

## Elements of the Agreement

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The Canada-U.S. Free Trade Agreement has a chapter specific to government procurement (Chapter 13). The provisions in this chapter apply to goods and to services when they are incidental to the delivery of goods. The Government Procurement Chapter incorporates the provisions of the GATT Code and builds on them, particularly in the area of transparency measures. The provisions apply to the same federal departments and agencies that Canada and the United States have listed under the GATT Code. As well, the Government Procurement Chapter has incorporated the GATT improvements in transparency procedures that ensure as much information as possible is made available at each stage of the contracting process.

The Government Procurement Chapter adds several improvements to the GATT Code. First, by lowering the threshold for competition in covered purchases from CDN \$213,000 to CDN \$31,000, new markets are opened up in both the United States and Canada for each other's suppliers. Second, jointly agreed principles have been established in Annex 1305.3 governing bid challenge procedures. These will ensure equitable and effective recourse for suppliers. Third, there is a commitment to renegotiate bilaterally the provisions of the chapter following the conclusion of the multilateral negotiations of the GATT Code.

### Coverage

The Government Procurement Chapter covers 22 federal government departments and 10 federal agencies, including two Crown corporations: Canada Post and the National Capital Commission. Between 1982 and 1986, a yearly average of CDN \$497 million (calculated on a calendar year basis) was open to international competition under the GATT Code. Now, an additional CDN \$400 million (calculated on the 1986-87 fiscal year and the 1987 GATT threshold of CDN \$238,000 and an estimated free trade threshold of \$33,000) would be opened to competition between Canada and the United States as a result of the Government Procurement Chapter. This is due to lowering the threshold level from the 1987 GATT threshold of CDN \$238,000. As under the GATT Code, certain departments are not included in the coverage of the Government Procurement Chapter, namely the Departments of Transport, Communications, and Fisheries and Oceans. As is the case with the United States, a large proportion of the Department of National Defence's purchases are excluded for national security reasons.

Coverage is solely at the federal level and does not extend to provincial or municipal levels of government in Canada. Canadian entities covered by the Procurement Chapter are set out in Appendix C.