

**Annex 7.8: Determination of Canadian Content for a mix of Goods and/or Services
(2001-05-25)**

There is a Public Works Government Services Canada (PWGSC) solicitation for: 100 wooden office desks; 100 electric space heaters with maintenance and repair included; 100 telephone sets with maintenance and repair included; and, 100 metal swivel chairs.

The bidder will provide:

- unfinished wooden office desks which are imported into Canada and finished in Canada;
- electric space heaters which were constructed using domestic labour/materials and imported parts. The maintenance/repair of the electric space heaters is being done by Canadian-based personnel.;
- telephone sets which were constructed using domestic labour/materials and some imported parts. The maintenance/repair of the telephones is being done by U.S.-based personnel;
- metal swivel chairs which were constructed using domestic labour/materials and some imported parts.

Below are the prices for the goods and services offered in the bid:

100 Wooden Office Desks @ \$150 each	\$15,000
100 Electric Space Heaters @ \$200 each	\$20,000
Maintenance/Repair for Heaters	\$5,000
100 Telephone Sets @ \$50 each	\$5,000
Maintenance/Repair for Telephone Sets	\$1,000
100 Metal Swivel Chairs @ \$25 each	<u>\$2,500</u>
Total Bid Price	\$48,500

Determination whether individual goods and services are Canadian (using NAFTA Chapter 4 - Rules of Origin)

(You may wish to refer to [Annex 5.5](#) for The Rules of Origin Determination.)

Wooden Office Desks:

Unfinished wooden office desks (HS 9403.30) were imported and finished in Canada. The final good (finished wooden office desks) falls in same the subheading (HS 9403.30) as the unfinished good.

The NAFTA rules of origin covering HS 9403.30 (wooden office desks) require a change from another chapter, or a change from parts heading 9403.90, provided there is sufficient regional value content. These rules are not satisfied.

Therefore, the wooden office desks are **not** considered Canadian goods.

Electric Space Heaters:

Electric space heaters (HS 8516.21) were constructed using domestic labour/materials and imported

parts (HS 8516.90).

The NAFTA rules of origin covering HS 8516.21 (electric space heaters) allow a change from subheading 8516.90, provided there is a regional value content of not less than 60% where the transaction value method is used or 50% where the net cost method is used..

After calculations are done, the regional value content is found to be 65% using the transaction value method.

Therefore, the electric space heaters are considered Canadian goods.

Telephone Sets:

Telephone sets (HS 8517.11) were constructed using domestic labour/materials and some imported plastic tubes (HS 3917).

The NAFTA rules of origin covering HS 8517.11 (telephone sets) require a change to subheading 8517.11 from any other subheading, except 8517.90.11, 8517.90.12, 8517.90.13, 8517.90.14 or 8517.90.41.

Therefore, the telephone sets are considered Canadian goods.

Metal Swivel Chairs:

Metal swivel chairs (HS 9401.30) were constructed using domestic labour/materials and some imported parts (HS 9401.90).

The NAFTA rules of origin covering HS 9401.30 (metal swivel chairs) allow a change from subheading 9401.90, provided there is a regional value content of not less than 60% where the transaction value method is used or 50% where the net cost method is used.

After calculations are done, the regional value content is found to be 37% using the transaction value method.

Therefore, the metal swivel chairs are **not** considered Canadian goods.

Maintenance/Repair of Telephones:

The maintenance/repair of telephones is being done by U.S.-based personnel. Therefore, this service is **not** considered a Canadian service.

Maintenance/Repair of Electric Space Heaters:

The maintenance/repair of electric space heaters is being done by Canadian-based personnel. Therefore, this service is considered a Canadian service.

Calculation of Percent of Bid Price Considered Canadian

Canadian Goods and Services

100 Electric Space Heaters		\$20,000
100 Telephone sets		\$5,000
Maintenance/Repair of Heaters		<u>\$5,000</u>

	Total Canadian Goods and Services	\$30,000
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Non-Canadian Goods and Services

100 Wooden Office Desks		\$15,000	
100 Metal Swivel Chairs		\$2,500	
Maintenance/Repair of Telephone		<u>\$1,000</u>	
	Total non-Canadian Goods and Services	<u>\$18,500</u>	
		Total Bid Price	<u><u>\$48,500</u></u>

Percent of the Bid Price that is composed of Canadian goods and services = $\$30,000/\$48,500 = 62\%$

Conclusion

The Supplier has **not** met the Canadian Content requirement that "no less than 80 percent of the bid price consists of Canadian goods and Canadian services".