



STAFF REPORT TO THE BOARD

DATE OF REPORT March 13, 2025
MEETING TYPE & DATE Regular Session Board of March 26, 2025
FROM: Finance/Procurement
Corporate Services Department
SUBJECT: Updates on CVRD's Procurement Practices Amid Trade Tensions
FILE:

PURPOSE/INTRODUCTION

This report is prepared by Finance/Procurement to present the Board with the analysis of the CVRD's current procurement practices and potential "buy Canadian-made goods and services" during the trade dispute with the United States (US).

RECOMMENDED RESOLUTION

For information.

BACKGROUND

At the Board Meeting on February 26, 2025, the following Notice of Motion was brought forward:

Board Resolution No. 25-136:

"It was moved and seconded that staff be directed to explore a CVRD response to mitigate the potential impact of new and anticipated USA tariffs on Canadian imported goods and services by seeking options to support the procurement of products and services from Canadian sources and/or from other USA tariff affected countries, where-ever and when-ever possible and practicable"

The trade tensions between Canada and the US has escalated significantly in recent weeks and days. The situation remains fluid, evolving daily, so the situation summarized in this report may not reflect the latest updates as both countries consider further actions.

The US implemented 25% tariffs on all steel and aluminum imports on March 12, 2025. This tariff applies to imports from all countries, not just Canada or the European Union (EU). Specifically:

- The tariffs took effect at 12:01 a.m. Eastern Standard Time on March 12, 2025.
- The new action expands the original Section 232 tariffs by ending all country exemptions and applying the tariffs globally.
- The tariffs apply to steel and aluminum imports from all trading partners with no exceptions or exemptions.

- While Canada is the largest supplier of steel and aluminum to the US, the tariffs also affect other major suppliers such as Brazil, Mexico, South Korea, and countries in the European Union.

This move has prompted swift retaliation from Canada and the EU, who have announced plans for countermeasures.

In response, the Government of Canada responded with tariffs on \$155 billion worth of goods imported from the US, beginning immediately with a list of goods worth \$30 billion. At this time, [‘the list’](#) includes products such as orange juice, peanut butter, wine, spirits, beer, coffee, appliances, apparel, footwear, motorcycles, cosmetics, and certain pulp and paper products.

The trade tension is expected to have significant economic impacts on Canadian businesses, affecting local government planning, potentially raising project costs.

ANALYSIS

The CVRD's procurement obligations are governed by our Procurement Policy and various regional, national and international trade agreements. The thresholds requiring open competitive procurement are summarized in the table below. Following the public sector practices, the CVRD's procurement activities primarily adhere to the New West Partnership Trade Agreement (NWPTA) thresholds for the MASH sector, which includes: municipalities, publicly-funded academic institutions, school boards, health and social service entities.

Trade Agreement	Jurisdiction	Procurement Type	Ministries/ Departments	Crown Corporations	MASH
NWPTA (Regional)	BC, Alberta, Saskatchewan, Manitoba	Goods	\$10,000	\$25,000	\$75,000
		Services	\$75,000	\$100,000	\$75,000
		Construction	\$100,000	\$100,000	\$200,000
CFTA (National)	Canada	Goods	\$30,300	\$605,600	\$121,200
		Services	\$121,200	\$605,600	\$121,200
		Construction	\$121,200	\$6,056,100	\$302,900
CETA (International)	EU	Goods & Services	\$366,800	\$651,000	\$366,800
		Construction	\$9,100,000	\$9,100,000	\$9,100,000
CUKTA (International)	UK	Goods & Services	\$366,800	\$651,000	\$366,800
		Construction	\$9,100,000	\$9,100,000	\$9,100,000
CUSMA (prev NAFTA)	US, Mexico	Goods & Services	\$237,700	Not covered	
		Construction	\$8,800,000		

Source: http://www.newwestpartnershiptrade.ca/pdf/procurement_guidelines.pdf

- New West Partnership Trade Agreement (NWPTA)
- Canadian Free Trade Agreement (CFTA)
- Canada – European Union Comprehensive Economic and Trade Agreement (CETA)
- Canada-U.K. Trade Continuity Agreement (CUKTA)
- Canada-United States-Mexico Free Trade Agreement (CUSMA)

CVRD's Procurement Policy

(Approved by CVRD Board on September 13, 2017, Amended on April 13, 2022)

The CVRD Procurement Policy outlines the process in place for procuring goods and services for the CVRD (see Attachment A). The CVRD will conduct procurement processes that conform to the principles outlined within the policy. When acquiring goods, services and construction, the CVRD will consider best value, which includes social value objectives, conducting procurement in a manner that contributes to the development and diversification of the supply chain and positive contributions to the local economy where feasible.

The CVRD utilizes a competitive bidding process to procure goods, services and construction, unless otherwise permitted under the Procurement Policy, and follows the thresholds outlined in the table below.

Value of Procurement (including PST, duties and freight)	Bid Process	Bid Requirements
\$0 - \$10,000	Optional	1 quote
\$10,001 - \$70,000	Invitational Competition	2 quotes
\$70,001 – \$190,000 construction contracts only	Invitational Competition	3 quotes
\$70,000 and higher for all contracts <i>except construction contracts</i>	Open Competitive Bid Process	Open process on BC Bid
\$190,000 and higher for construction contracts	Open Competitive Bid Process	Open process on BC Bid

Summary of Existing Procurement Practices

The CVRD has a hybrid/decentralized procurement policy.

- Procurements of goods and services under \$70,000, and construction projects under \$190,000, are managed directly by individual departments through **Invitational Competition**.
 - Currently, the departments have already typically obtained quotes from local or Canadian vendors, where feasible.
- Procurement of goods and services over \$70,000, and construction over \$190,000, are typically conducted by Procurement staff through **Open Competition**.

Existing Purchases from the US Suppliers

While US purchases account for a smaller portion of CVRD's total procurement activities, the CVRD currently ships approximately 24,000-26,000 metric tonnes of municipal solid waste (MSW) annually to the Roosevelt Landfill site in Washington state for disposal. For the 2024 fiscal year:

- BMO spending on US suppliers totals approximately \$60,000, amounting to just 2.44% of total 2024 BMO transactions.

- The annual spending for MSW disposal and hauling is approximately \$5 million, representing 5% of the organization's total annual expenditure.

GENERAL CONSIDERATIONS FOR PURSUING "BUY CANADIAN" STRATEGY

1. Legal Considerations

- As the Federation of Canadian Municipalities (FCM) stated, the municipal procurement is not governed by any Canada-US trade agreements. These agreements primarily apply to federal and provincial government contracts, excluding regional governments. Municipalities retain flexibility to exclude US suppliers and will likely not violate international trade obligations.
- However, CVRD procurement is covered by Canada's free trade agreements with the EU and the UK, subject to specific contract thresholds outlined in CETA (Goods & Services: \$366,800; and Construction: \$9.11 million).
- CVRD Procurement is also covered under Canada's internal trade rules in the CFTA and regional trade agreements, including NWPTA (Goods & Services: \$75,000; and Construction: \$200,000).
- A legal consultation should be initiated, undertaking a review of our bylaw and Procurement Policy, should the Board wish to proceed with the "buy Canadian" initiative beyond the current thresholds outlined in the CVRD Procurement Policy (\$70,000 for Goods & Services; and \$190,000 for Construction).

2. Administrative Considerations

- The CVRD uses a decentralized/hybrid procurement model. Procurement of goods and services under \$70,000, and construction under \$190,000, are managed directly by individual departments through Invitational Competition. It is intended to grant departments with operational flexibility in procurement activities aligned with their specific needs.
- The Procurement team is currently focusing on conducting open completions for purchase above thresholds and no extra resource or capacity is available to fully oversee and manage the "buy Canadian" initiative.

3. Challenges in Defining "Buy Canadian" and "Canadian Supplier"

- Globalized Supply Chains: many products labeled as "Canadian" rely on imported components or cross-border labor (e.g. raw materials from the US, assembly in Canada).
- Canadian Vendors with US-Manufactured Products: even Canadian-owned suppliers may resell goods produced entirely in the US, complicating efforts to prioritize domestically made products.
- Ambiguous Ownership: A supplier may be Canadian-registered with a Canadian office, but owned by foreign parent companies, blurring "Canadian" status.

ACTIONS

1. Staff continue navigating this trade challenge as per operational guidelines provided for staff, outlined below:
 - **Budgetary Adaptation:** Staff proactively manage spending within approved budgets to avoid unnecessary tariff-related escalations.
 - **Prioritize Local/Canadian Suppliers:**
 - For purchases under \$10,000 (discretionary: 1 quote), prioritize local or Canadian suppliers where feasible.
 - For purchases via Invitational Quotes (Goods/Services under \$70,000; and Construction under \$190,000), secure sufficient valid quotes from Canadian vendors to ensure competitive pricing and compliance.
 - If needed, confirm the "Country of Origin" for all goods/services with suppliers to inform decision-making.
 - **Orders Requiring US Suppliers (No Canadian Alternatives Available):** If no feasible Canadian substitutes exist, consult the Department General Manager or Procurement staff before proceeding with orders from US-based suppliers. In such cases, for products subject to the newly imposed US tariffs, the CVRD will become the importer of record and is responsible for import tariffs payable to the Canadian Border Services Agency.
 - **Canadian Vendors Supplying US-Made Products:** It is recommended that staff obtain multiple quotes to compare pricing and select options that maximize social value while supporting the CVRD and the Canadian economy.
 - **Integrated Supply Chains:** Some local or Canadian vendors may offer products wholly or partially manufactured in the US due to cross-border supply chain. Exercise judgement to ensure orders align with cost-effective and community benefit.
 - **Proactive Supplier Engagement & Risk Mitigation:**
 - Maintain consistent communication with suppliers and consultants to monitor market shifts and disruptions.
 - Identify alternative suppliers in Canadian or non-US markets to diversify sourcing options.
 - Secure procurement contracts earlier or plan strategic inventory stockpiling to safeguard against supply chain volatility.
 - **Avoid US Purchases:** Prioritize sourcing substitutes from local/Canadian suppliers or utilize eWay/Staples' online platforms, which are part of the province-wide contract (CSA).
 - Note: For the 2024 fiscal year, the total Amazon purchases were approximately \$38,000, representing only 1.58% of all BMO purchases.
 - **Restrict Non-Essential Travel:** Limit non-essential business travel by staff to the US to reduce costs and align with broader economic response efforts.
 - **Public Statements:** No statements are to be made publicly regarding our business relationships with US suppliers.

2. That CVRD staff continues collaborating with other local governments and governmental working groups, in alignment with federal and provincial government directives, to monitor tariff impact and local procurement options, and report back to the Board should additional procurement mechanism and strategies be identified.

FINANCIAL CONSIDERATIONS

1. Weakened Canadian Dollar

Contracts denominated in US dollars will incur higher costs due to the depreciation of the Canadian dollar (e.g. municipal solid waste disposal and hauling contracts).

2. Price Increases in Specific Product Categories Due to US Tariffs

Certain product categories may face direct price escalations as a result of the tariff tensions. Affected categories may include:

- Fuel and energy-associated products and services
- Waterworks products
- Construction materials
- HVAC & Elevator
- Lumber byproducts manufactured outside of Canada
- Software and IT services
- Computers and electronic devices
- Vehicles, including electric vehicles and trucks

COMMUNICATIONS CONSIDERATIONS

Procurement from US suppliers represents a relatively small share of the CVRD's overall purchasing activity. Nonetheless, the Procurement Division remains committed to facilitating internal collaboration with staff involved in procuring goods and services exclusively sourced from US suppliers. Concurrently, Procurement staff will collaborate with Communications & Engagement staff to explore possible external communications with suppliers and the broader community.

STRATEGIC/BUSINESS PLAN CONSIDERATIONS

As part of the 2023-2026 Strategic Plan, 'Our *Livelihoods*' provides to: create opportunities to build economic prosperity in our communities and for all of our residents across the entire region.

Referred to (upon completion):

- Community Services (*Cowichan Community Centre, Cowichan Lake Recreation, South Cowichan Recreation, Arts & Culture, Facilities & Transit, Emergency Management*)
- Corporate Services (*Finance, Human Resources, Information Technology, Legislative Services, Communications & Engagement*)
- Operations (*Utilities, Parks & Trails, Recycling & Waste Management*)
- Land Use Services (*Community Planning, Strategic Initiatives, Development Services, Building Inspection & Bylaw Enforcement, Environmental Services*)

Prepared by:

Reviewed by:



Tracy Bowen, CPA, CGA, BComm
Chief Financial Officer

N/A



Clayton Postings
Deputy Chief Administrative Officer &
General Manager, Corporate Services
Department

Reviewed for form and content and approved for submission to the Board:

Resolution:

Financial Considerations:

Corporate Officer

Chief Financial Officer

Chief Administrative Officer's Comments / Concurrence



Danielle Myles Wilson
Chief Administrative Officer

ATTACHMENT:
Attachment A – Procurement Policy