



Committee of the Whole

Meeting Date: April 8, 2025

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Subject: General Overview of Middlesex County Tarriff Impacts & Procurement Considerations

BACKGROUND:

On February 1, 2025, the President of the United States announced a 25% tariff on all imports from Canada and Mexico, with a reduced 10% tariff on Canadian energy products. These tariffs were initially set to take effect on February 4, 2025, but were delayed by thirty (30) days following negotiations with Canada and Mexico.

Despite these efforts, on March 3, 2025, the President of the United States confirmed that tariffs would be implemented on March 4, 2025. Consequently, the tariffs took effect as scheduled, prompting Canada to impose retaliatory tariffs of 25%, with plans to expand these measures to additional U.S. imports.

Ontario Premier Doug Ford responded by announcing a 25% surcharge on electricity exports to the U.S., which was later suspended in advance of discussions with U.S. officials. These developments have led to ongoing negotiations and threats of additional tariffs from the United States, contributing to increased economic uncertainty and potential disruptions in trade relations between the United States and Canada. On April 2, 2025, the United States announced a baseline 10% tariff on all foreign imports from a number of countries but excluded Canada from this, citing the already imposed levies and the 25% tariff on foreign automobiles; the specific details of which remain unclear due to exclusions provided in the United States-Mexico-Canada Agreement (USMCA). While tariff long-term status remains uncertain, their potential implementation poses significant economic and financial risks to Canadian municipalities, including increased costs for goods and services, supply chain disruptions, and procurement complexities.

Middlesex County, like other municipalities, is governed by trade agreements such as the Canada Free Trade Agreement (CFTA) and the Comprehensive Economic and Trade Agreement (CETA). Additionally, Ontario's Discriminatory Business Practices Act generally prohibits preferential treatment based on the origin of goods and services.

However, exemptions may be granted if provincial or federal policy supports a 'Buy Canadian' approach. Given that formal policies from upper levels of government are uncertain, Middlesex County has followed guidance from the Ontario Public Buyers Association (OPBA) and other municipal best practices in response to tariff threats.

Certain Middlesex County businesses are potentially vulnerable to the effects of these tariffs due to their reliance on manufacturing, agriculture, and cross-border trade.

- Middlesex County's local economy includes a significant number of manufacturers and agricultural producers that depend on U.S. export markets. The tariffs have the potential to significantly increase production costs for local businesses, limit market access, and reduce competitiveness.
- Local businesses relying on raw materials and intermediate goods that originate from or pass through the United States border multiple times could be most vulnerable.
- Higher prices on steel, aluminum, and lumber- key inputs for the construction and automotive sectors- are expected to increase operating costs for local industries.
- Supply chain disruptions and delays in obtaining essential goods from the United States could also negatively impact businesses in Middlesex County.
- Ultimately, Middlesex County businesses that depend on trade with the United States could be forced to downsize or delay expansion plans due to increased operational costs and uncertainty. This could lead to slower economic growth and potential job losses in affected industries.

ANALYSIS – Middlesex County Procurement

The Middlesex County Procurement By-law No. 07270 is built on the framework of the applicable trade agreements to ensure open and transparent, competitive, fair and barrier free purchasing to achieve best value of its taxpayer dollars and mitigate risk.

Since January 1, 2023, 71 bids have been issued on behalf of the County and Middlesex-London Paramedic Service of which 11 of those were for vehicles or heavy machinery which is almost always provided by a U.S. based manufacturer. Of the remaining 60 bids, 3 of them (or 5%) have been awarded to U.S. located Bidders.

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

The County, as a municipality, is not directly subject to the provisions of the Canada-United States-Mexico Agreement.

Table 1 below outlines the current thresholds for applicability for each trade agreement which 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 Agreements

Trade Agreement	Procurement Type	Threshold (CAD)
CFTA	Goods & Services	\$133,800
	Construction	\$334,400
CETA	Goods & Services	\$353,300
	Construction	\$8,800,000

In addition to the above, Section 2 of the Province of Ontario’s Discriminatory Business Practices Act “prevent[s] discrimination in Ontario on the ground of race, creed, colour, nationality, ancestry, place of origin, sex or geographical location of persons employed in or engaging in business” which to date has prevented municipalities from displaying preferential treatment to local or Canadian suppliers.

There is, however, an exemption within the Act where the discriminatory business practice is in accordance with federal or provincial policy, which according to media reports, with the implementation of US tariffs on March 04, 2025, it appears both the Canadian and Ontario governments will implement policy to promote Canadian business, therefore allowing the County to engage in a corresponding policy.

In consideration of the Trade Agreements and applicable legislation described in this report, staff with consultation from the County Barrister & Solicitor along with further guidance from the Ontario Public Buyers Association (OBPA) members at large can recommend the following actions taken by the County:

Action 1: Prepare a Temporary Amendment to the County’s Procurement By-law No. 07270

A temporary amendment to the Procurement By-Law in wake of the implemented US tariffs that County Council may consider following the provincial and federal government implementing a pro-Canadian business policy. This temporary amendment would be in place until either US tariffs are removed, provincial or federal policy instructs otherwise, or at County Council’s discretion.

Understanding that enforcing compliance with a “Buy Canadian” procurement policy would be almost impossible particularly for large complex projects or for required goods only produced with the US, instead the applicable amendment will instruct County staff to “Buy Canadian” wherever possible when utilizing an Invitational Competitive Procurement Process (Three Quotes) which is applicable for purchases up to

\$100,000.00 or for any method or purchasing that they may utilize under this threshold.

For Competitive Procurement Process (Request for Tenders/Proposals) or any purchase \$100,000.00 or greater which requires Procurement Services involvement, emphasis will still be placed on “Buy Canadian” wherever possible but ensuring that once the County is required to abide by CETA, focus shifts to avoiding or reducing business with “US Bidders” where possible. As such for public Competitive Procurement Process staff will take the following additional actions.

Action 2: Define a US Bidder

Establish a definition for a “US Bidder” in line with the broader public sector to utilize within our Procurement documents where appropriate.

Action 3: Award Methodology for Non-US Bidders

Amend award methodology in Middlesex County public procurement documents to favour Canadian and other non-US suppliers.

An example for a Tender of this would be if the lowest compliant bid is from a “US Bidder”, and the lowest compliant bid from an “Non-US Bidder” is within 20% of the price of such US Bidder, the County reserves the right to award the contract to the Non-US Bidder. The County shall be entitled to exercise or not exercise such right in its sole discretion and without liability, cost or penalty to any bidder or other person.

Reciprocal tariffs as they are imposed will almost certainly impact the County’s supplier base in a variety of different ways. Given the vast array of goods, services, and construction that the County procures having a blanket approach is not the recommended course of action and decisions on how the County addresses the potential increases due to reciprocal tariffs will vary due to the need of what is being procured and contractual terms.

On March 4, 2025, the Ontario Road Builders’ Association (ORBA) issued a communication to its members suggesting that its members are to ensure that contracts include transparent and effective price mechanisms to account for changes in taxes and duties. Emphasizing that the industry accepted approach is that if tariffs are imposed after the start of the contract, that the contract price be adjusted accordingly. This pertains to both increases and decreases of these costs.

Currently staff are reaching out to its suppliers to understand what might be impacted and by how much with the current tariffs. In all cases, if the County is to be charged for

tariffs the County will be requiring proof from its suppliers that a tariff was applied to all or a component of the item purchased.

ANALYSIS – Middlesex County Economy

Determining the full economic and fiscal impact of potential trade tariffs is difficult given the complex nature and integration of supply chains, the unpredictability of the scope of the tariffs, and decisions made by vendors and suppliers based on the tariffs imposed. A simple example is a final product purchased from a Canadian supplier that may rely on American manufacturing or materials of a particular component. Notwithstanding these complexities, the following non-exhaustive potential economic impacts have been identified:

- The Middlesex County manufacturing industry, particularly those involved in steel and aluminum production, is vulnerable to tariffs on these metals. This sector may experience reduced demand from U.S. clients due to an increase in the cost of final goods with US tariffs included in the final sale, leading to potential revenue declines and workforce reductions for the Middlesex based firm.
- Local agricultural producers could face challenges due to tariffs on Canadian agricultural products and Canada's retaliatory measures. These tariffs may disrupt export markets and increase operational costs, affecting the profitability of farms within the county. This is particularly of concern for smaller farm operators.
- The imposition of tariffs complicates the integrated supply chains between Canada and the U.S. Businesses in Middlesex County relying on cross-border trade may face delays, increased costs, and logistical challenges, affecting their ability to meet contractual obligations and maintain profitability.
- The ongoing trade disputes and confusion over exclusions contribute to an environment of economic uncertainty. This may lead to reduced investment in local businesses, postponement of expansion plans, and a cautious approach to hiring, thereby slowing economic growth.
- Tariffs on imported goods can lead to increased prices for consumers. Residents of Middlesex County may experience higher costs for products affected by tariffs, reducing disposable income and altering consumption patterns.
- Just as tariffs pose a negative impact on trade, they also open doors for new markets. This includes potential domestic sales as well as those to countries other than the US in a wide variety of sectors including manufacturing, retail and tourism.

In consideration of the economic climate, Middlesex County has undertaken the following actions:

Action 1: Promotion of Local Enterprise

The County's Department of Economic Development focuses all promotion on local business and will continue those efforts regardless of the recent escalation on tariffs and trade uncertainty.

Action 2: Establish an Online Repository of Tariff Related News and Resources

On February 4, 2025, Middlesex County Economic Development created a [Tariff Update and Support Resource](#) website page to assist businesses navigate the impacts of the newly imposed Canada-U.S. tariffs. This guide provides up-to-date information on tariff changes, key government communications, and a comprehensive list of resources available to support businesses during this period of economic uncertainty. From export strategies and financial assistance to trade impact assessments and local business support initiatives, this resource is designed to equip Middlesex County businesses with the tools they need to adapt and thrive.

Action 3: Participate in Regional and Sector Tariff Roundtable Discussions and Surveys

County staff have and continue to attend and participate actively in sector and regionally focused tariff information sessions. This includes those held with the Economic Development Council of Ontario, Tourism Industry Association of Canada, Economic Development Association of Canada. Middlesex County has also participated in disseminating the [Western Ontario Warden's Caucus Tariff Impact Survey](#) to local businesses; the results of which are being rolled up and presented to the provincial government at the request of Ministerial staff.

Action 4: Adaptation of Foreign Direct and Commercial Investment Lead Generation

Through its Foreign Direct Investment (FDI) programs, Middlesex County is partnering with Federal government to increase the share of outreach to European markets. The US remains a large trading partner for Canada and Middlesex County businesses, and opportunities for investment attraction from the US will still be explored where feasible. The FDI and Commercial Investment strategies produced in 2024 have set Middlesex County up well for responding to the recent uncertainty in the North American trade agreement environment. Middlesex County Economic Development will continue to collaborate with regional partners and consultants on bolstering opportunities for domestic

industrial and commercial attraction to Middlesex County as communities look to increase resiliency of the local economic ecosystem.

Action 5: Conduct a Robust Business Retention and Expansion Study

Middlesex County Economic Development is currently conducting a Business Retention and Expansion (BR&E) exercise. The undertaking of this project was planned in advance of the recent tariff and trade disruption, and the timing works well for engaging directly with businesses across all sectors of the local economy. This initiative is being conducted in collaboration with each local municipality.

Action 6: Host a Tariff and Trade Information Session for Elected Officials and Staff

Middlesex County's Department of Economic Development is hosting an exclusive Tariff and Trade Information session for elected officials and senior administrative staff across the County. The virtual session, taking place on April 15th at 9:30 a.m. will be keynoted by Brock Dickinson, Director of the Economic Development Program at the University of Waterloo, and Vice Chair of Invest Ontario.

CONCLUSION:

Middlesex County remains committed to proactive mitigation strategies, including exploring alternative suppliers, enhancing buy-local initiatives, and aligning with provincial and municipal partners to advocate for policy solutions. The County will continue to monitor trade developments closely, assess their impacts on municipal operations and businesses, and implement strategic adjustments to minimize financial and economic risks.

Middlesex County will continue to engage in joint advocacy efforts with provincial associations, economic development networks, and municipal organizations to support a coordinated response to trade-related challenges and to advance the interests of rural municipalities in provincial and federal policy discussions.

FINANCIAL IMPLICATIONS:

Tariffs create economic uncertainty, leading to procurement challenges for Middlesex County and financial pressures for local businesses. The County may face higher procurement costs, limited supplier options, and potential delays or cost overruns in capital projects, while businesses could experience increased operating expenses, supply chain disruptions, and reduced market access, impacting growth and competitiveness.

ALIGNMENT WITH STRATEGIC FOCUS:

This report aligns with the following Strategic Focus, Goals, or Objectives:

Strategic Focus	Goals	Objectives
<p>Strengthening Our Economy</p> 	<p>Encourage a diverse and robust economic base throughout the county</p>	<ul style="list-style-type: none">• Support opportunities to create a stronger and sustainable agricultural sector• Create an environment that enables the attraction and retention of businesses, talent, and investments• Attract visitors to Middlesex County• Support the development and prosperity of downtown core areas in Middlesex County
<p>Promoting Service Excellence</p> 	<p>Innovate and transform municipal service delivery</p>	<ul style="list-style-type: none">• Anticipate and align municipal service delivery to emerging needs and expectations• Collaborate with strategic partners to leverage available resources and opportunities•

RECOMMENDATION:

THAT The General Overview of Middlesex County Tarriff Impacts & Procurement Considerations Report be received for information;

THAT Council direct staff to bring forward Temporary Procurement By-law amendments for County Council consideration when permissible, to mitigate the financial and operational impacts of potential U.S. tariffs;

AND THAT Middlesex County continue working with procurement networks, municipal partners, and senior levels of government to mitigate the financial and operational impacts of potential U.S. tariffs.