor any costs incurred in current contracts and future impacts on planned procurements, including delaying projects due to increased costs.

6. Broader Intergovernmental Impacts and/or Considerations:

All levels of government and industry specific agencies are assessing impacts and making recommendations to mitigate the tariffs risks. Staff is working in close collaboration with their counterparts in York Region and other municipalities to develop a procurement framework and strategies to address the tariffs on its existing and future contracts. Based on the media reports, the Federal and Ontario governments will engage in a policy to promote Canadian business, thereby allowing the Town to engage in a corresponding policy.

7. Communication:

Communications will ensure any modifications to the Procurement By-law are posted on the Town's website where applicable.

8. Alignment with Strategic Plan:

1. Good Governance
Provide Good Governance

9. Attachments:

None.

10. Related Reports:

None.

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For further information on this report, please contact the Department Head: Jeremy Harness, Commissioner of Financial Services at 905-640-1900 or 1-855-642-8697 ext. 2243 or via email at jeremy.harness@townofws.ca