



## Report to Council

Department: Corporate Services  
Division: Finance and Business Services  
Date: April 7, 2025  
Prepared by: Jackson Tang, Assistant Manager, Business Services  
Report Number: Finance and Business Services-2025-05  
Subject: Threats and Potential Impacts on US Tariffs  
Number of Pages: 9

### **Recommendation(s)**

**That** Finance and Business Services Report 2025-05 entitled Treats and Potential Impacts on US Tariffs prepared by Jackson Tang, Assistant Manager, Business Services dated April 07, 2025, be received, and

**That** Council directs Administration to prioritize the purchase of goods and services from Canadian manufacturers and suppliers whenever possible to support local businesses and Canadian economy, and

**That** Council directs Administration to revise the procurement threshold limits and authorizations under Section 9.00 – Procurement Methods, Table II, and Table III, of By-law No. 2129.

### **Purpose**

To provide Council with the threats and potential impacts of the recently imposed U.S. tariffs affecting Canadian goods and adopt a procurement approach that prioritizes Canadian-made products and suppliers to support our local and national economy.

## **Background and Discussion**

The United States has recently introduced the tariffs on all imports from Canada and Mexico including all steel and aluminum products. U.S. importers are generally responsible for paying tariffs, meaning many U.S. buyers of Canadian goods may seek lower prices to, at least partially, offset these additional costs. On the other hand, the Canadian government has responded with retaliatory tariffs on U.S. goods entering Canada. This retaliation could further disrupt supply chains and raise costs for Canadian businesses reliant on U.S. imports.

### **Timeline of Events.**

**On February 1, 2025**, U.S. government has confirmed a 25% tariff on almost all Canadian goods entering the United States, except for energy products which will face a lower 10% tariff. These tariffs are originally expected to take effect on February 4, 2025, and are postponed until March 4, 2025.

**On February 2, 2025**, our federal government released the following full list of U.S. products proposed to be subject to 25% retaliatory import tariffs. The tariffs affect a variety of goods, including food and drink, automotive parts, clothing and footwear, cosmetics, luggage, home wares, furniture and appliances, motorcycles, drones, firearms, tobacco, lumber, paper, and more. The federal government said the second list will be made available in the coming days. It will include products such as cars, trucks, buses, steel and aluminum, aerospace products, and fruits and vegetables.

**On February 11, 2025**, the U.S. government announced a 25% tariff on all steel and aluminum imports, set to take effect on March 4, 2025, as well.

**On March 4, 2025**, Tariffs on goods from Canada, Mexico and China took effect at 12:01 a.m. A near-instant trade war broke out. Canada responded with retaliatory tariffs, vowing additional measures.

<https://www.canada.ca/en/department-finance/news/2025/03/list-of-products-from-the-united-states-subject-to-25-per-cent-tariffs-effective-march-4-2025.html>

**On March 5, 2025**, U.S. government ordered a one-month delay of auto tariffs after a request from the "Big 3" U.S. automakers: Ford, General Motors and Stellantis, the parent company of Jeep and Chrysler.

**On March 6, 2025**, U.S. government temporarily pausing tariffs on Canadian and Mexican goods compliant with the United States-Mexico-Canada Agreement, or USMCA, a free trade agreement.

**On March 11, 2025**, U.S. government ramped up a burgeoning trade war with Canada, saying it will double tariffs set to take effect within hours on all imported steel and aluminum products from Canada to 50% in response to Ontario's electricity surcharge and Premier's threat to shut down power exports entirely if tariffs remain. Premier later announced the Ontario government is suspending the export tax after securing a meeting with U.S. Finance Minister, scheduled for March 13, 2025.

**On March 12, 2025**, U.S.'s steel and aluminum tariffs go into effect at midnight. Canada hits back at the U.S. with additional counter-tariffs worth \$29.8 billion in response, which will go into effect at 12:01 a.m. Eastern on March 13, 2025.

**On March 13, 2025**, Effective date for the imposition of 25% Canadian tariffs on additional select U.S. products imported into Canada in response to the imposition of 25% U.S. tariffs on steel and aluminum pursuant to order-in-council United States Surtax Order (Steel and Aluminum 2025). Goods include aluminum, steel and consumer products including tools, computers and servers, display monitors, sports equipment and cast-iron products. These tariffs are in addition to those imposed on March 4, 2025.

**On March 26, 2025**, U.S. government announced 25% Tariff on all auto imports to the United States.

**On April 2, 2025**, is the expected effective date of reciprocal tariffs as announced by the U.S. government on social media.

### **Disclaimer**

The above Timeline of Events is accurate as of March 27, 2025. Administration continues to monitor the rapidly changing situation and will continue to update Council of any further potential threats and impacts to the Town of Essex.

### **Potential Impacts**

The imposition of these tariffs is expected to have significant negative effects for Canadian businesses. If Canadian businesses function as the importer of record, they will face higher operational costs, which can squeeze profit margins. On the other hand, if U.S. buyers act as the importer of record, higher prices could reduce demand for Canadian goods, leading to a decline in exports. All of these tariffs are predicted to weaken Canada's GDP, slow economic growth, and increase unemployment as well as initiating the following threats to the Town of Essex:

- While export tariffs may not affect the Town directly, retaliatory tariffs are expected to make our purchases more expensive moving forward.
- Tariffs will likely lead to higher prices for certain materials. The rising costs are expected to increase the overall cost of our budgeted projects (Capital Projects), particularly in construction. According to the Association of Municipalities of Ontario (AMO), the impact of US Tariffs on Ontario's municipality capital expenditure is around 2.1%. A copy of the "Tariff Impacts on Ontario municipalities" is attached to this report. The total estimated impact to the Town of Essex's approved 2025 budget and proposed year forecast to March 2027 for infrastructure is an "Increase" in expense of \$1.113 million.
- As tariffs make materials more expensive, suppliers or contractors may need to find alternative suppliers or delay sourcing materials. This could lead to longer delivery times, delays in delivery and more complicated supply chain logistics.

- Suppliers or Contractors working with fixed-price contracts may find their profit margins shrinking, especially if they have already committed to project costs without factoring in these unexpected price hikes. This can lead to insolvencies, delays and performance claims.

### **Current Procurement Practices**

In response to these tariffs, the way our Town spends and procures goods and services has a direct impact on jobs, local industries, and the national economy. Our current Procurement Bylaw 2129, which was revised in 2022, includes the principle (Section 2.11) of promoting social value including supporting the local economy whenever making a purchase, to the extent that is legally permitted.

- In the past few years from 2022 to 2024, approximately 99 per cent of all Town purchases were from Canadian suppliers including local service providers, dealers, distributors, or agents. 100 per cent of construction projects were awarded to Canadian suppliers with more than 90 per cent from the Windsor Essex Area. However, we do not know where their materials were purchased from.
- The Town committed to supporting local and Canadian suppliers for purchase values below \$50,000. Over ten million dollars each year from 2022 to 2024 have been contributed to support the local economy through low value purchase (0 - \$10,000) and Informal Request for Quotation/Proposal (\$10,001 - \$50,000).
- Procurement Bylaw 2129 Section 9.08m - For purchase prices from \$0 to \$10,000, departments can purchase the goods and services from a local supplier/Canadian vendor without going through a competitive bidding process.
- Procurement Bylaw 2129 Section 9.02e - For purchase prices from \$10,001 to \$50,000, departments can utilize the competitive bidding process by invitation (i.e. Informal Request for Quotation/Proposal) to obtain at least three quotations/proposals from local suppliers/Canadian suppliers whenever possible.
- For purchases with the value of over \$50,000 through Request for Proposals (RFP) process, where price is not the predominant award factor, the Town has included the factor of

social and ethical responsibilities (e.g. environmental, labor, business responsiveness, etc.) as evaluation criteria to encourage the submission of the respective projects from local/Canadian suppliers, whenever possible.

### **Restrictions to Buy Canadian**

- Municipal governments do not have the same powers as the provincial and federal levels where they can impose bans on U.S. liquor or impose drastic measures such as electricity shut down.
- Municipalities have been prevented by trade agreements, including the Canadian Free Trade Agreement (CFTA), the Canada-European Comprehensive Economic and Trade Agreement (CETA), from giving preference to buy Canadian for the purchase value of over \$133,800 or greater, particularly in the Request for Tender process of which price is the predominant award criteria.
- Figuring out if a product is Canadian is not as straight forward as we may expect. "Product of Canada" is not the same as "Made in Canada". Under the Consumer Packaging and Labelling Act, a "Product of Canada" label means almost all with at least 98 per cent of the total direct costs of producing the item were incurred in Canada. "Made in Canada," meanwhile, means more than half of the total direct costs were incurred in Canada with at least 51 per cent but less than 98 per cent. A product might be made in Canada by a company that is owned by an international parent company, making it difficult to determine true Canadian ownership. Staff need to spend time to identify and/or to rely on the honesty of the suppliers' declaration of ingredients and country of origin.
- Taking U.S. goods from the supply chain may not be practical. There are so many American products within Canadian's local and distributor supply chains, drastic exclusion of American products could potentially harm local/Canadian suppliers. It could result in damage to the local/national economy if the Town ceases the purchases from the Canadian businesses who are the importers or agents of U.S. commodities.

- **Single/Sole Source Products**

Some products such as software, fire truck or fire rescue services equipment and accessories are only readily available from U.S., or very limited availability in Canada due to the unique features and safety standards which are not possible or are not easy to find alternative in Canada. The ongoing services level for information technology, rescue services and safety precautions, etc. could dramatically decline if we cease to purchase these unique products from the U.S.

### **Recommendations**

The following are recommendations from Administration to assist the Town, the community and residents against the potential impact of Tariffs:

- Ensure commitment to supporting local and Canadian suppliers for purchase value below \$50,000, by including the social and ethical responsibilities as the evaluation criteria for Request for Proposal (RFP) process per Section 2.11 of the Procurement Bylaw 2129. Internal reminders will be circulated to staff to prioritize Buying Local and Buying Canadian.
- Revise the Town's current procurement thresholds to support "Buying Canadian", by increasing the threshold limit of Informal Request for Quotation/Proposal from \$50,000 to \$130,000, where "Buying Canadian" is not restricted by the applicable Trade Agreements (i.e. Canadian Free Trade Agreement (CFTA) and Canada-European Comprehensive Economic and Trade Agreement (CETA). A copy of existing CFTA and CETA Procurement Thresholds as well as Recommended Procurement Bylaw 2129 Thresholds is attached. An average value of \$1.5 million each year can potentially be contributed to support "Buying Canadian" by increasing the threshold limit to \$130,000 according to the past five-year data analysis.
- Continue to enforce the requirement of 100% Performance Bonds and 100% Labour and Materials Bonds, where applicable, which must be received prior to the commencement of any work or supply and any goods and services as per Section 24.06 of the Procurement Bylaw 2129 to ensure the timely delivery and completion of work.

- Incorporate the clause into agreements that the seller is responsible for paying all customs duties, including any applicable tariffs, whenever possible.

### **Financial Impact**

There is no direct financial impact because of this report. However, as noted above, tariffs may lead to an increase in the cost of capital projects, the value of which is undetermined at this time.

### **Conclusion**

- Municipal procurement is governed by obligations contained in trade agreements and legislation of provincial and federal governments which includes The Canadian Free Trade Agreement (CFTA), the Canada-European Comprehensive Economic and Trade Agreement (CETA) and the Discriminatory Business Practices Act as well.
- These trade agreements and legislation would preclude municipalities from showing local/Canadian preference. However, an exemption exists to allow a ‘discriminatory’ business practice in accordance with federal or provincial policy. If the Canadian and Ontario governments develop policies to promote Canadian, municipalities may follow.
- Overall, these tariffs create financial uncertainty for Canada. It is not clear at this point if there are more items being added to the tariffs, and no specific details have been released. Administration will ensure that Council remains informed of any challenges, trade implications, or necessary policy adjustments.

### **Consultations**

Joseph Malandrucolo, Director, Legislative Services/Clerk

Jake Morassut, Director, Community Services

Kevin Girard, Director, Infrastructure Services

Lori Chadwick, Director, Development Services



Katelynn Giurissevich, Director, Corporate Services/Treasurer

Doug Sweet, Chief Administrative Officer

### **Attachments**

Attachment 1 – Tariff Impacts on Ontario Municipalities

Attachment 2 – CFTA and CETA Thresholds January 1, 2024, to December 31, 2025

Attachment 3 – Recommended Procurement Bylaw 2129 Thresholds

### **Link to Strategic Priorities**

- Embrace asset management best practices to build, maintain, and continuously improve our municipally owned infrastructure.
- Leverage our Town’s competitive advantages to promote jobs and economic investment.
- Take care of our natural environment and strengthen the sense of belonging to everyone who makes Essex “home”.
- Deliver friendly customer service in an efficient, effective, and transparent manner while providing an exceptional working environment for our employees.
- Build corporate-level and community-level climate resilience through community engagement and partnership and corporate objectives.

## Report Approval Details

Document Title:	Threats and Potential Impacts on US Tariffs - Finance and Business Services-2025-05.docx
Attachments:	- Tariff Impacts on Ontario municipalities.pdf - CFTA_and_CETA_Thresholds_January_1_2024_to_December_31_2025.pdf - Recommended Procurement Bylaw 2129 Thresholds.pdf
Final Approval Date:	Mar 30, 2025

This report and all of its attachments were approved and signed as outlined below:

**No Signature - Task assigned to Kate Giurissevich, Director, Corporate Services was completed by delegate Ann Marie Unis**

**Kate Giurissevich, Director, Corporate Services - Mar 30, 2025 - 9:57 AM**



**Doug Sweet, Chief Administrative Officer - Mar 30, 2025 - 10:07 AM**