



Council Report

Report Number: **CORP2025-016**
Meeting Date: June 24, 2025
Title: **Tariffs Update**
Description: An Update on the Barriers/Opportunities Presented by the US tariffs
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Robyn Carlson, City Solicitor

Recommendations:

That Report CORP2025-016, **Tariffs Update**, be received; and

That the City's Purchasing Policy be reviewed by Staff, with recommended amendments to encourage diversification away from reliance on procurement from United States suppliers in Q4, 2025 and brought forward to Council by end of year for approval.

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

Background:

At the Council meeting of February 18, 2025, Council received correspondence from the Eastern Ontario Wardens' Caucus respecting Support of Canadian and Ontario Governments' Negotiations with the United States Government on Trade Tariffs from the Chair, of Eastern Ontario Wardens Caucus (Appendix A).

At their March 18, 2025, meeting, Council adopted the following resolution:

That the Memorandum from Councillor Perry, **regarding Trade Tariffs**, be received;

That the City of Kawartha Lakes supports and endorses the Eastern Ontario Wardens' Caucus (EOWC) resolution of 10 February 2025 - EOWC Support of Canadian and Ontario Governments' Negotiations with the United States Government on Trade Tariffs; and

That staff review and report back to Council on options and barriers to privilege Canadian and local sources in the City's procurement policy by the end of Q2.

Carried

This report addresses that direction.

Rationale:

Kawartha Lakes' Economic Landscape

The Kawartha Lakes economy is interconnected with markets across the region, province, country and globe. This interconnectedness means that economic uncertainty in any market could impact the local economy. A strong local economy supports a healthy, safe and vibrant community.

The impact of US trade tariffs is significant in Eastern Ontario, a region home to two million residents. In response to the US Trade Tariffs, the Eastern Ontario Warden's Caucus (EOWC) analysed the potential impact on public and private businesses. Annually, the demand for all private goods and services within Eastern Ontario is \$132.5 billion. Each year approximately \$64.6 billion of goods and services (public and private) are exported from Eastern Ontario to other jurisdictions. The analysis identified two sub- sectors of manufacturing, agriculture, transportation, and residential building construction, generated \$24billion in economic activity (21% of the regional economy) with nearly 49,000 that may be at risk due to the economic uncertainty of the US trade tariffs.

In Kawartha Lakes, 2,177 businesses employ 24,175 people (not including self-employed, Source: 2024 Lightcast, Workforce Development Board). These businesses operate in a variety of industries (see Chart 1) and locations including downtowns and commercial areas, industrial parks, villages, farms, and rural areas. They employ local and regional residents, contribute to the local tax base, and support community initiatives. Likewise, residents in the workforce make considerable contributions to the local economy as they spend their income in recreation, spending, giving and investments.

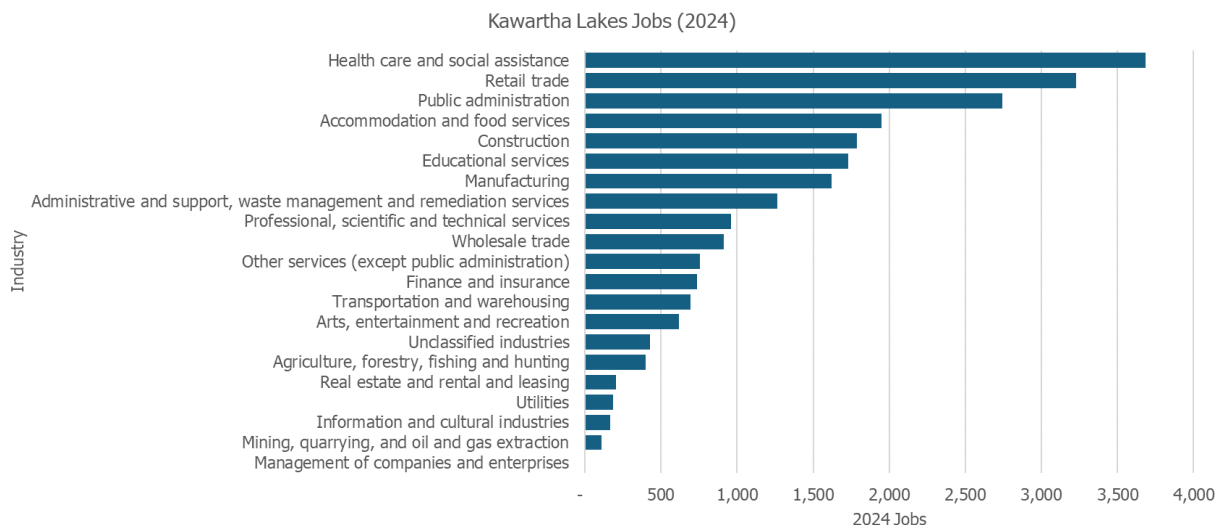


Chart 1: Kawartha Lakes Jobs by industry (2024)

In Kawartha Lakes, the annual Kawartha Lakes Business Count is conducted to provide a more detailed and geographic snapshot of the local business community. The 2024 Kawartha Lakes Business Count surveyed 762 businesses and employment properties and counted 7,186 jobs in communities across the municipality. Thirty-three (33) business responded that they currently export goods or services outside of Canada.

Business Support Activities

The impact of US trade tariffs and reciprocal Canadian tariffs on US goods and services on the Kawartha Lakes economy is uneven, with local exporting manufacturing businesses experiencing a greater initial financial burden than businesses in other

sectors of the economy. The full impact remains unknown.¹ Several initiatives are currently underway to support local businesses in this time of change and uncertainty:

- Immediately following the announcement of tariffs, a Kawartha Lakes tariff webpage was created to help share reliable information with local businesses
- Regular communication continues with local chambers of commerce, the Lindsay DBIA, and regional, provincial, and federal partners to share information and address business concerns
- Staff have conducted outreach with the 33 businesses that identified as exporters in the 2024 Business Count
- Staff continue to work with local exporting manufacturers and collaborate with regional, provincial and federal partners to support access to programs and services designed to minimize the impact of tariffs by diversifying markets, products, and providing funding.
- On May 29, Kawartha Lakes collaborated with Peterborough County, City of Peterborough, and Northumberland Country on a “Selling to Local Government” event to support local businesses in securing contracts with local government. Approximately 100 businesses attended the event with very positive feedback
- On September 18, Kawartha Lakes will collaborate with Kawartha Manufacturing Association and partners on an Industry Trade Show event to find new opportunities to strengthen the local supply chain
- Staff continue to monitor the situation and funding opportunities that may support our community

Considerations for Change to Municipal Procurement Policies and Practices

In Ontario, municipalities are governed by the *Discriminatory Business Practices Act*, which prohibits the preferential treatment of businesses based on their geographic location. This is reinforced by the City of Kawartha Lakes’ (CKL) Procurement Policy, which emphasizes adherence to principles of fairness, transparency, and non-discrimination in the procurement process.

¹ There has been one slight course-correction to Tariff implementation by the United States government since their inception, and several legal challenges have been commenced in the United States to the imposition of the Tariffs, which are currently underway. Similarly, the Canadian government provided (in some cases, temporary) tariff relief shortly after implementation of same.

However, the Discriminatory Business Practices Act does provide an exemption for discriminatory business practices engaged in in accordance with a policy of the Government of Canada directed toward trade with a country other than Canada or persons in a country other than Canada or of the Government of Ontario directed toward persons in Provinces or Territories other than Ontario.² The CKL Procurement Policy currently provides no such exemption.³ This could provide an opportunity for amendment of the CKL Procurement policy. More specifically, the CKL Procurement policy could be amended to provide for this exemption. Given that these policies have been and are expected to continue to be amended over time, this presents implementation problems for any changes to CKL Procurement policies.

Additionally, intergovernmental trade agreements—such as the Canadian Free Trade Agreement (CFTA) and international agreements like the Comprehensive Economic and Trade Agreement between Canada and the EU (CETA) and the WTO-GPA— provide guidance and underpinning to the Discriminatory Business Practices Act by setting clear rules on equal access to government procurement for the Governments of Ontario and Canada. Per current CKL Procurement Policy, any procurement valued at or above \$121,000 must follow a formal competitive process (subject to the exemptions noted in the policy).

Data from the Association of Municipalities of Ontario (AMO) indicates that 98.6% of non-construction procurements by municipalities are awarded to businesses with Canadian addresses. This suggests that domestic vendors continue to dominate municipal procurement outcomes organically.

Municipalities in Ontario continue to rely on U.S.-based suppliers for essential goods and services in areas where Canadian-made alternatives are limited or unavailable. Key sectors include:

- **Information Technology and Communications:** Software, emergency notification systems, and data server infrastructure.
- **Emergency Services:** Fire response equipment, police firearms, and paramedic gear.
- **Heavy Machinery and Vehicles:** Fire trucks, ambulances, snowplows, road graders, and transit buses.
- **Health and Safety Infrastructure:** Chemicals and equipment for water treatment facilities.

This reliance presents a challenge considering the Government of Ontario's issuance of the Procurement Restriction Policy and the Premier of Ontario's call for municipalities to

² Section 3.2.

³ See section 3.1.1

join the province in banning U.S. suppliers from procurement processes. The Procurement Restriction Policy, issued effective March 4, 2025, applies to the provincial government and its entities, as well as designated broader public service organizations such as colleges and hospitals. It does not apply to municipalities. It does provide an exemption when US procurement is the only viable source for a purchase. In response to the Premier's call, several municipalities are reviewing their procurement policies and passing resolutions aligned with this direction.

The Association of Municipalities of Ontario (AMO) has noted that, for municipalities to respond effectively, the provincial government must provide:

- **Clarity on the Scope and Intent** of the provincial call to ban U.S. suppliers, including which sectors or goods it applies to.
- **Guidance on Navigating Trade Agreements**, to allow municipalities to prioritize Canadian companies while remaining compliant with obligations under agreements like the CFTA, CETA, and WTO-GPA.
- **Support in Removing Interprovincial Trade Barriers**, facilitating stronger domestic supply chains and enhancing access to Canadian-made goods and services for municipal procurement.

Municipalities seek a coordinated approach that protects local interests while ensuring continued access to high-quality and competitively priced goods and services, particularly in critical areas where domestic capacity is currently limited. As this work is currently outstanding or underway, this report recommends returning to Council at the end of 2025 (as a placeholder for the completion of this work).

Tariff Strategies and Opportunities

The City could work to minimize exposure to tariffs and to the uncertainty of future actions by the United States government, while leveraging the benefits of expanded networks with our other trading partners by:

- Assessing supply chain alternatives for US goods and services and prioritizing Non-US procurement where a financially competitive Canadian (or other non-US trade partner) business exists.
- Foster stronger trade and supply chain relationships within Canada.
- Amending the CKL Procurement policy/management directive with the objective of providing formal direction to departments to give preference, where a financially competitive Canadian or Non-US business exists, to non-US-sourced procurements
- Continuing to monitor potential changes to provincial and federal policy impacting municipal purchasing and procurement

- Maintaining communications with vendors and local businesses to assess tariff-related cost increases and supply chain disruptions

Summation

The current barrier to all Municipalities is the restrictions in the Discriminatory Business Practices Act, underpinned by the common law duty to procure municipal contracts fairly and in an open and transparent manner, underpinned by the trade treaties of which the Government of Canada or the Government of Ontario are signatories.

The City currently allows for purchases under \$121,000 to be an invitational process whereby local/Canadian supply chains for goods and services can be invited to bid. There is opportunity to increase this threshold.

Staff will continue to monitor the changing federal and provincial landscape and return on the issue of potential purchasing policy amendments to Council by the end of 2025.

Other Alternatives Considered:

Council could maintain the current procurement policy and processes, with the vast majority of procurements under \$121,000 already representing domestic supply.

The City could await Federal Government relief and bring recommendations to Council at that time.

Alignment to Strategic Priorities

This report addresses the Vibrant and Growing Economy and Good Government by addressing potential strategies to minimize impact of US Trade tariffs.

The Strategic Plan is available on SharePoint at the following link:

<https://www.kawarthalakes.ca/en/municipal-services/strategic-plan.aspx>

Financial/Operation Impacts:

Association of Municipalities of Ontario (AMO) collaborated with Oxford Economics (Australia) in April, 2025. They developed a Tariff-induced construction cost escalation modelling tool. The prediction is that construction machinery is expected to carry the biggest burden. This research estimates the increase on project costs resulting from tariffs on US imports as of that time could be 2.1%. The City's 2025 Gross Capital Budget was \$127.6 Million, therefore corresponding to an estimated potential tariff impact of \$2.7 Million.

See also a June 13, 2025 report from RBC's chief economist Frances Donald, associate chief economist Nathan Janzen, et. al.: "Canada's economic outlook: Shifting tides as tariff threats de-escalate"; RBC Economics.

<https://www.cbc.ca/news/business/armstrong-economy-trade-war-tariffs-1.7560606>

<https://www.rbc.com/en/thought-leadership/economics/economy-and-markets/macroeconomic-outlook/canadas-economic-outlook-shifting-tides-as-tariff-threats-de-escalate/>

Consultations:

Attachments:

Appendix A – February 10, 2025, EOWC Support on Provincial Governments' US Tariffs negotiations



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