

GATT Agreement. The remaining procurement (including all procurement by the Departments of Transport, Communications, and Fisheries and Oceans) is subject to a series of policies and practices covering a range of objectives from regional development, employment and technological development to commodity specific provisions. Following is a brief description of the most effective Canadian procurement policies and practices.

i) Sourcing Policy: Under this policy, sourcing is limited to certain groups, provided there are at least three potential suppliers in the group. The first group consists of Canadian based manufacturers, or agents of Canadian manufacturers, and multinationals who have reached an agreement with the Department of Supply and Services to rationalize their operations in Canada; the second, of Canadian based agents of Canadian or foreign manufacturers which offer after sales service; the third, of other Canadian based agents; and the last, of foreign based manufacturers or service companies, foreign based agents and foreign governments. Under this policy, an absolute preference is provided where possible, i.e. no foreign supplier or agent of a foreign supplier is invited to bid if adequate competition exists among Canadian manufacturers or rationalized multinationals.

ii) Rationalization criteria for MNE's: This policy provides that certain products of Canadian subsidiaries of rationalized foreign-based parents will be treated for sourcing purposes as though they were made in Canada. The policy is based on the notion that the benefits to Canada from having a rationalized operation established in Canada will more than offset the losses occurring from the firm's importation of goods manufactured abroad.

iii) Strategic/preferred sources: These terms describe those sources which have been identified as being needed to maintain an assured source of military requirements. The strategic source concept was first implemented by a Cabinet decision governing the munitions industry. A qualified strategic source might receive special support such as guaranteed minimum annual procurement levels, direct financial assistance and long term exclusivity of supply.

iv) Canadian content premium: A long-standing practice of the Department of Supply and Services has been to apply a premium of up to 10% in favour of Canadian content in the evaluation of bids.

v) Procurement Review Committees (PRC): All requirements over \$2 million or sensitive cases at all dollar levels are subject to pre-award review by a committee chaired by the Department of Supply and Services and comprising the customer department, relevant policy departments and central agencies. The PRC consider such cases from the standpoint of maximizing socio-economic benefits to Canada.