

DATE OF MEETING MARCH 19, 2025

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SUBJECT RETALIATORY TARIFFS BETWEEN CANADA AND THE US

OVERVIEW

Purpose of Report:

To present the Finance and Audit Committee with a brief overview of the proactive efforts undergone to establish methods of dealing with the US tariffs, the retaliatory Canadian tariffs and the impacts to the City's supply chain.

DISCUSSION

The intent of this report is to provide the Finance and Audit Committee with a summary of the proactive effort taken thus far to mitigate the risk of the reciprocal tariffs implemented and being considered at the Federal government level and safeguards taken to offset the uncertainty in the supply chain.

The announcement on March 4, 2025, regarding the retaliatory tariffs will have an impact on the cost of goods and materials coming into Canada required by the City. Supply Chain Management will need to establish strategies that allows for the management of:

1. In-progress Contracts,
2. Open market opportunities, and
3. Future bidding opportunities

Thus far Supply Chain Management has:

1. Met with the Engineering Department to discuss opening the Approved Product List to broaden the scope of what the City can accept in terms of product standards. This larger conversation will be led by Engineering.
2. Discussed including the Country of Origin in open bid opportunities to capture the products that may be impacted to ensure negotiations focus on the specific products affected and not the entire contract.
3. Created a specific clause for RFx documents to assure the bidding community that the City would be fair in its treatment of any potential tariffs that directly impact the price after award.
4. Met with the Procurement Managers from the mainland and the island to discuss other strategies.
5. Attended a legal review session *Navigating Trade Tensions: Tariffs, Sanctions, and Procurement in Canada* sponsored by the Ontario Public Buyers Association and led by a procurement lawyer who is a leading authority in public procurement practices.

Items 4 and 5 above both highlighted that the Trade Agreements are still valid, and with that having a local preference is prohibited.

However, within the Trade Agreements there exists the latitude to procure local under the thresholds of \$75,000 with Goods and Services and \$200,000 with Construction and the City can and will continue to pursue these where applicable.

For this report, Supply Chain Management conducted an analysis of 1,038 vendors reveals the City only directly procures from 13 US vendors however there is a lack of information on second tier vendors and lower and this could have a negative impact on the supply chain depending on the commodities selected and the tariffs imposed. Where feasible and applicable, the City will encourage our vendor base to avoid the procurement of products that have a potential for the City budgets to be impacted or the supply chain to be disrupted.

Analysis of those same 1,038 vendors reveals that 21% are within Nanaimo City limits. This number is a mix of open market awards and single source contracts which speaks to the fact that the City is doing a satisfactory job in finding local businesses with skills that meet our day-to-day requirements.

Supply Chain Management will continue to monitor the events as they unfold and will employ strategies as required to ensure an uninterrupted supply chain and to lessen where feasible, the impact on City budgets.

SUMMARY POINTS

- Supply Chain Management is proactively developing strategies to address the impact of the reciprocal tariffs.
- 13 of the 1,038 vendors examined are direct US contracts. Indirect contract information is not available.
- 21 per cent of the 1,038 vendors examined are within City limits.
- Supply Chain Management will continue to monitor the situation

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