Annex 1001.1b-2: Services

Section A - General Provisions

1. This Chapter applies to all services that are procured by the entities listed in Annex 1001.1a-1 and Annex 1001.1a-2, subject to:

   (a) paragraph 3 and Section B; and
   (b) Appendix 1001.1b-2-A, for the Parties specified in that Appendix.

2. Appendix 1001.1b-2-B sets out the Common Classification System for the services procured by the entities of the Parties. The Parties shall use this System for reporting purposes and shall update Appendix 1001.1b-2-B at such times as they mutually agree.

3. Annex 1001.1b-3 applies to contracts for construction services.

Section B - Excluded Coverage

Schedule of Canada

Services Exclusions by Major Service Category

The following service contracts are excluded:

A. Research and Development

   All Classes

B. Special Studies and Analysis - not R&D

   B002 Animal and fisheries studies
   B003 Grazing and Range Studies
   B507 Legal studies (Except Advisory Services on Foreign Law)
   B503 Medical and health studies
   B400 Aeronautic/Space Studies

C. Architecture and Engineering Services

   C112 Airfield, Communication and Missile Facilities
   C216 Marine architect and engineering services

D. Information Processing and Related Telecommunications Services

   D304 ADP Telecommunications and Transmission Services, except those classified as "enhanced or value-added services" as defined in Article 1310 and that are expressly excluded from the reservations set out in Annex II, Schedule of Canada, II-C-3 or II-C-5. For the purposes of this provision, the procurement of "ADP Telecommunications and Transmission services" does not include the ownership or furnishing of facilities for the transmission of voice or data services.
   D305 ADP Teleprocessing and timesharing services
   D309 Information and Data Broadcasting or Data Distribution Services
   D316 Telecommunications Network Management Services
   D317 Automated News Service, Data Services, or Other Information Services. Buying data, the electronic equivalent of books, periodicals, newspapers, etc.
   D399 Other ADP and Telecommunications Services

F. Natural Resources and Conservation Services

   F004 Land Treatment Practices Services (plowing/clearing, etc).
   F005 Range Seeding Services (ground equipment)
   F006 Crop services inc. Seed Collection/Production Services
   F007 Seedling Production/Transplanting Services
   F011 Pesticides/Insecticides Support services
   F010 Other Range/Forest Improvements services
   F021 Veterinary/Animal Care services (inc. Livestock services)
   F029 Other Animal Care /Control services
F030  Fisheries Resources Management Services
F031  Fish Hatchery Services
F050  Recreation Site Maintenance services (non-construction)
F059  Other natural resource and conservation services

G. Health and Social Services

All classes

H. Quality Control, Testing and Inspection and Technical Representative Services

Services for the Departments of Transport, Communications and Fisheries and Oceans respecting FSC 36 - (Special Industry Machinery), FSC 70 - (Automatic Data Processing Equipment, software supplies and support equipment) and FSC 74 (Office machines, text processing systems and visible record equipment).

FSC 58 (Communications, Detection, and Coherent Radiation Equipment)

Services with reference to transportation equipment.

J. Maintenance, Repair, Modification, Rebuilding and Installation of Equipment

Services for the Departments of Transport, Communications and Fisheries and Oceans respecting FSC 36 - (Special Industry Machinery), FSC 70 - (Automatic Data Processing Equipment, software supplies and support equipment) and FSC 74 (Office machines, text processing systems and visible record equipment).

FSC 58 (Communications, Detection, and Coherent Radiation Equipment)

Services with reference to transportation equipment.

J019 Maintenance, Repair, Modification, Rebuilding and Installation of Equipment related to Ships

J998 Non-nuclear Ship Repair

K. Custodial Operations and Related Services

K0  Personal care services
K105  Guard Services
K109  Surveillance services
K115  Preparation and Disposal of Excess and surplus property

L. Financial and Related Services

All classes

M. Operation of Government Owned Facilities

All facilities operated by:

The Department of Defence
The Department of Transport
The Department of Energy, Mines and Resources and for all Departments: M180 and M140

R. Professional, Administrative and Management Support Services

R003  Legal services (Except Advisory Services on Foreign Law)
R004  Certifications and accreditations for products and institutions other than Educational Institutions
R007  Systems Engineering Services 1/
R012  Patent and Trade Mark Services
R101  Expert Witness
R102  Weather Reporting/Observation services
R104  Transcription services
R106  Post Office services
R109  Translation and Interpreting services (inc. sign language)
R113  Data Collection services
R114  Logistics Support Services 2/
R116  Court Reporting Services
R117  Paper Shredding Services
R201  Civilian Personnel Recruitment (inc. Services of Employment Agencies)

1/ with reference to transportation systems
2/ with respect to transportation and defence
S. Utilities

All classes

T. Communications, Photographic, Mapping, Printing and Publications Services

All classes

U. Education and Training Services

U010 Certifications and accreditations for Educational Institutions

V. Transportation, Travel and Relocation Services

All classes (except V503 Travel Agent Services [not including Tour Guides.])

W. Lease or Rental of Equipment

Services for the Departments of Transport, Communications and Fisheries and Oceans respecting FSC 36 - (Special Industry Machinery), FSC 70 - (Automatic Data Processing Equipment, software supplies and support equipment) and FSC 74 (Office machines, text processing systems and visible record equipment).

FSC 58 (Communications, Detection, and Coherent Radiation Equipment)

Services with reference to transportation equipment.

Notes:

1. All services, with reference to those goods purchased by the Department of National Defence, the Royal Canadian Mounted Police and the Canadian Coast Guard which are not identified as subject to coverage by this chapter (Annex 1001.1b-1), will be exempt from the disciplines of the Chapter.

2. All services purchased in support of military forces located overseas will be exempt from coverage by this chapter.

3. The Schedules of Canada as identified in Annex 1001.2b and Annex 1001.1b -3 will apply.

4. In the absence of agreed definitions for service classes under the proposed NAFTA classification system, and until such time as they are mutually agreed, Canada will continue to apply appropriate CPC definitions to identify classes which it considers exempt.

Schedule of Mexico

The following service contracts are excluded:

(Based on the United Nations Central Product Classification (CPC))

1. All transportation services, including:

<table>
<thead>
<tr>
<th>CPC</th>
<th>CPC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>Class</td>
</tr>
<tr>
<td>71</td>
<td>Land transportation</td>
</tr>
<tr>
<td>72</td>
<td>Water transport</td>
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<tr>
<td>73</td>
<td>Air transport</td>
</tr>
<tr>
<td>74</td>
<td>Supporting and auxiliary transport</td>
</tr>
<tr>
<td>75</td>
<td>Post and telecommunication</td>
</tr>
<tr>
<td>8868</td>
<td>Repair services of other transport equipment, on a fee or contract basis</td>
</tr>
</tbody>
</table>

2. Public utilities services (including telecommunications, transmission, water or energy services)

3. Management and operation contracts awarded to federally-funded research and development centers or related to carrying out government sponsored research programs

4. Financial services

5. Research and development services

Schedule of the United States
Service Exclusions by Major Service Category

A. Research and Development

All classes

D. Information Processing and Related Telecommunications Services

D304 ADP Telecommunications and Transmission Services, except for those services classified as "enhanced or value-added services," as defined in Article 1310 and that are expressly excluded from the reservation set out in Annex II, Schedule of the United States, III-U-3. For the purposes of this provision, the procurement of "ADP Telecommunications and Transmission services" does not include the ownership or furnishing of facilities for the transmission of voice or data services.

D305 ADP Teleprocessing and Timesharing Services
D316 Telecommunications Network Management Services
D317 Automated News Services, Data Services or Other Information Services
D399 Other ADP and Telecommunications Services

J. Maintenance, Repair, Modification, Rebuilding and Installation of Equipment

J019 Maintenance, Repair, Modification, Rebuilding and Installation of Equipment Related to Ships
J998 Non-nuclear Ship Repair

M. Operation of Government-Owned Facilities

All facilities operated by the Department of Defense, Department of Energy and the National Aeronautics and Space Administration; and for all entities:

M180 Research and Development

S. Utilities

All Classes

V. Transportation, Travel and Relocation Services

All Classes except V503 Travel Agent Services

Notes:

1. All services purchased in support of military forces overseas will be excluded from coverage by this Chapter.

2. For service suppliers of Canada, this Chapter will apply to procurements by the authorities and the power administrations listed as items 1 through 6 in the U.S. Schedule in Annex 1001.1a-2 (Government Enterprises) and to procurements by the Bureau of Reclamation of the Department of Interior only at such time as this Chapter applies to the procurements by the Canadian provincial, not including local, hydro utilities.

Appendix 1001.1b-2-A: Temporary Schedule of Services for Mexico

1. Until Mexico has completed its Schedule to Section B of Annex 1001.1b-2, pursuant to paragraph 2, this Chapter applies only in respect of the services set out in the Temporary Schedule.

2. Mexico shall develop and, after consultations with the other Parties, complete its list of services set out in its Schedule to Section B of Annex 1001.1b-2 no later than July 1, 1995.

3. When Mexico completes its list pursuant to paragraph 2, each Party may, after consultation with the other Parties, review and revise its Schedule to Section B to Annex 1001.1b-2.

Temporary Schedule

Based on the United Nations Central Product Classification (CPC)

CPC Professional Services
863 Taxation services (excluding legal services)

Architectural services
86711 Advisory and pre-design architectural services
86712 Architectural design services
86713 Contract administration services
86714 Combined architectural design and contract administration services
86719 Other architectural services

**Engineering services**
86721 Advisory and consultative engineering services
86722 Engineering design services for foundations and building structures
86723 Engineering design services for mechanical and electrical installations for buildings
86724 Engineering design services for civil engineering construction
86725 Engineering design for industrial processes and production
86726 Engineering design services n.e.c.
86727 Other engineering services during the construction and installation phase
86729 Other engineering services

**Integrated engineering services**
86731 Integrated engineering services for transportation, infrastructure turnkey projects
86732 Integrated engineering and project management services for water supply and sanitation works turnkey projects
86733 Integrated engineering services for the construction of manufacturing turnkey projects
86739 Integrated engineering services for other turnkey projects
8674 Urban planning and landscape architectural services

**Computer and Related Services**
841 Consultancy services related to the installation of computer hardware
842 Software implementation services, including systems and software consulting services, systems analysis, design, programming and maintenance services
843 Data processing services, including processing, tabulation and facilities management services
844 Data base services
845 Maintenance and repair services of office machinery and equipment including computers
849 Other computer services

**Real Estate Services**
821 Real estate services involving own or leased property
822 Real estate services on a fee or contract basis

**Rental/Leasing Services without Operators**
831 Leasing or rental services concerning machinery and equipment without operator, including computers
832 Leasing or rental services concerning personal and household goods (excluding in 83201, the rental of prerecorded records, sound cassettes, CD's and excluding 83202, rental services concerning video tapes)

**Other Business Services**
86501 General management consulting services
86503 Marketing management consulting services
86504 Human resources management consulting services
86505 Production management consulting services
86509 Other management consulting services, including agrology, agronomy, farm management and related consulting services
8676 Technical testing and analysis services including quality control and inspection
8814 Services incidental to forestry and logging, including forest management
883 Services incidental to mining, including, drilling and field services Related scientific and technical consulting services
88751 Geological, geophysical and other scientific prospecting services, including those related to mining
88752 Subsurface surveying services
88753 Surface surveying services
88754 Map making services
8861 Repair services incidental to metal products, to machinery and equipment including computers, 8866 and communications equipment through 8866
874 Building-cleaning
876 Packaging services

**Environmental Services**
940 Sewage and refuse disposal, sanitation and other environmental protection services, including sewage services, nature and landscape protection services and other environmental protection services n.e.c.

**Hotels and restaurants (including catering)**
641 Hotel and other lodging services
642 Food services
643 Beverage serving services

**Travel agency and tour operators services**
7471 Travel agency and tour operator services

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*Appendix 1001.1b-2-B: Common Classification System*

*Services*

*Notes:*
1. It is understood that the Parties will continue to work on the development of definitions related to the categories and other ongoing enhancements to the Classification System.

2. The Parties will continue to review outstanding technical issues that may arise from time to time.

3. This common classification system follows the format described below:

   Group = one digit
   Sub-group = two digit
   Class = four digit

A - Research and Development

Definition of research and development contracts:

Procurement of research and development services include the acquisition of specialized expertise for the purposes of increasing knowledge in science; applying increased scientific knowledge or exploiting the potential of scientific discoveries and improvements in technology to advance the state of art; and systematically using increases in scientific knowledge and advances in state of art to design, develop, test, or evaluate new products or services.

R&D Codes:

The R&D code is composed of two alphabetic digits. The first digit is always the letter "A" to identify R&D, the second digit is alphabetic "A to Z" to identify the major sub-group.

Code Descriptions

AA Agriculture
AB Community Services and Development
AC Defense Systems
AD Defense - Other
AE Economic Growth and Productivity
AF Education
AG Energy
AH Environmental Protection
AJ General Science and Technology
AK Housing
AL Income Security
AM International Affairs and Cooperation
AN Medical
AP Natural Resources
AQ Social Services
AR Space
AS Transportation - Modal
AT Transportation - General
AV Mining Activities
AZ Other Research and Development

B - Studies and Analysis - (not R&D)

Definition of studies and analysis:

Procurement of special studies and analyses are organized, analytic assessments that provide insights for understanding complex issues or improving policy development or decision making. Output obtained in such acquisitions is a formal, structured document including data or other information that form the basis for conclusions or recommendations.

B0 Natural Sciences

B000 Chemical/Biological Studies and Analyses
B001 Endangered Species Studies - Plant and Animal
B002 Animal and Fisheries Studies
B003 Grazing/Range Studies
B004 Natural Resource Studies
B005 Oceanological Studies
B009 Other Natural Sciences Studies

B1 Environmental Studies

B100 Air Quality Analyses
B101 Environmental Studies Development of Environmental Impact Statements and Assessments
K103 Fueling and Other Petroleum Services - Excluding Storage
K104 Trash/Garbage Collection Services - Including Portable Sanitation Services
K105 Guard Services
K106 Insect and Rodent Control Services
K107 Landscaping/Groundskeeping Services
K108 Laundry and Dry Cleaning Services
K109 Surveillance Services
K110 Solid Fuel Handling Services
K111 Carpet Cleaning
K112 Interior Plantscaping
K113 Snow Removal/Salt Service (also spreading aggregate or other snow meltings material)
K114 Waste Treatment and Storage
K115 Preparation and Disposal of Excess and Surplus Property
K116 Other Salvage Services
K119 Other Custodial and Related Services

L - Financial and Related Services

L000 Government Life Insurance Programs
L001 Government Health Insurance Programs
L002 Other Government Insurance Programs
L003 Non-Government Insurance Programs
L004 Other Insurance Services
L005 Credit Reporting Services
L006 Banking Services
L007 Debt Collection Services
L008 Coin Minting
L009 Banknote Printing
L009 Other Financial Services

M - Operation of Government - Owned Facilities

M110 Administrative Facilities and Service Buildings
M120 Airfield, Communications, and Missile Facilities
M130 Educational Buildings
M140 Hospital Buildings
M150 Industrial Buildings
M160 Residential Buildings
M170 Warehouse Buildings
M180 Research and Development Facilities
M190 Other Buildings
M210 Conservation and Development Facilities
M220 Highways, Roads, Streets, Bridges and Railways
M230 Electric Power Generation (EPG) Facilities
M240 Utilities
M290 Other Non-Building Facilities

R - Professional, Administrative and Management Support Services

R0 Professional Services

R001 Specifications Development Services
R002 Technology Sharing/Utilization Services
R003 Legal Services
R004 Certifications and Accreditations for products and institutions other than Educational Institutions
R005 Technical Assistance
R006 Technical Writing Services
R007 Systems Engineering Services
R008 Engineering and Technical Services (incl. Mechanical, Electrical, Chemical, Electronic Engineering)
R009 Accounting Services
R010 Auditing Services
R011 Ongoing Audit Operations Support
R012 Patent and Trade Mark Services
R013 Real Property Appraisals Services
R014 Operations Research Studies / Quantitative Analysis Studies
R015 Simulation
R016 Personal Services Contracts
R019 Other Professional Services
R1 Administrative and Management Support Services

R100 Intelligence Services
R101 Expert Witness
R102 Weather Reporting/Observation Services
R103 Courier and Messenger Services
R104 Transcription Services
R105 Mailing and Distribution Services (Excluding Post Office Services)
R106 Post Office Services
R107 Library Services
R108 Word Processing/Typing Services
R109 Translation and Interpreting Services (Including Sign Language)
R110 Stenographic Services
R111 Personal Property Management Services
R112 Information Retrieval (non-automated)
R113 Data Collection Services
R114 Logistics Support Services
R115 Contract, Procurement, and Acquisition Support Services
R116 Court Reporting Services
R117 Paper Shredding Services
R118 Real Estate Brokerage Services
R119 Industrial Hygienics
R120 Policy Review/Development Services
R121 Program Evaluation Studies
R122 Program Management/Support Services
R123 Program Review/Development Services
R199 Other Administrative and Management Support Services

R2 Personnel Recruitment

R200 Military Personnel Recruitment
R201 Civilian Personnel Recruitment (incl. Services of Employment Agencies)

S - Utilities

S000 Gas Services
S001 Electric Services
S002 Telephone and/or Communications Services (incl. Telegraph, Telex and Cablevision Service)
S003 Water Services
S099 Other Utilities

T - Communications, Photographic, Mapping, Printing and Publication Services

T000 Communications Studies
T001 Market Research and Public Opinion Services (Formerly Telephone and Field Interview Services incl. Focus testing, Syndicated and attitude Surveys)
T002 Communications Services (incl. exhibit Services)
T003 Advertising Services
T004 Public Relations Services (incl. Writing Services, Event Planning and Management, Media Relations, Radio and TV Analysis, Press Services)
T005 Arts/Graphics Services
T006 Cartography Services
T007 Charting Services
T008 Film Processing Services
T009 Film/Video Tape Production Services
T010 Microfiche Services
T011 Photogrammetry Services
T012 Aerial Photographic Services
T013 General Photographic Services - Still
T014 Print/Binding Services
T015 Reproduction Services
T016 Topography Services
T017 General Photographic Services - Motion
T018 Audio/Visual Services
T019 Land Surveys, Cadastral Services (non-construction)
T099 Other Communication, Photographic, Mapping, Printing and Publication Services

U - Educational and Training Services
U001 Lectures For Training
U002 Personnel Testing
U003 Reserve Training (Military)
U004 Scientific and Management Education
U005 Tuition, Registration, and Membership Fees
U006 Vocational/Technical
U007 Faculty Salaries for Schools Overseas
U008 Training/Curriculum Development
U009 Informatics Training
U010 Certifications and Accreditations for Educational Institutions
U099 Other Education and Training Services

V - Transportation, Travel and Relocation Services

V0 Land Transport Services

V00 Motor Pool Operations
V001 Motor Freight
V002 Rail Freight
V003 Motor Charter for Things
V004 Rail Charter for Things
V005 Motor Passenger Service
V006 Rail Passenger Service
V007 Passenger Motor Charter Service
V008 Passenger Rail Charter Service
V009 Ambulance Service
V010 Taxicab Services
V011 Security Vehicle Service

V1 Water Transport Services

V100 Vessel Freight
V101 Marine Charter for Things
V102 Marine Passenger Service
V103 Passenger Marine Charter Service

V2 Air Transport Services

V200 Air Freight
V201 Air Charter for Things
V202 Air Passenger Service
V203 Passenger Air Charter Service
V204 Specialty air Services including Aerial Fertilization, Spraying and Seeding

V3 Space Transportation and Launch Services

V4 Other Transport Services

V401 Other Transportation Travel and Relocation Services
V402 Other Cargo and Freight Services
V403 Other Vehicle Charter for Transportation of Things

V5 Supporting and Auxiliary Transport Services

V500 Stevedoring
V501 Vessel Towing Service
V502 Relocation Services
V503 Travel Agent Services
V504 Packing/Crating Services
V505 Warehousing and Storage Services
V506 Salvage of Marine Vessels
V507 Salvage of Aircraft
V508 Navigational Aid and Pilotage Services

W - Lease and Rental of Equipment

WO Lease or Rental of Equipment
Annex 1001.1b-3: Construction Services

Section A - General Provisions

1. This Chapter applies to all construction services set out in Appendix 1001.1b-3-A, except those listed in Section B, that are procured by the entities listed in Annex 1001.1a-1 and 1001.1a-2.

2. The Parties shall update Appendix 1001.1b-3-A at such times as they mutually agree.

Section B - Excluded Coverage

Schedule of Canada

The following services contracts are excluded:

1. Dredging

2. Construction contracts tendered by or on behalf of Department of Transport

Schedule of the United States

The following services contracts are excluded:

Dredging

Note: In accordance with this Chapter, buy national requirements on articles, supplies and materials acquired for use in construction contracts covered by this Chapter shall not apply to goods of Canada or Mexico.

Appendix 1001.1b-3-A: Common Classification System

Construction Work Codes

Note: Based on the United Nations Central Product Classification (CPC) Division 51.

Definition of Construction work:

Pre-erection work; new construction and repair, alteration, restoration and maintenance work on residential buildings, non-residential buildings or civil engineering works. This work can be carried out either by general contractors who do the complete construction work for the owner of the project, or on own account; or by subcontracting parts of the construction work to contractors specializing, e.g., in installation work, where the value of work done by subcontractors becomes part of the main contractor’s work. The products classified here are services which are essential in the production process of the different types of constructions, the final output of construction activities.

Code Descriptions

<table>
<thead>
<tr>
<th>Code</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>511</td>
<td>Pre-erection work at construction sites</td>
</tr>
<tr>
<td>5111</td>
<td>Site investigation work</td>
</tr>
<tr>
<td>5112</td>
<td>Demolition work</td>
</tr>
<tr>
<td>5113</td>
<td>Site formation and clearance work</td>
</tr>
<tr>
<td>5114</td>
<td>Excavating and earthmoving work</td>
</tr>
<tr>
<td>5115</td>
<td>Site preparation work for mining (except for mining of oil and gas which is classified under FO42)</td>
</tr>
<tr>
<td>5116</td>
<td>Scaffolding work</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>512</th>
<th>Construction works for buildings</th>
</tr>
</thead>
<tbody>
<tr>
<td>5121</td>
<td>For one and two dwelling buildings</td>
</tr>
<tr>
<td>5122</td>
<td>For multi-dwelling buildings</td>
</tr>
<tr>
<td>5123</td>
<td>For warehouses and industrial buildings</td>
</tr>
<tr>
<td>5124</td>
<td>For commercial buildings</td>
</tr>
<tr>
<td>5125</td>
<td>For public entertainment buildings</td>
</tr>
<tr>
<td>5126</td>
<td>For hotel, restaurant and similar buildings</td>
</tr>
<tr>
<td>5127</td>
<td>For educational Buildings</td>
</tr>
<tr>
<td>5128</td>
<td>For health buildings</td>
</tr>
</tbody>
</table>

| 513  | Construction work for civil engineering |
5131 For highways (except elevated highways), streets, roads, railways and airfield runways
5132 For bridges, elevated highways, tunnels, subways and railroads
5133 For waterways, harbours, dams and other water works
5134 For long distance pipelines, communication and power lines (cables)
5135 For local pipelines and cables; ancillary works
5136 For constructions for mining and manufacturing
5137 For constructions for sport and recreation
5138 Dredging Services
5139 For engineering works n.e.c.

514 Assembly and erection of prefabricated constructions

515 Special trade construction work

5151 Foundation work, including pile driving
5152 Water well drilling
5153 Roofing and water proofing
5154 Concrete work
5155 Steel bending and erection, including welding
5156 Masonry work
5159 Other special trade construction work

516 Installation work

5161 Heating, ventilation and air conditioning work
5162 Water plumbing and drain laying work
5163 Gas fitting construction work
5164 Electrical work
5165 Insulation work (electrical wiring, water, heat, sound)
5166 Fencing and railing construction work
5169 Other installation work

517 Building completion and finishing work

5171 Glazing work and window glass installation work
5172 Plastering work
5173 Painting work
5174 Floor and wall tiling work
5175 Other floor laying, wall covering and wall papering work
5176 Wood and metal joinery and carpentry work
5177 Interior fitting decoration work
5178 Ornamentation fitting work
5179 Other building completion and finishing work

518 Renting services related to equipment for construction or demolition of buildings or civil engineering works, with operator.

Annex 1001.1c: Indexation and Conversion of Thresholds

1. The calculations referred to in Article 1001(1)(c) (Scope and Coverage) shall be made in accordance with the following:

   (a) the U.S. inflation rate shall be measured by the Producer Price Index for Finished Goods published by the U.S. Bureau of Labor Statistics;

   (b) the first adjustment for inflation, to take effect on January 1, 1996, shall be calculated using the period from November 1, 1993 through October 31, 1995;

   (c) all subsequent adjustments shall be calculated using two-year periods, each period beginning November 1, and shall take effect on January 1 of the year immediately following the end of the two-year period;

   (d) the United States shall notify the other Parties of the adjusted threshold values no later than November 16 of the year before the adjustment takes effect; and

   (e) the inflationary adjustment shall be estimated according to the following formula

\[ T_0 \times (1 + i) = T_1 \]

\[ T_0 = \text{threshold value at base period} \]
in accumulated U.S. inflation rate for the \( i \)th two-year-period

\( T_1 \) = new threshold value.

2. Mexico and Canada shall calculate and convert the value of the thresholds set out in Article 1001(1)(c) into their national currencies using the conversion formula set out in paragraph 3 or 4, as appropriate. Mexico and Canada shall notify each other and the United States of the value, in their respective currencies, of the newly calculated thresholds no later than one month before the respective thresholds take effect.

3. Canada shall base its calculation on the official conversion rates of the Bank of Canada. From January 1, 1994 through December 31, 1995, the conversion rate shall be the average of the weekly values of the Canadian dollar in terms of the U.S. dollar over the period October 1, 1992 through September 30, 1993. For each subsequent two-year period beginning January 1, 1996, its conversion rate shall be the average of the weekly values of the Canadian dollar in terms of the U.S. dollar over the two-year period ending September 30 of the year preceding the beginning of each two-year period.

4. Mexico shall use the conversion rate of the Bank of Mexico ("Banco de México"). Its conversion rate shall be the existing value of the Mexican peso in terms of the U.S. dollar as of December 1 and June 1 of each year, or the first working day thereafter. The conversion rate as of December 1 shall apply from January 1 to June 30 of the following year, and as of June 1 shall apply from July 1 to December 31 of that year.

Annex 1001.2a: Transitional Provisions for Mexico

Notwithstanding any other provision of this Chapter, Annexes 1001.1a-1 through 1001.1b-3 are subject to the following:

Pemex, CFE and Non-Energy Construction

1. Mexico may set aside from the obligations of this Chapter for a calendar year set out in paragraph 2 the percentage specified in that paragraph of:

   (a) the total value of procurement contracts for goods and services and any combination thereof and construction services procured by Pemex in the year that are above the thresholds set out in Article 1001(1)(c);

   (b) the total value of procurement contracts for goods and services and any combination thereof and construction services procured by CFE in the year that are above the thresholds set out in Article 1001(1)(c); and

   (c) the total value of procurement contracts for construction services procured in the year that are above the thresholds set out in Article 1001(1)(c), excluding procurement contracts for construction services procured by Pemex and CFE.

2. The calendar years to which paragraph 1 applies and the percentages for those calendar years are as follows:

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<tr>
<td>Percent</td>
<td>50%</td>
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<th>2001</th>
<th>2002</th>
<th>2003 and thereafter</th>
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<tr>
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<td>30%</td>
<td>30%</td>
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</tbody>
</table>

3. The value of procurement contracts that are financed by loans from regional and multilateral financial institutions shall not be included in the calculation of the total value of procurement contracts under paragraphs 1 and 2. Procurement contracts that are financed by such loans shall also not be subject to any restrictions set out in this Chapter.

4. Mexico shall ensure that the total value of procurement contracts under any single FSC class (or other classification system agreed by Parties) that are set aside by Pemex or CFE under paragraphs 1 and 2 for any year does not exceed 10 percent of the total value of the procurement contracts that may be set aside by Pemex or CFE for that year.

5. Mexico shall ensure that, after December 31, 1998, Pemex and CFE each shall make all reasonable efforts to ensure that the total value of procurement contracts under any single FSC class (or other classification system agreed by the Parties) that are set aside by Pemex or CFE under paragraphs 1 and 2 for any year does not exceed 50 percent of the total value of all Pemex and CFE procurement contracts under that FSC class (or other classification system agreed by the Parties) for that year.

Pharmaceuticals

6. Until January 1, 2002, this Chapter shall not apply to the procurement by the Secretaría de Salud, IMSS, ISSSTE, Secretaría Defensa Nacional and the Secretaría de Marina of drugs that are not currently patented in Mexico or whose Mexican patents have expired. Nothing in this paragraph shall prejudice rights under Chapter Seventeen (Intellectual Property).

Time Limits for Tendering and Delivery

7. Mexico shall use its best efforts to comply with the 40- day time limit requirements of Article 1012, and in any event shall fully comply with that obligation no later than January 1, 1995.

 Provision of Information
8. The Parties recognize that Mexico may be required to undertake extensive retraining of personnel, introduce new data maintenance and reporting systems and make major adjustments to the procurement systems of certain entities in order to comply with Article 1019. The Parties also recognize that Mexico may encounter difficulties in making the transition to procurement systems that facilitate full compliance with this Chapter.

9. The Parties shall consult on an annual basis for the first five years after the date of entry into force of this Agreement to review transitional problems and to develop mutually agreed solutions. Such solutions may include, when appropriate, temporary adjustment to the obligations of Mexico under this Chapter, such as those related to reporting requirements.

10. Canada and the United States shall cooperate with Mexico to provide technical assistance, as appropriate and mutually agreed pursuant to Article 1020, to aid Mexico’s transition.

11. Nothing in paragraphs 8 through 10 shall be construed to excuse compliance with the obligations of this Chapter.

Note: The General Notes for Mexico set out in Annex 1001.2b apply to this Annex.

Annex 1001.2b: General Notes

Schedule of Canada

1. This Chapter does not apply to procurements in respect of:
   
   (a) shipbuilding and repair;
   
   (b) urban rail and urban transportation equipment, systems, components and materials incorporated there in as well as all project related materials of iron or steel;
   
   (c) contracts respecting FSC 58 (communications, detection and coherent radiation equipment);
   
   (d) set-asides for small and minority businesses;
   
   (e) the Departments of Transport, Communications and Fisheries and Oceans respecting Federal Supply Classification (FSC) 70 (automatic data processing equipment, software supplies and support equipment), FSC 74 (office machines, text processing systems and visible record equipment) and FSC 36 (special industry machinery); and
   
   (f) agricultural products made in furtherance of agricultural support programs or human feeding programs.

2. This Chapter does not apply to the procurement of transportation services that form a part of, or are incidental to, a procurement contract.

3. Pursuant to Article 1018, national security exemptions include oil purchases related to any strategic reserve requirements.

4. National security exceptions include procurements made in support of safeguarding nuclear materials or technology.

5. The most-favored-nation obligation of Article 1003 does not apply to procurements covered by Annex 1001.2c.

Schedule of Mexico

1. This Chapter does not apply to procurements made:
   
   (a) with a view to commercial resale by government-owned retail stores;
   
   (b) pursuant to loans from regional or multilateral financial institutions to the extent that different procedures are imposed by such institutions (except for national content requirements); or
   
   (c) by one entity from another entity of Mexico.

2. This Chapter does not apply to the procurement of transportation services that form a part of, or are incidental to, a procurement contract.

3. Notwithstanding any other provision in this Chapter, Mexico may set aside procurement contracts from the obligations of this Chapter, subject to the following:
   
   (a) the total value of the contracts set aside that may be allocated by all entities, except Pemex and CFE, may not exceed the Mexican peso equivalent of
   
   (i) US$1.0 billion, in each year until December 31, 2002, and
   
   (ii) US$1.2 billion, in each year beginning January 1, 2003;
   
   (b) no contract may be set aside under this paragraph by Pemex or CFE prior to January 1, 2003;
(c) the total value of the contracts set aside by Pemex and CFE under this paragraph may not exceed the Mexican peso equivalent of US$300 million, in each year beginning January 1, 2003;

(d) the total value of contracts under any single FSC class (or other classification system agreed by the Parties) that may be set aside under this paragraph in any year shall not exceed 10 percent of the total value of contracts that may be set aside under this paragraph for that year; and

(e) no entity subject to subparagraph (a) may set aside contracts in any year of a value of more than 20 percent of the total value of contracts that may be set aside for that year.

4. Beginning one year after the date of entry into force of this Agreement, the dollar values referred to in paragraph 3 shall be adjusted annually for cumulative inflation from the date of entry into force of this Agreement, based on the implicit price deflator for U.S. Gross Domestic Product (GDP) or any successor index published by the Council of Economic Advisors in "Economic Indicators".

The dollar values adjusted for cumulative inflation up to January of each year following 1994 shall be equal to the original dollar values multiplied by the ratio of:

(a) the implicit U.S. GDP price deflator or any successor index published by the Council of Economic Advisors in "Economic Indicators", current as of January of that year, to

(b) the implicit U.S. GDP price deflator or any successor index published by the Council of Economic Advisors in "Economic Indicators", current as of the date of entry into force of this Agreement,

provided that the price deflators under paragraphs (a) and (b) have the same base year.

The resulting adjusted dollar values shall be rounded to the nearest million dollars.

5. National security exceptions include procurements made in support of safeguarding nuclear materials or technology.

6. Notwithstanding any other provision of this Chapter, an entity may impose a local content requirement of no more than:

(a) 40 percent, for labor-intensive turnkey or major integrated projects; or

(b) 25 percent, for capital-intensive turnkey or major integrated projects.

For purposes of this paragraph, a turnkey or major integrated project means, in general, a construction, supply or installation project undertaken by a person pursuant to a right granted by an entity with respect to which:

(c) the prime contractor is vested with the authority to select the general contractors or subcontractors;

(d) neither the Government of Mexico nor its entities fund the project;

(e) the person bears the risks associated with non-performance; and

(f) the facility will be operated by an entity or through a procurement contract of that entity.

7. Notwithstanding the thresholds set out in Article 1001(1)(c), Article 1003 shall apply to any procurement from locally-established suppliers of oil and gas field supplies or equipment by Pemex at any project site where it performs works.

8. In the event that Mexico exceeds in any given year the total value of the contracts it may set aside for that year in accordance with paragraph 3 or the reserved procurement under Annex 1001.2a(1)(2) or (4), Mexico shall consult with the other Parties with a view to agreement on compensation in the form of additional procurement opportunities during the following year. The consultations shall be without prejudice to the rights of any Party under Chapter Twenty (Institutional Arrangements and Dispute Settlement Procedures).

9. Notwithstanding Annex 1001.2a(6), Mexico may not set aside from the obligations of this Chapter procurement contracts by its entities of biologicals and drugs patented in Mexico.

10. Nothing in this Chapter shall be construed to require Pemex to enter into risk-sharing contracts.

Schedule of the United States

1. This Chapter does not apply to set asides on behalf of small and minority businesses.

2. This Chapter does not apply to the procurement of transportation services that form a part of, or are incidental to, a procurement contract.

3. The most-favored-nation obligation of Article 1003 does not apply to procurements covered by Annex 1001.2c.

Annex 1001.2c: Country-Specific Thresholds
As between Canada and United States,

(a) for any entity listed in the Schedule of Canada or of the United States in Annex 1001.1a-1, the applicable threshold for goods contracts, which may include incidental services such as delivery and transportation, shall be US$25,000 and the equivalent in Canadian dollars, as the case may be;

(b) Annex 1001.1c, except paragraphs 2 and 3 of that Annex for the purpose of calculating and converting the value of the threshold set out in subparagraph (a), does not apply to such goods contracts; and

(c) Chapter Thirteen of the Canada - United States Free Trade Agreement shall govern any procurement procedures that began before January 1, 1994, and that Chapter is hereby incorporated and made a part of this Agreement solely for that purpose.

Annex 1010.1: Publications

Section A - Publications for Notices of Procurement in Accordance with Article 1010 (Invitation to Participate)

Schedule of Canada

1. Government Business Opportunities (GBO)

2. Open Bidding Service, ISM Publishing

Schedule of Mexico

1. Major daily newspapers of national circulation or the Official Gazette of the Federation ("Diario Oficial de la Federación").

2. Mexico shall endeavor to establish a specialized publication for purposes of notices of procurement. When established, the publication shall substitute for those referred to in paragraph 1.

Schedule of United States

Commerce Business Daily (CBD)

Section B - Publications for Measures in Accordance with Article 1019 (Provision of Information)

Schedule of Canada

1. Laws and regulations:

   (a) Statutes of Canada; and

   (b) Canada Gazette.

2. Precedential judicial decisions:

   (a) Dominion Law Reports;

   (b) Supreme Court Reports;

   (c) Federal Court Reports; and

   (d) National Reporter.

3. Administrative rulings and procedures:

   (a) Government Business Opportunities; and

   (b) Canada Gazette.

Schedule of Mexico

1. Official Gazette of the Federation ("Diario Oficial de la Federación")

2. Judicial Weekly of the Federation ("Semanario Judicial de la Federación") (for precedential judicial decisions only).
3. Mexico shall endeavor to establish a specialized publication for administrative rulings of general application and any procedure, including standard contract clauses regarding procurements. When established, the publication shall substitute for those set out in paragraphs 1 and 2 for this purpose.

Schedule of United States

1. Laws and regulations:
   
   (a) U.S. Statutes at Large
   
   (b) U.S. Code of Federal Regulations.

2. Precedential decisions:
   
   (a) U.S. Reports (U.S. Supreme Court);
   
   (b) Federal Reporter (Circuit Court of Appeals);
   
   (c) Federal Supplement Reporter (District Courts);
   
   (d) Claims Court Reporter (Claims Court);
   
   (e) Boards of Contract Appeals (unofficial publication by Commerce Clearing House); and
   
   (f) Comptroller General of the United States (Those not officially published as decisions of the Comptroller General are published unofficially by Federal Publications, Inc.).

3. All U.S. laws, regulations, judicial decisions, administrative rulings and procedures regarding government procurement covered by this Chapter are codified in the Defense Federal Acquisition Regulation Supplement (DFARS) and the Federal Acquisition Regulation (FAR), both of which are published as a part of the U.S. Code of Federal Regulations (CFR). The DFARS and the FAR are published in title 48 of CFR.