

Building Ontario's Economy with Flexible Municipal Procurement

AMO'S SUBMISSION TO THE MINISTRY OF PUBLIC AND BUSINESS SERVICE
DELIVERY AND PROCUREMENT

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About AMO

The Association of Municipalities of Ontario (AMO) is a non-profit, non-partisan association that represents the interests of all 444 municipal governments across Ontario. AMO addresses common challenges facing our members and provides meaningful advice to the provincial and federal governments on practical solutions on a wide range of issues that directly impact local governments and the citizens they serve.

Procurement is an important issue for municipalities as they are major players in light duty fleet vehicle, infrastructure, and construction procurement. The sector owns 52%¹ of Ontario's infrastructure, and these assets were valued at \$1 trillion, in 2025.² Municipalities are planning for more than \$250 billion in capital expenditures over the next decade.³ Changes to municipal procurement processes proposed in this regulatory posting could have significant cost implications for residents and taxpayers.

We continue to support the province's strong, ongoing leadership in managing the impacts of tariffs and related measures. These remain a significant challenge, requiring ongoing action to protect Ontario's economy, residents, and communities. Municipalities are willing and eager to use their significant buying power to support the federal and provincial governments in protecting our shared economic well-being.

¹ Ontario Financial Accountability Office. [Provincial Infrastructure](#) Report, 2020.

² AMO analysis based on combined 2025 current replacement values from municipal asset management plans, available at [MAP of AMPS in Ontario](#)

³ AMO. [Social and Economic Prosperity Review](#), 2024.

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Executive Summary

AMO and its members are committed to helping protect and grow Ontario's economy through procurement spending, including supporting efforts to source more Ontario and Canadian manufactured goods and services. We are pleased to share our feedback on proposed *Buy Ontario Act (Public Sector Procurement)*, 2025 regulations that would:

1. extend existing light duty fleet vehicles requirements to municipalities and local boards, and
2. introduce Ontario Made and Canada Made requirements to capital infrastructure and construction projects.

AMO provided [recommendations on light duty fleet vehicle](#) procurement last year. We applaud the province's decision to incorporate feedback from AMO and municipalities about how to effectively implement fleet procurement requirements in these new proposed procurement directives. Building on this collaborative approach, this submission presents seven recommendations organized across four key themes, each focused on refining the proposed requirements for capital infrastructure and construction projects.

1. **Keep Local Flexibility:** Let municipalities and local boards set local policies to ensure they can deliver value-for-money procurement and meet the unique needs and priorities of their communities.
2. **Clarify New Procurement Rules:** Provide clear guidance on how the proposed procurement requirements will be put into practice.
3. **Coordinate with Existing Funding Programs:** Align proposed procurement rules to ensure they support the objectives of existing provincial and federal funding initiatives.
4. **Match Supply and Demand:** Work with industry to ensure domestic capacity can be ramped up to meet the anticipated increase in policy driven demand.

These themes reflect input, research, and analysis we received from our members, industry associations, and commissioned studies. We also co-hosted a webinar for the municipal sector on the proposed changes and polled participants on range of issues. The poll results encompass the views of 140 municipalities that represent more than 60% of Ontario's population, including a representative sample of regional, single- and lower-tier governments.

Analysis and Recommendations

1. Keep Local Flexibility

Recommendation 1: Prioritize Ontario and Canadian suppliers but allow foreign suppliers when local options are not viable.

The proposed procurement rules are likely to increase the demand on a limited number of domestic vendors. This could lead to increased costs on already strained municipal budgets, and delays in delivering infrastructure projects. Municipalities want to prioritize buying from Ontario and Canadian businesses, but these options are not always viable due to significant cost, timing impacts, and/or lack of vendors. Municipalities need the flexibility to buy from international suppliers to maintain value-for-money and the prudent management of taxpayer dollars.

According to a [2025 Oxford Economic](#) report examining the impacts of tariffs on municipal capital expenditure, about 30% of construction materials for Ontario projects come from outside Canada.⁴ The same report found that 31% of construction firms and 47% of manufacturers say they are facing higher prices because of limited competition.⁵ Proposed procurement directives could worsen this by limiting the local flexibility required to balance project budgets with vendors' materials supply and qualifications.

Ontario municipalities are planning for over \$250 billion in capital expenditures over the next decade.⁶ A provincial policy favouring domestic content – even where costs are up to 10% higher than the top-ranked bid – could inflate annual municipal infrastructure spending by \$2.5 billion. This occurs when the top-ranked competitive bid is bypassed for a more expensive option with more domestic sources. This is a significant sum of money for municipalities. The municipal sector shoulders 80% of infrastructure costs.⁷ Yet, municipalities are limited in how much revenue they can raise through debt financing or their own sources of revenue, such as property taxes, to absorb any policy driven cost increase.⁸

⁴ Oxford Economics. "[Tariff Impacts on Ontario Municipality Capital Expenditure](#)", 2025.

⁵ Ibid.

⁶ AMO. [Social and Economic Prosperity Review](#), 2024."

⁷ AMO analysis of municipal Financial Information Returns, 2018 to 2023.

⁸ AMO. [Social and Economic Prosperity Review](#), 2024."

In addition to cost considerations, infrastructure projects rely heavily on technical professionals to execute. During municipal consultation 88% of municipal participants polled said they need flexibility to prioritize technical and qualifications-based selection.⁹ Without flexibility to secure vendors with a high level of technical experience there is a risk of project delays, and lower quality infrastructure that could result in increased asset lifecycle maintenance costs or increased public safety risk.

Municipal consultation participants identified options to provide flexibility that would provide the right balance between prioritizing domestic content, value for money, and technical considerations. These options include:

- Exemptions or scaling of domestic-content requirements for:
 - Projects below a cost threshold where there is limited economic impact.
 - Goods and services where there is high reliance on international supply chains and domestic supply may not be available without significant cost increase or procurement delays.
 - Regional differences where the market size and availability of qualified vendors is low (e.g., remote, rural, and northern communities), and procurement restrictions may reduce the number of competitive bids.
- Allowing attestations rather than detailed Domestic Supply Chain Plans for small, local vendor that may not have capacity to meet strict regulatory requirements.
- Exemptions for emergency procurement where timely purchasing outweighs other considerations.

AMO is aware that municipal infrastructure experts, and construction industry representatives plan to make their own comments on this proposal.¹⁰ We strongly encourage the Ministry to consider their views and recommendations as they are best positioned to provide an informed of the challenges and risks of new procurement requirements, and how to best mitigate them, while also supporting the province's objectives.

⁹ See chart in Appendix A titled *Theme: Evaluation Methodology "Will flexibility be needed in more complex models?"*

¹⁰ For example: Good Roads, Toronto Area Road Builders Association, Ontario Association of Road Supervisors, Ontario Sewer and Watermain Construction Association.

Recommendation 2: Maintain de-centralized municipal procurement to allow flexibility to support local vendors and maintain high service quality.

In addition to assessing the quality of goods and services, municipalities may prioritize local suppliers if their specific procurement by-laws have local content provisions. This evaluation approach helps ensure value for money procurement while supporting local economic development.

AMO understands that provincial organizations designated under the *Buy Ontario Act* are required to use Supply Ontario's centralized Vendor of Record (VOR). While municipalities can choose to use the province's VOR, many choose not to do so. Smaller and rural municipalities have a preference to buy from small and medium-sized local vendors because it keeps local money recycling through the local economy. These vendors have the technical qualifications but not necessarily the scale required to participate in Supply Ontario's VOR program. Although the proposed procurement directives would not require municipal use of Supply Ontario's VOR, municipal representatives have expressed concern that were this flexibility to be removed in the future, it would limit opportunities for municipalities to support businesses in their own communities.

Rural and northern municipal representatives are particularly concerned that narrowing the supply of vendors could lower service quality if vendors are located far from a municipality. For example, in the event of an IT service outage that requires on-site service, a local vendor may be able to provide same-day service while a vendor located at a greater distance may require one or more days to arrive on site.

AMO is also aware of concerns from Indigenous industry groups like the Anishnawbe Business Professional Association that many of their members rely on municipal contracts but would be ineligible under *Buy Ontario Act* definitions. Losing the ability to purchase from these Indigenous vendors undermines the principles of economic reconciliation.

For these reasons, AMO supports the Ministry's decision to exclude a requirement that municipalities use Supply Ontario's VOR as part of the proposed procurement directives. We recommend continued flexibility to procure outside of the central VOR program. This could include maintaining the status quo, or building in threshold exemptions based on population size, geography, or contract value.

Recommendation 3: Protect municipalities from liability under international trade agreements.

Municipalities are concerned that rising costs could push contracts above exemption limits in trade agreements like the *Canada-European Union Comprehensive Economic and Trade Agreement* (CETA). If a purchase exceeds those limits and there is no liability protection, a municipality prioritizing Ontario and Canadian businesses could be sued by a foreign vendor for violating CETA's non-discrimination rules.

Consultation documents are silent on how infrastructure and construction procurement is to be shield from CETA requirements. Given the high dollar value of infrastructure and construction projects, there is a high likelihood that these undertakings will exceed CETA's exemption limits. We encourage the province to extending the provisions for light duty fleet vehicles to infrastructure and construction projects as well.

2. Clarify New Procurement Rules

The success of directing municipal procurement dollars to Ontario and Canadian businesses relies on clear and consistent implementation across the province. We have two recommendations to support a smooth rollout of the proposed regulations.

Recommendation 4: Move the implementation date to 2027.

Municipal consultation participants noted the proposed March 2026 implementation date is insufficient for municipalities and business to implement new policies and practices without impacting 2026 budgets and the 2026 construction season.¹¹

- Most municipal budgets for the 2026 calendar year – including those for capital projects – will be approved by councils before the proposed March 2026 implementation date. A March implementation date will materially affect procurements that are already in the planning and execution stages, in particular construction procurement. Changes to the procurement rules for in-flight projects may require budgets, business cases, and/or bid documents to be amended or reapproved to account for the new requirements and anticipated cost increases. This will delay the preparation of requests for proposals and bid submissions,

¹¹ See chart in Appendix A titled *Theme: Implementation “What will be the impact of the proposed implementation date – early spring 2026- be on your organization?”*

increasing the risk of projects not proceeding in time for the 2026 construction season.

- Ninety percent (90%) of consultation participants polled indicated it is not feasible for vendors to submit a Domestic Supply Chain Plan that covers all major goods and services due to time constraints, project complexity, market knowledge gaps, and a lack of guidance to identify major goods. This increases a risk that bids received will be incomplete, or not competitive, risking delayed project starts, or projects being deferred to 2027.¹²

- Delayed bidding or contract selection may lead to limits on the ability of municipal councils to approve bids or enter contracts if “Restricted Acts” rules come into effect during the 2026 municipal election. Under these rules, councils cannot make expenditures or incur liabilities exceeding \$50,000 once it becomes statistically impossible for three quarters of the existing council to return after the election. This could occur after Nomination Day (August 21) if fewer than three quarters of council submit nominations to run for re-election, or after Voting Day (October 26) if three quarters of council are not re-elected.

For these reasons, we propose a 2027 effective date. A longer implementation timeline would provide an adequate window for municipalities and industry to implement the new policies and minimize disruption and delays to the 2026 construction season.

Recommendation 5: Provide guidance materials to help municipalities and businesses comply with new procurement rules.

During municipal consultation, 91% of participants polled said that having clear guidance materials and a dedicated Ministry contact would help municipalities and industry quickly comply with the proposed regulations.¹³ Based on feedback from participants, we recommend the following areas for guidance:

¹² See chart in Appendix A titled *Theme: Policy Requirement “Is it feasible for a vendor to submit a Domestic Supply Chain Plan covering all major goods and services (including those of sub-contractors)? If not, why is this not feasible?”*

¹³ See chart in Appendix A titled *Theme: Implementation “What types of support of resources would help your organization comply with the policy?”*

- **Clarifying Definitions:** Buyers and vendors need clear definitions of “Canada Made” and “Ontario Made” to set RFP criteria and prepare Domestic Supply Chain Plans. These definitions need to account for the full breadth of domestic supply chains, end-to-end, while minimizing impacts to local businesses. For example, vehicles or water pipes manufactured in the United States rely on Ontario parts or natural resources as intermediate inputs. However, definitions that consider the final point of assembly, but not intermediate inputs may not consider these products as having domestic content. We recommend the province work with industry and procurement professionals to ensure the proposed definitions can be operationalized in the real economy and do not harm Ontario suppliers that sell to foreign manufacturers.

- **Assessing Compliance:** Clear direction on how to verify compliance with domestic content/location requirements including confirming supply chain inputs. Direction needs to include whether a point-in-time attestation at bid submission is sufficient, or if ongoing verification is needed over the project lifetime.

- **Scoring Bids:** Sixty-four percent (64%) of consultation participants polled prefer flexibility for municipalities to set their own scoring methodology as opposed to a provincially established standardized approach.¹⁴ Proponents of both approaches agree that guidance on how to evaluate and score bids would be valuable. Participants are also seeking guidance on how to balance prioritizing domestic content, with value for money, and project timelines.

3. Coordinate with Existing Funding Programs

Recommendation 6: Provide exemptions for projects receiving provincial and federal grants.

Municipalities fund 80% of infrastructure costs, with federal and provincial grants funding the remaining balance.¹⁵ Some grants have program specific requirements that may not be consistent with the proposed regulations. If provincial procurement and funding program rules are misaligned, municipalities may take on an even higher share

¹⁴ See chart in Appendix A titled *Theme: Evaluation Methodology “Should the policy prescribe a standardized scoring methodology or should procuring entities retain flexibility to select their own approaches?”*

¹⁵ AMO. [Social and Economic Prosperity Review](#), 2024.”

of project costs, due to funding ineligibility or reductions arising from program design exclusions such as grant stacking. For example:

- **Municipal Housing Infrastructure Program (MHIP):** Municipalities are responsible for funding unanticipated cost escalations for MHIP projects. If the proposed procurement requirements result in increased input costs or schedule delays, municipalities may need to review in-flight projects to scale back project scope, delay completion or cancel projects entirely, to stay within budget.

Provincial *Buy Ontario* consultation documents indicate procurement requirements “may not apply” when an infrastructure project is subject to a program-based requirement tied to federal funding. To mitigate risks arising from funding eligibility criteria or unfunded cost increases, municipalities need certainty that such requirements will not apply in these cases. We recommend the province engage with the relevant federal departments to identify and address across its suite of programs, program design requirements that may unintentionally disqualify municipalities or reduce their funding entitlements.

4. Match Supply with Demand

Recommendation 7: Work with municipalities and industry to target exemptions and investments needed to match supply with demand.

Ontario’s construction and vehicle manufacturing industry have high exposure to and reliance on international supply chains. Oxford Economics’ report on tariff impacts on municipal construction identified diesel, construction machinery, electrical components, and structural steel as the largest import categories coming from the United States, representing around three-quarters of Ontario’s imports of construction related inputs.¹⁶ With high reliance on imports for construction , new procurement requirements and the policy driven demand that is anticipated may exceed domestic manufacturing and supplier capacity.

The 2025 consultation documents on the proposed light duty fleet vehicle procurement policy included market assessment of municipal demand, and industry capacity to allow the province to provide targeted procurement directive exemptions¹⁷ and investments in

¹⁶ Oxford Economics. “[Tariff Impacts on Ontario Municipality Capital Expenditure](#)”, 2025.

¹⁷ For example: for specialized fleet vehicles like emergency services and undercover police vehicles

the auto manufacturing sector. A similar assessment needs to be conducted for the construction industry to determine if domestic vendors have the capacity to supply specialized construction materials and deliver an increased number of complex infrastructure projects. Insight from this type of assessment could also be used to create a list of construction materials with heavy reliance on US sources that could be exempt from domestic-content requirements while the province works with industry and federal partners to realign supply chains and establish domestic sources. Other ongoing initiatives like removing inter-provincial trade and labour mobility barriers could also be leveraged to help position industry to meet growing demand.

Conclusion

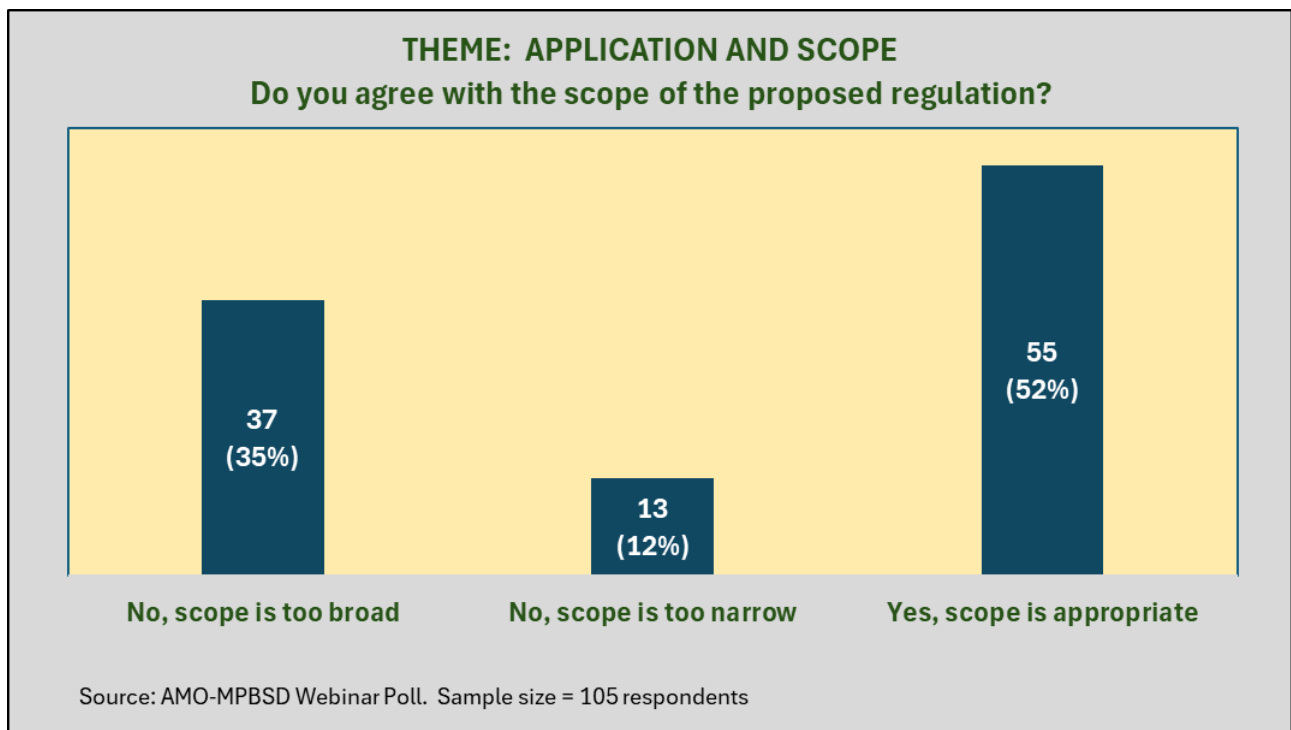
AMO and its members value the province's acknowledgement of the important role that municipalities can and do play in the province's response to changing global trade relationships. Protecting flexible local procurement and providing clear guidance on implementation will be key to meeting this goal. At the same time, municipalities need the right framework to prevent cost escalation and procurement delays that could significantly hurt municipal budgets, service delivery, or capital project delivery timelines. We look forward to working with the province to support its broader economic development and strategic industrial policy push to strengthen industries and support domestic jobs and businesses.

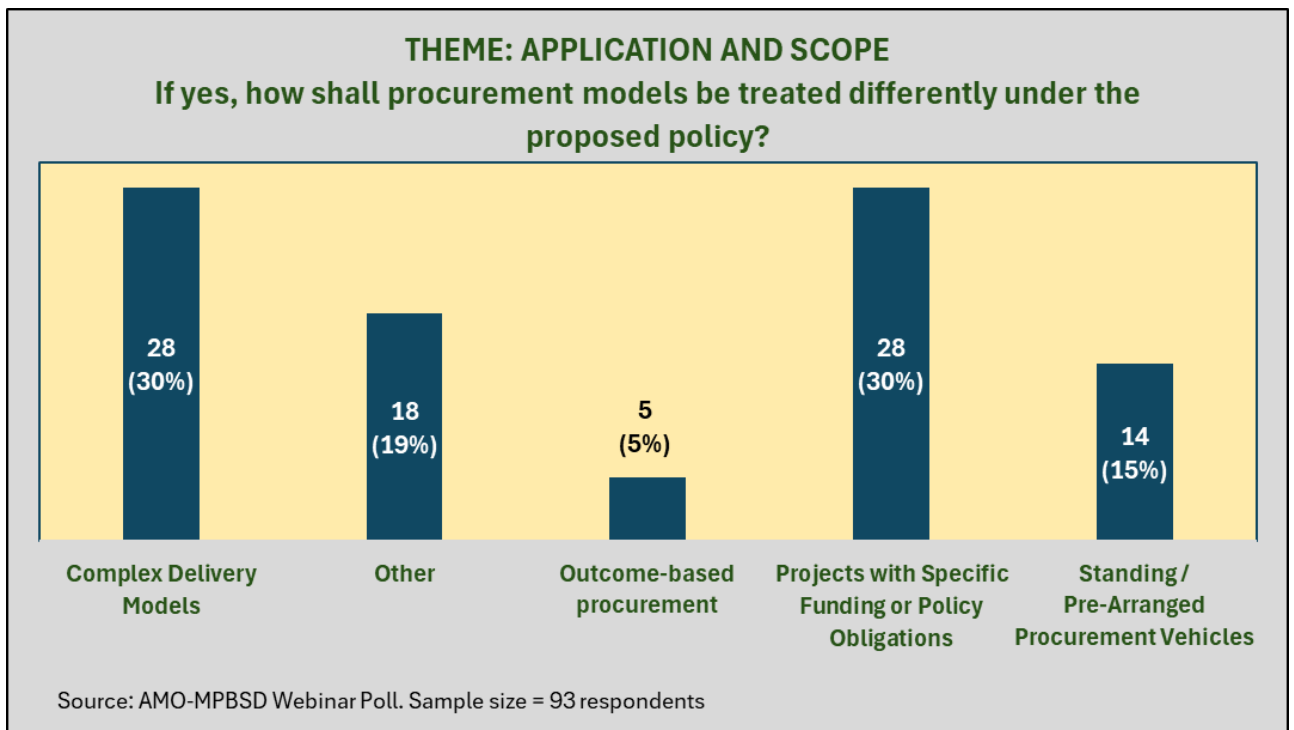
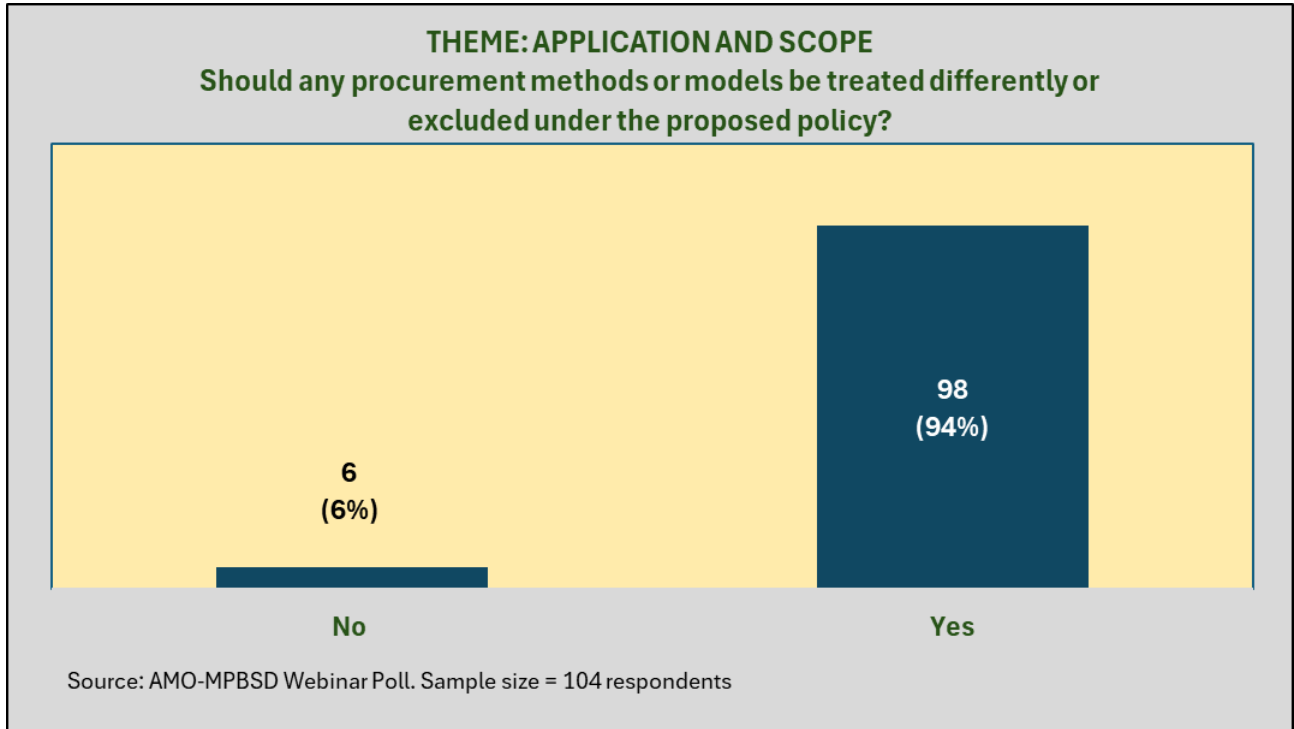
Appendix A: Summary of Consultation Feedback

AMO co-hosted a consultation webinar in partnership with staff from the Ministry of Public and Business Service Delivery and Procurement on February 24, 2026, to gather feedback on the proposed regulations. One hundred eighty-nine (189) participants from 140 municipalities and representing over 60% of Ontario's population attended. Participants included a range of senior municipal professionals including those working in procurement, finance, public works, and legal departments.

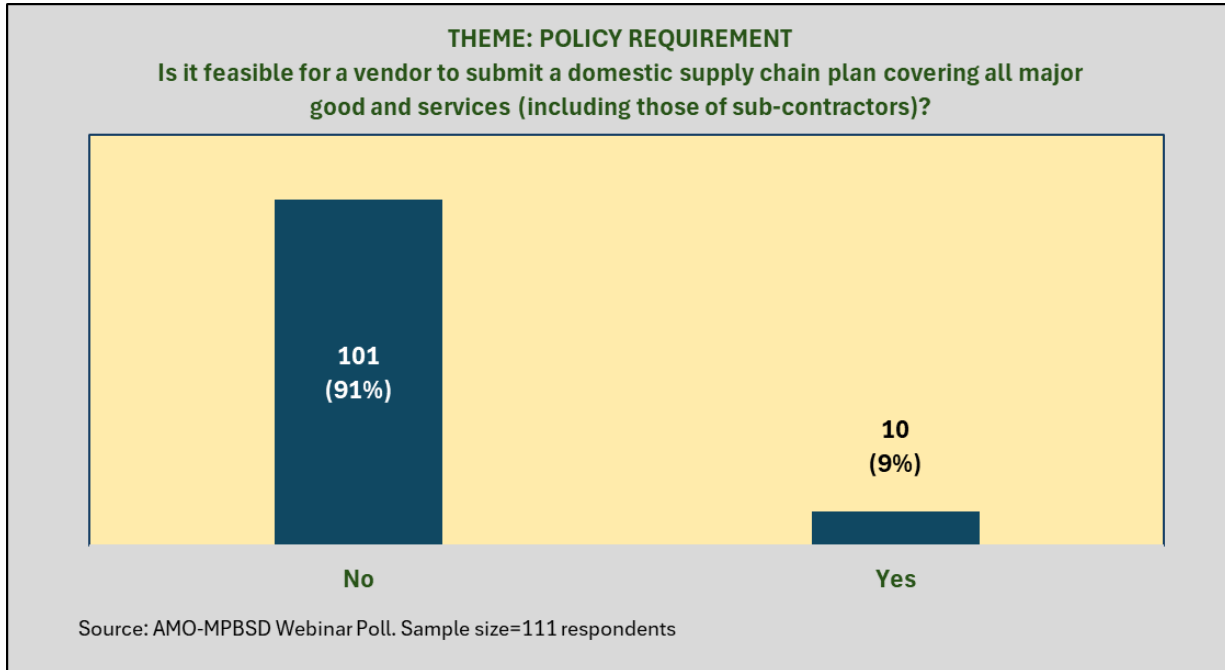
The webinar included several poll questions on the following topics: application and scope of the proposed regulations, policy requirements, evaluation methodology, implementation dates, and reporting. The poll results are shown below, by topics.

THEME: APPLICATION AND SCOPE





THEME: POLICY REQUIREMENT

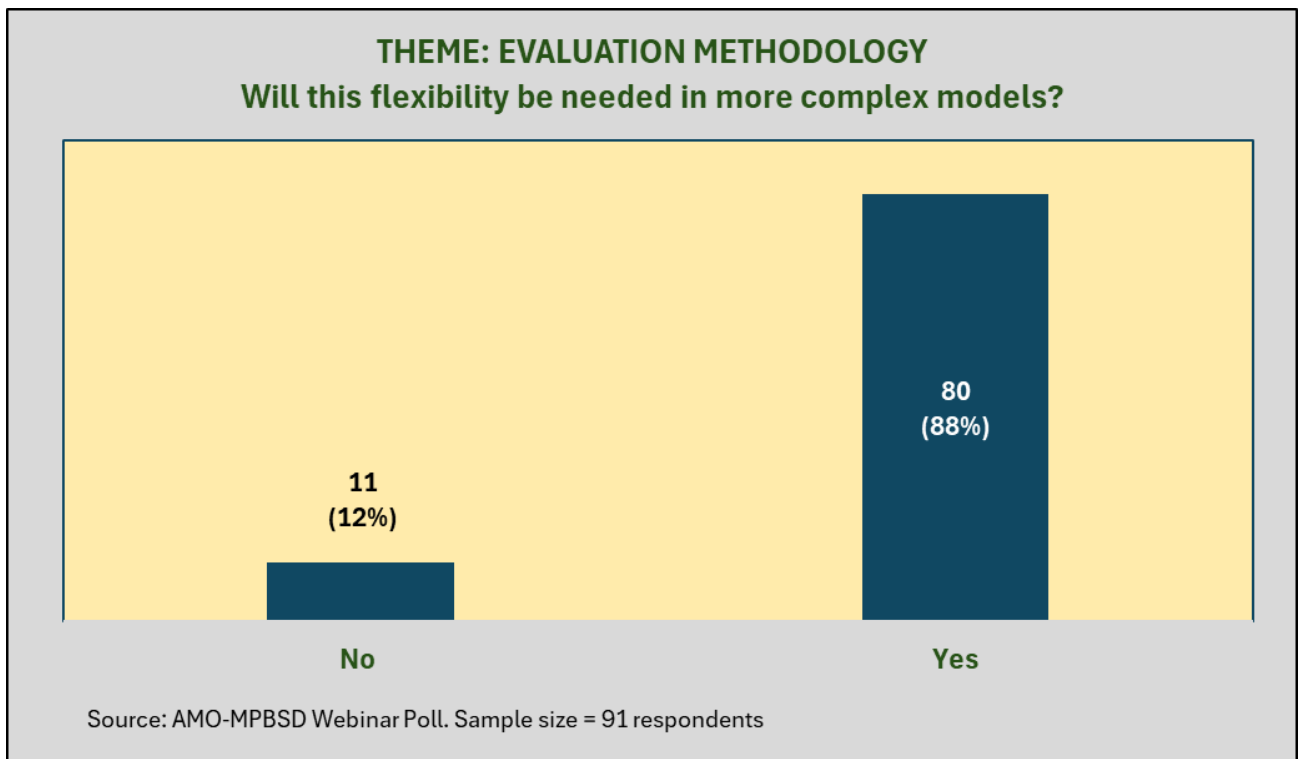
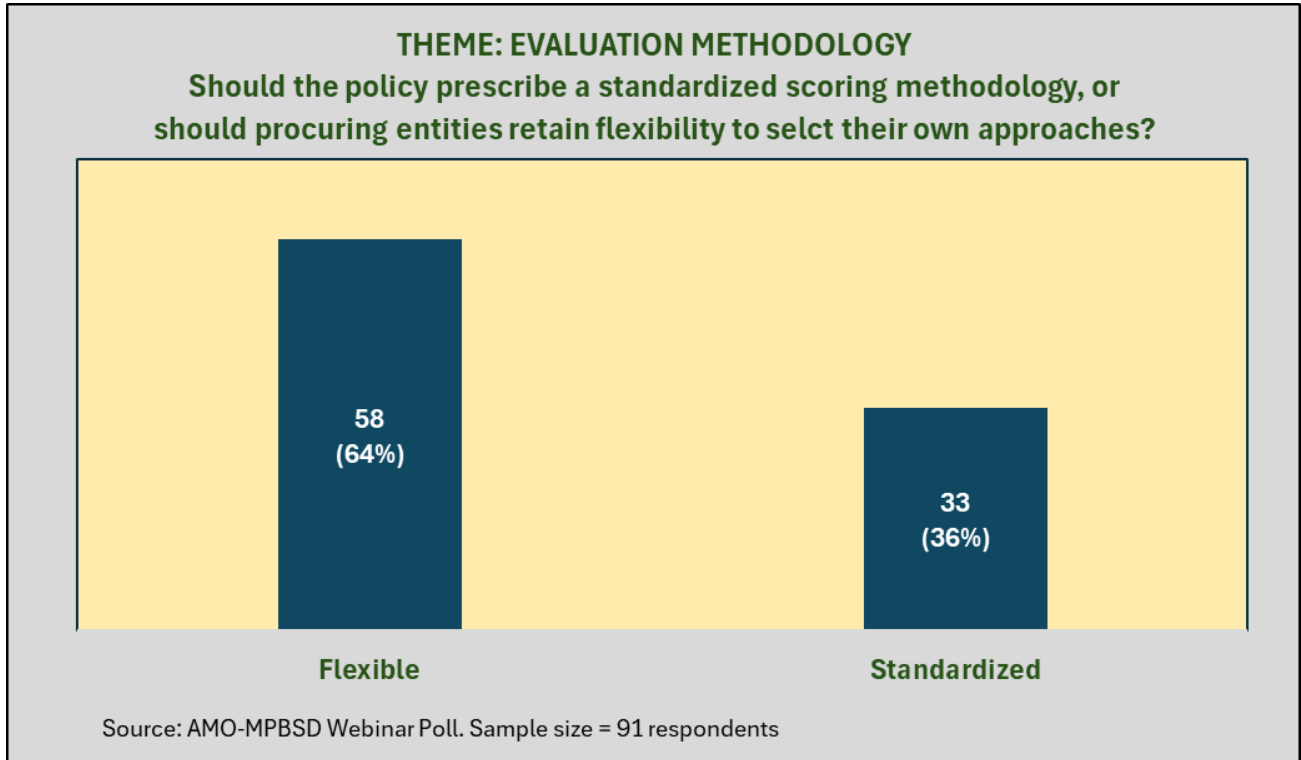


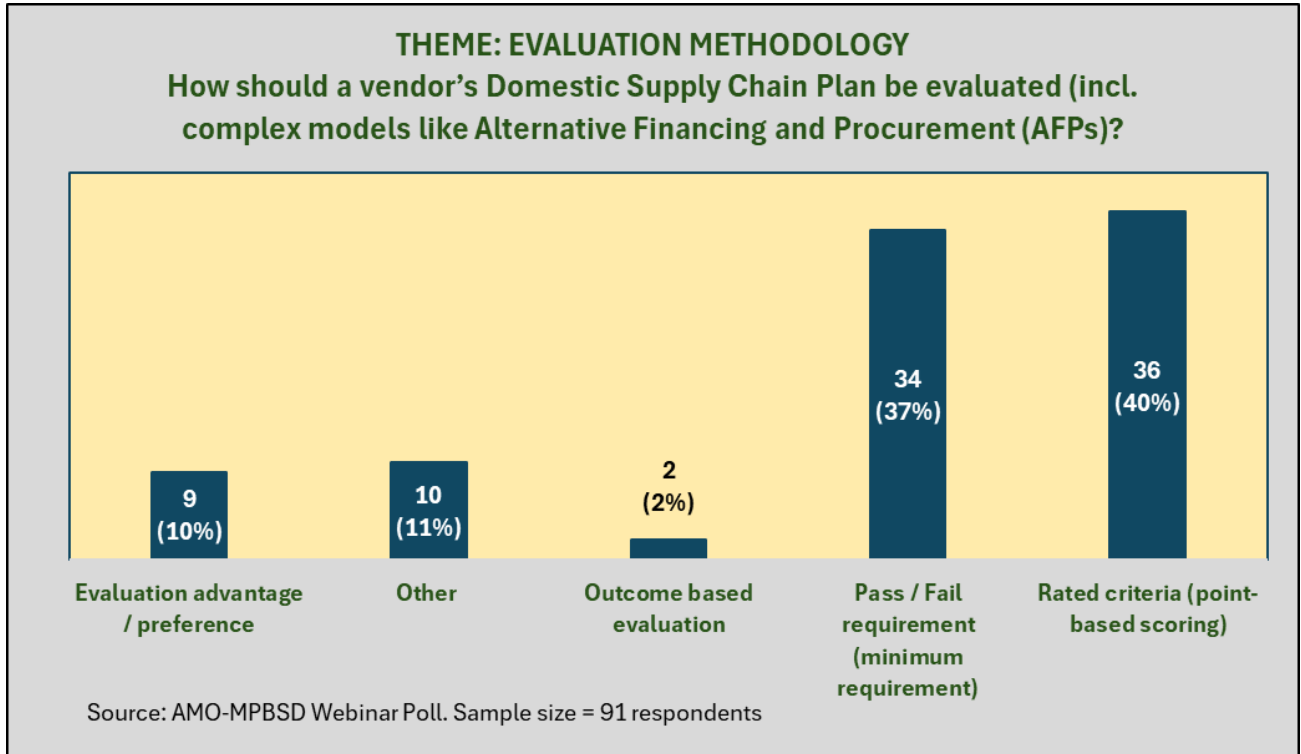
THEME: POLICY REQUIREMENT

Is it feasible for a vendor to submit a Domestic Supply Chain Plan covering all major goods and services (including those of sub-contractors)? If not, why is this not feasible?
[Top 4 responses]

Answer choices (select all that apply)	Number of Response	Share of Responses
Time constraints		
Need guidance to identify major goods		
Limited procurement expertise		
Project complexity	5	9%
Time constraints		
Need guidance to identify major goods		
Limited procurement expertise		
Project complexity		
Market knowledge gaps		
Other	5	9%
Time constraints		
Need guidance to identify major goods		
Project complexity		
Market knowledge gaps	8	15%
Time constraints		
Need guidance to identify major goods		
Limited procurement expertise		
Project complexity		
Market knowledge gaps	35	66%
Total	53	

THEME: EVALUATION METHODOLOGY





THEME: IMPLEMENTATION

THEME: IMPLEMENTATION
 What will be the impact of the proposed implementation date – Early Spring 2026 - be on your organization?

Theme	Number of Response	Share of Responses
Policy / by-law / procurement updates required	31	24%
Staffing and resource constraints	29	23%
Budget and cost impacts	16	13%
Training and guidance needed	14	11%
IT systems and process changes	9	7%
Timeline too short / rushed implementation	8	6%
Governance and approvals (Council/Board)	8	6%
Coordination with partners / vendors	6	5%
Risk, compliance, and uncertainty	4	3%
Organizational readiness / not prepared	2	2%
Total	127	

