

Minister of International Trade and
Minister for the Asia-Pacific Gateway



Ministre du Commerce international et
ministre de la porte d'entrée de l'Asie-Pacifique

Ottawa, Canada K1A 0G2

FEB 14 2012

Mr. Berry Vrbanovic
President
Federation of Canadian Municipalities
24 Clarence Street
Ottawa ON K1N 5P3

Dear Mr. Vrbanovic:

Thank you for the opportunity to meet with you and the members of the National Board of Directors of the Federation of Canadian Municipalities (FCM) on December 1, 2011. This is a follow-up to my letter dated August 23, 2011, which provided your membership with an update on the Comprehensive Economic and Trade Agreement (CETA) negotiations with the European Union (EU) and is publicly available on your website.

It was a pleasure to welcome municipal leaders from across the country to Parliament Hill and engage in direct discussions on issues of particular interest to municipalities, including on municipal procurement in the context of negotiations toward a CETA with the EU.

Allow me to reiterate that municipalities have a key role to play in the delivery of our ambitious pro-trade plan. A successful CETA holds great potential for us to create more opportunities, jobs and prosperity in communities across Canada through increased trade and investment with the EU. The EU is already Canada's second-most important partner for trade and investment, and the relationship holds great potential for growth. Canada would gain preferential access to the EU, the wealthiest single market in the world. Removing barriers to trade in goods and services could bring a potential 20-percent boost to bilateral trade and gross domestic product gains of up to \$12 billion for Canada once implemented.

I took note of the FCM's request for additional information on the issue of procurement obligations in the CETA. I trust that the attached will be of assistance to the FCM and its members.

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I am pleased to note the ongoing engagement with municipalities through the FCM-DFAIT Joint Working Group on International Trade, which allows for timely information sharing and a two-way dialogue on Canada's trade agenda and issues of relevance to the municipal sector. I appreciate our collaboration and encourage FCM members to continue to work closely with their respective provincial or territorial governments.

Once again, thank you for the opportunity to meet with the FCM Board of Directors and for your support. I look forward to working with you in the future.

Sincerely,

A handwritten signature in black ink, appearing to be 'Ed Fast', written in a cursive style.

The Honourable Ed Fast, P.C., Q.C., M.P.

Enclosure

c.c.: Mr. Don Downe, Mayor
District of Lunenburg, Nova Scotia
Chair of the FCM/DFAIT Joint Working Group on International Trade
Mr. Réjean Laforest, Councillor, Saguenay, Quebec
Mr. Jerrod Schafer, Mayor, City of Swift Current, Saskatchewan
Mr. Claude Dauphin, Second Vice-President, Mayor of Lachine

**Comprehensive Economic Trade Agreement (CETA)
Government Procurement
Questions & Answers**

What are the benefits of securing preferential access for Canadian businesses to the European Union's government procurement market?

- According to the European Commission, the European procurement market is the largest procurement market in the world, estimated at 1,700 billion euros (\$2.3 trillion) or 16% of gross domestic product.
- Government procurement commitments in international trade agreement:
 - Help promote transparency, non-discrimination, good governance, and offer opportunities for suppliers of goods and services;
 - Provide Canadian suppliers with a guarantee of predictable and secure access to foreign markets on an equal footing with domestic suppliers;
 - Helps increase competition, allowing government entities to ensure better value for taxpayer money for the goods and services procured.

Will the CETA Government Procurement Chapter prevent municipalities from adopting environmental or social criteria in conducting their procurements?

- No. All governments in Canada can continue to meet their socioeconomic objectives under international trade agreements. For example, the Canadian government implements a green procurement policy which is compliant with our international trade commitments. In situations that are specific to Canada, such as our commitments to aboriginal populations, exclusions are made under our trade commitments to allow for preference in procurement for Aboriginal peoples.
- In addition, all of Canada's international procurement obligations allow governments to implement social, environmental and sustainability criteria as long as these criteria are applied in a non-discriminatory manner.
- In addition, municipalities will be able to continue to use selection criteria such as quality, price (including transportation costs, duties, etc.), technical requirements or relevant prior experience.

Will the CETA prevent governments from sourcing goods and services locally to spur job creation and economic development?

- As a trading nation, it is the Government of Canada's belief that free and open markets are the best way to ensure the global economy can recover from this period of instability.
- It is in the best interest of communities to make efficient use of taxpayer dollars; government procurement commitments help to achieve this goal.

- Overall, Canada's procurement system is already quite open at all levels of government.
- Municipalities will continue to retain the ability to give preferences to local companies, in cases it so desires, with policy options such as:
 - Non-contractual agreements (e.g., grants, loans or fiscal incentives)
 - Government procurement in cases of procurements that are not subject to the CETA procurement obligations (e.g., below threshold, excluded goods or services)
- Furthermore, when a foreign supplier wins a bid, it can—and usually does—source and hire locally.

Will giving access to procurement by municipalities encourage privatization of public water systems?

- Nothing in any of Canada's international trade agreements can force countries to privatize or to deregulate their public services. Decisions to either privatize or deregulate in certain public sectors are guided by domestic policy decisions. When a government decides to do so, foreign companies who enter the market are always subject to Canadian laws and regulations.
- Obligations in the Government Procurement Chapter of the CETA will not force municipalities to privatize water distribution, nor prevent municipalities from setting standards to ensure that Canadians have access to safe drinking water.
- If public water treatment and distribution entities are covered under CETA, this simply means that any procurement of goods or services in support of the government ability to provide such water services would be required to follow the obligations of the chapter.

Will the CETA negotiations threaten municipalities' right to regulate?

- The CETA will not affect the ability of municipalities to regulate. All of Canada's international trade agreements preserve the right of countries to regulate, and to introduce and amend regulations to meet policy objectives, so long as these regulations do not apply in a discriminatory manner.
- The fundamental right of all levels of government in Canada to regulate in the public interest will not be jeopardized.
- Even in those sectors where Canada undertakes obligations, there is nothing that will exempt foreign services providers from complying with Canadian laws and regulations.