

PROCEDURES GOVERNING THE PROCUREMENT IN CANADA AND THE UNITED STATES OF AMERICA OF CERTAIN DESIGNATED ITEMS FOR THE ALASKA HIGHWAY GAS PIPELINE

INTRODUCTION

The Agreement between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline, which was signed in Ottawa on September 20, 1977, states in its preamble that one of the principal objectives of the project is to "maximize related industrial benefits of each country." It further states in Clause 7(a) that "having regard to the objectives of this Agreement, each Government will endeavor to ensure that the supply of goods and services to the Pipeline will be on generally competitive terms." The same clause stipulates that the elements to be taken into account in weighing competitiveness will include price, reliability, servicing capacity and delivery schedules. Clauses 7(b) and 8 provide for coordination and consultation between the two governments with respect to the achievement of the objectives of the Agreement with respect to procurement.

In order to implement these principles, the Governments of Canada and the United States of America agree that the following procedures with respect to the procurement of certain designated items of supply for the Alaska Highway Gas Pipeline will be adopted on a reciprocal basis by the appropriate regulatory authority in each country, namely the Northern Pipeline Agency in Canada (NPA) and the Office of the Federal Inspector in the United States (OFI).

1. *Qualification of Bidders*

The project companies in each country will submit a list of qualified bidders they propose to invite to tender on any of the items designated in Schedule I to the appropriate domestic regulatory authority, which will expeditiously convey copies of any such lists to the regulatory authority of the other country both directly and through normal diplomatic channels. The regulatory authority of the other country will have 14 calendar days following its receipt in which to review the bidders' list and to propose to its counterpart the addition of any firm or firms which it considers should also be invited to tender. If any such modification is proposed, it is to be communicated to the originating project sponsor by the responsible regulatory authority in that country. Should the project sponsor not be prepared to accept the additional bidder or bidders proposed by the regulatory authority of the other country, the reasons for its position shall be communicated to that authority by the responsible domestic authority.

The project sponsors may, but are not required to, place advertisements inviting interested suppliers to prequalify as bidders for particular supplies. In the event that such advertisements are decided on for designated items, they shall be placed in appropriate trade journals or other publications in both Canada and the United States.