



EUROPEAN COMMISSION

Brussels, 21.3.2012
SWD(2012) 57 final

Annex - Part 6/11

COMMISSION STAFF WORKING DOCUMENT

IMPACT ASSESSMENT

Accompanying the document

**Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL**

**establishing rules on the access of third country goods and services to the European
Union's internal market in public procurement and procedures supporting negotiations
on access of European Union goods and services to the public procurement markets of
third countries**

Annex

{COM(2012) 124 final}
{SWD(2012) 58 final}

ANNEX 6

METHODOLOGICAL ANNEX

Measuring public procurement in the main trading partners

1- the problem: no reliable data

There is no reliable data set providing information on the public procurement markets of the main world economies. Parties of the GPA are required to publish statistical reports on a yearly basis, yet to few exceptions, none of the data sets is complete. Moreover, data is confined to the procurement markets covered by the GPA, thus providing no information on the procurement market not covered by GPA. Finally, some of the Parties like the US use commitments rather than expenditure, causing additional problems of comparability.

The EU has produced its first complete statistical report in 2007. It is based on data collected by the Member States. It differs slightly from the data published under indicator 3, which is based on the Official Journal (TED). Yet, the advantage of the EU statistical report is that it provides data also for those areas that are not covered by GPA but covered by the directives (railways - but not defence) and it provides breakdowns that are typical for GPA (e.g. central government authorities not covered by GPA).

We shall divide the analysis of public procurement markets into two parts:

- Main GPA Parties: US, Japan, Korea and Canada
- Other procurement markets: Israel, Mexico, China, Brazil, Russia, India, Australia and Turkey.

Any statistical analysis of Parties to the GPA requires taking into account all the existing exceptions and cannot be based solely on a global estimation. We recognise that this measurement has not been possible for Israel and Mexico. Yet, as explained in the real access measurement, the problem in Israel isn't so much the extent of its commitments in the GPA, as the application of offsets across its whole procurement market. In the case of Mexico, commitments are not easily calculated as the Public procurement chapter refers to the NAFTA. To be rather on the safe side, we have assumed a 75% rate of opening, to be prudent in terms of assessment of closure.

An analysis of the size of the US, Japanese, Korean and Canadian procurement markets is provided in annex. The estimation for the US has been discussed with the Federal Office of Management Budget (OMB) and the USTR. Estimations for Japan and Canada have been produced in 2007 based on extrapolations. Yet, the GPA statistical reporting has not contradicted the analysis of these markets.

For the remaining countries (together with Israel and Mexico), we have relied on estimations made by WTO itself - based on the idea that the "contestable" procurement market is worth some 2,5% of each country's GDP.

Further information on the public procurement markets of the following countries can be found under:

2- Global estimations of the size of other public procurement markets:

- **Mexico:** 27 billion USD/ 20 billion EUR - WTO estimate based on 2,5% GDP contestable market assumption
- **Israel:** 2,1 billion EUR based on the national accounts
- **China:** 87 billion EUR - WTO estimate based on 2,5% GDP contestable market assumption
- **India:** 19 billion EUR - own estimations and - WTO estimate based on 2,5% GDP contestable market assumption
- **Australia:** 27 billion USD/ 20 billion EUR - WTO estimate based on 2,5% GDP contestable market assumption
- **Brazil:** 42 billion EUR - own estimations and - WTO estimate based on 2,5% GDP contestable market assumption
- **Russia:** 18 billion EUR - - own estimations and - WTO estimate based on 2,5% GDP contestable market assumption
- **Turkey:** 23,7 billion EUR, OECD SIGMA Report, Turkey Public Procurement Assessment 2009

3- Estimations for the main GPA Parties in 2007: US, Japan, Canada and Korea

3.1 - the US public procurement market

| Federal procurement | USD | Comments | EUR |
|---|------------|-----------------|------------|
| Total procurement | 459 | | 335 |
| Below-threshold procurement = 0% | | | |

| | | | |
|---|------------|--|------------|
| Defence goods exclusions | 81,5 | | |
| DoD - other goods excluded | 11,8 | (1) | |
| R&D services | 54,8 | | |
| Transportation services | 6,3 | | |
| Dredging services | ? | | |
| Management and operation of facilities | 20,6 | | |
| Lease & Rent facilities | 4,8 | | |
| Maintenance; repair and alter real property | 11,6 | | |
| Public utilities services | 13,1 | | |
| ADP telecommunications | 24,0 | | |
| Printing services | 0,3 | | |
| FAA procurement | 0,5 | | |
| Launching services | ? | | |
| Purchases of buildings | 0,1 | | |
| Social security administration* | 0,6 | * Offered to the EU in the US GPA offers | |
| Services purchased for military forces located overseas | 8,7 | | |
| Total restrictions | 239 | | 174 |

| | | | |
|------------------------------------|------------|--|-----------|
| Sub-total before set asides | 220 | | 93 |
|------------------------------------|------------|--|-----------|

| | | |
|--|-------|-----|
| Small Business set aside | 48,5 | 22% |
| Minorities set asides | 0,0 | 0% |
| Below-threshold procurement (40% above threshold) | 103,1 | 40% |
| Below-threshold procurement (100% above-threshold) | 0 | 0% |

40% of federal procurement is above the thresholds

| | | | |
|--|-----------|--|-----------|
| Accessible market at federal level | 69 | | 50 |
| <i>Accessible market (as a percentage)</i> | 12% | | |

100% of federal procurement is above the thresholds

| | | | |
|--|------------|--|------------|
| Accessible market at federal level | 172 | | 125 |
| <i>Accessible market (as a percentage)</i> | 29% | | |

(1) For buses we assumed an impact of 1 billion out of the 19 billion of purchases of motor vehicles

| | | | |
|-------------------------------------|------|----------|------|
| State & Local procurement | USD | Comments | EUR |
| Total State & Local PP in 50 States | 1539 | | 1123 |

| | | | |
|-----------------------------------|-----|--|-----|
| Total 37 State government covered | 539 | | 393 |
|-----------------------------------|-----|--|-----|

| Statistical correction for States with limited entities | USD | USD | USD |
|---|-----------|-------------|------------|
| | US Report | Most likely | Correction |
| Connecticut | 9,8 | 4 | 5,8 |
| Delaware | 2,6 | 0,7 | 1,9 |
| Hawaii | 5,9 | 0,2 | 5,7 |
| Idaho | 3 | 0,2 | 2,8 |
| Illinois | 25,2 | 10 | 15,2 |
| Iowa | 7,1 | 2,8 | 4,3 |
| Kentucky | 11,8 | 0,25 | 11,55 |
| Maine | 4,7 | 2 | 2,7 |
| Maryland | 14,8 | 5,2 | 9,6 |
| Michigan | 21,2 | 0,7 | 20,5 |
| Mississippi | 9,5 | 0,1 | 9,4 |
| Missouri | 11,9 | 0,3 | 11,6 |
| Nebraska | 3,4 | 0,1 | 3,3 |
| New Hampshire | 2,97 | 0,1 | 2,9 |
| Oregon | 7,5 | 0,5 | 7,0 |
| South Dakota | 1,6 | 0,1 | 1,5 |
| Texas | 42,8 | 13 | 29,8 |
| Wyoming | 1,87 | 0,3 | 1,57 |
| | 188 | 41 | 147 |

(a)
(b)
)
(c)
)
(b)
)
(d)
)
(e)
)
(l)
(e)
)
(g)
(f)
(g)
(f)
(f)
(f)
(f)
(f)
(f)
(f)
(h)
)
(f)

| | | | |
|---|-----|----------|-----|
| | USD | Comments | EUR |
| Sub total after statistical corrections I | 392 | | 286 |

| Purchases exceptions | |
|---------------------------------------|----------|
| Arkansas - Office of Fish and Game | 0,04 (i) |
| Arkansas - construction | 0,8 (j) |
| Kansas - construction | 1 (j) |
| Kansas - automobiles | 0,2 (k) |
| Kansas - aircraft | 0,1 (m) |
| Kentucky - construction | 0 (l) |
| Montana - goods | 1,1 (n) |
| New York - transit cars & buses | 0,9 (o) |
| Oklahoma - construction | 1 (j) |
| Rhode Island - no boats, cars & buses | 0 (m) |
| South Dakota - beef | 0 (m) |

| | | |
|--|------|-----|
| Tennessee - no services & construction | 6,6 | (p) |
| Washington - no fuel, paper, boats, ships, vessels | 0 | (m) |
| | 11,7 | |

| | | | |
|--|-----|--|-----|
| Sub total after statistical corrections II | 380 | | 278 |
|--|-----|--|-----|

| | | |
|--|------|-----|
| Federal funds for highways & mass transit | | |
| Minimal | 28,9 | (q) |
| Maximal | 37,6 | (r) |

| | | | |
|--|-----|--|-----|
| Sub total after Federal Funds h & MT - minimal | 351 | | 256 |
|--|-----|--|-----|

| | | |
|-----------------------------|------|-----|
| Small Business set aside | 77,3 | 22% |
| Minorities set asides | 0,0 | 0% |
| Below-threshold procurement | 10% | |

| | | | |
|---|-----------|--|-----------|
| Accessible market at State level | 27 | | 20 |
| | 9% | | |

- (a) Gen adm, Transportation& Education exp
- (b) Gen adm & Education exp
Gen adm expenditure - Yet, the SPO manages 60 million USD of contracts for other agencies, therefore no need
- (c) to exclude the construction services
- (d) CMS indicates that the State of Illinois buys for 10 billion USD
- (e) Transportation& Education exp+ CPA
- (f) Gen adm expenditure
- (g) Gen adm, Environment, Transportation & security exp
- (h) Texas facilities Commission - could be even up to 1 billion only
- (i) no need for Parks and recreation
- (j) data on construction provided
- (k) we exclude from total share of PP the ratio of cars to all PP from federal gov
- (l) Gen adm expenditure, without construction
- (m) we assume almost nul
- (n) we exclude from total share of PP the ratio of goods from federal gov
- (o) 50% of ratio capital outlay to total expenditure of transit at State level in NY
- (p) we exclude from total share of PP the ratio of services from federal gov
- (q) Funds at the prorata of the States covered
- (r) idem but projects financed by federal funds have a bigger value than the fund allocation itself (because of taxes)

| | |
|-----------|---|
| Utilities | 7 |
|-----------|---|

40% of federal procurement is above the thresholds

| | | | |
|-------------------------------------|-----|--|----|
| Total offered by the US to EU firms | 103 | | 75 |
| | 15% | | |

100% of federal procurement is above the thresholds

| | | |
|-------------------------------------|-----|-----|
| Total offered by the US to EU firms | 206 | 151 |
| | 32% | |

IMPORTANT REMARK: some of the figures on services at federal level are being reviewed with the US authorities in the framework of GPA negotiations.

The main sources for the assessment of the US public procurement market have been:

- The US FPDS Report 2007 for Annex 1 (federal public procurement)
- US Census 2007 for Annex 2 (State's public procurement)

3.1.1 - Annex 1 – Federal public procurement

1. **“Total procurement”:** 459 billion USD – source: FPDS Report 2007, page 10

2. **“Defence goods exclusion”:** 81,5 billion USD - source: FPDS Report 2007, page 28; sum of the actions reported in dollars under FSC 10, 12, 13, 14, 15, 16, 17, 19, 20, 28, 31, 58, 59 and 95

3. **“DoD – other goods excluded”:** 11,8 billion USD - source: FPDS Report 2007, page 28; sum of the actions reported in dollars under FSC 23, 51, 52, 83, 84, 89 amounts to 16,5 billion USD. The exception is measured by applying the percentage of purchases of DoD (i.e; 330 billion USD out of 459 billion USD, or 72%).

Important remark on minimalistic impact assumptions:

-For the bus exception under Note (d) of Annex 1, the EU took the assumption to consider that only 1 billion USD out of the 19 billion USD spent on FSC 23 were buses (*the EU welcomes any additional clarification on this matter*)

4. **“R&D services”:** 54,8 billion USD - source: FPDS Report 2007, page 26

5. **“Transportation services”:** 6,3 billion USD - source: FPDS Report 2007, page 27, sum of the actions reported in dollars under V “Transport, travel, relocation” in “Total Federal Other Services and Construction”

Important remark on minimalistic impact assumptions:

“Launching services” (NASA) – a zero impact was considered as the NASA procurement data does not contain the procurement of launching services. Yet, other departments like Dept of Commerce may actually procure directly the launching of their satellites to NASA.

6. **“Management and operation of facilities”:** 20,6 billion USD - source: FPDS Report 2007, page 27, sum of the actions reported in dollars under M “Operation of Government owned facility” in “Total Federal Other Services and Construction”

7. **“Lease & Rent facilities”:** 4,8 billion USD - source: FPDS Report 2007, page 27, sum of the actions reported in dollars under X “Lease and Rent facilities” in “Total Federal Other Services and Construction”

8. "Maintenance; repair and alter real property": 11,6 billion USD, source: FPDS Report 2007, page 27, sum of the actions reported in dollars under Z "Maintenance; repair and alter real property" in "Total Federal Other Services and Construction"

9. "Public utilities services": 13,1 billion USD, source: FPDS Report 2007, page 27, sum of the actions reported in dollars under S "Utilities and housekeeping" in "Total Federal Other Services and Construction"

10. "ADP telecommunications": 24 billion USD - source: FPDS Report 2007, page 27, sum of the actions reported in dollars under D "ADP and Telecommunications" in "Total Federal Other Services and Construction"

11. "Printing services": 0,3 billion USD - source: FPDS Report 2007, page 27, - sum of the actions reported in dollars under T "Photo, Map, Print, Publication" in "Total Federal Other Services and Construction"

12. "FAA procurement": 0,5 billion USD - some of all procurement contracts provided on the FAA website in February 2008 not affected by thresholds and set asides

13. "Launching services" – cf. supra

14. "Purchases of buildings": 0,1 billion USD, - source: FPDS Report 2007, page 30, - sum of the actions reported in dollars under FSC E "Purchase of structures/facilities" in "Total Federal Other Services and Construction"

15. "Social security administration" (*): 0,6 billion USD - source: FPDS Report 2007, page 11 – dollars of all reported actions (it may be necessary to take into account overlaps with other exceptions)

16. Services purchased for military forces located overseas: 8,7 billion USD - source: FPDS Report 2007 and own calculations. 42 billion USD were "procurements performed outside the US and US territories", if we apply the share of services covered (213 billion USD – 80 billion USD all the aforementioned exceptions) and the share of DoD procurement out of the 459 billion USD.

17. Set asides: Small Business set aside / Minorities set asides - source: FPDS Report 2007, page 35: SBA eligible procurement: 378 billion USD, "Small business dollars" = 83 billion USD (hence, 22%) . Yet, with all the overlaps, we estimate that this exception weights 48,5 billion USD.

18. As a result of footnote 8 of the US General Notes, the following additional services may eventually not be covered vis-à-vis EU service providers (this zone is being clarified with US authorities):

G – Social Services – 1,6 billion USD

P – Salvage Services – 0,3 billion USD

Q – Medical services – 12,3 billion USD

U- Education and training – 2,5 billion USD

19. Important remark on non estimated derogations:

The has not been possible to estimate the following derogations:

(a) - Note (e) of Annex 1 on “*specialty metals, defined as steels melted in steel manufacturing facilities located in the United States or its possessions, where the maximum alloy contents exceeds one or more of the following limits, must be used in products purchased b DOD:*

(1) manganese, 1.65 per cent; silicon, 0.60 per cent; or copper, 0.06 per cent; or which contains more than 0.25 per cent of any of the following elements: aluminium, chromium, cobalt, columbium, olybdenum, nickel, titanium, tungsten, or vanadium; (2) metal alloys consisting of nickel, iron-nickel and cobalt base alloys containing a total of other alloying metals (except iron) in excess of 10 per cent; (3) titanium and titanium alloys; or (4) zirconium base alloys;”

(b) - Dredging

© - The procurement of the TSA has NOT been deducted from the Department of Homeland Security – could the US clarify the amount of this restriction?

(d) - “United States Agency for International Development (not including procurement for the direct purpose of providing foreign assistance)” – we assumed the full amount of 3,5 billion USD as covered by GPA (i.e. it isn’t foreign assistance) – could the US confirm whether this is correct?

(e) - Department of Energy (pursuant to Article XXIII, national security exceptions include procurements made in support of safeguarding nuclear materials or technology and entered into under the authority of the Atomic Energy Act, and oil purchases related to the Strategic Petroleum Reserve) – could the US clarify the amount of this restriction?

(f) - General Services Administration (except Federal Supply Groups 51 and 52 and Federal Supply Class 7340) - - could the US clarify the amount of this restriction?

(g) - Department of Homeland Security (except procurement by the Transportation Security Administration, and the national security considerations applicable to the Department of Defense are equally applicable to the U.S. Coast Guard) - - could the US clarify the amount of this restriction?

(h) Department of Agriculture (not including procurement of agricultural products made in furtherance of agricultural support programmes or human feeding programmes) – could the US clarify whether supplies under NAICS 11 should be deducted?

(i) Department of Commerce (not including shipbuilding activities of NOAA, as excluded in Annex 4) – could the US clarify the amount of this restriction?

3.1.2 - Annex 2 – States’ public procurement

State’s public procurement covered under Annex 2 of the GPA has been estimated by using the subsets of direct expenditure (i.e. capital outlay and current operation, minus compensation) in the US Census 2007 – as in the US GPA statistical report.

Obviously, expenditure for the States and territories NOT covered by GPA (including the District of Columbia) and the local expenditure of all States and territories has not been included.

The estimations provided in the US statistical report for the following States, for which the US provides generic coverage, remain unchanged compared to the statistical report:

- Arizona
- Arkansas*
- California
- Colorado
- Florida
- Kansas*
- Louisiana
- Massachusetts (although the list is exhaustive, we have assumed a **full** State coverage)
- Minnesota
- Montana*
- New York*
- Oklahoma*
- Pennsylvania
- Rhode Island*
- Tennessee*
- Utah
- Vermont
- Washington*
- Wisconsin

For the States marked with an asterisk (*) in this document, horizontal derogations were estimated on the basis of the expenditure functions that best matched the description of the derogation – explanations are provided in footnotes (i), (j), (k), (l), (m), (n), (o) and (p).

However, for the remaining States covered by GPA, only the share of the expenditure functions understood as covered by US commitments in Annex 2 for each State has been taken into account in the direct expenditure of the State in question.

For instance, in the case of **Connecticut**, only 4 entities have been committed – i.e. Department of Administrative Services, Connecticut Department of Transportation, Connecticut Department of Public Works and the Constituent Units of **Higher** Education. None of these entities appears to be competent for expenditure functions like “Health & Hospitals”, “ Police protection”, “Natural

resources”, “Correction”, and “Park and recreation”. As a result, none of these should in our view be taken into account to estimate Connecticut’s public procurement, as it is currently the case in the US GPA statistical report.

As a result, only the share of those functions (probably) covered should be taken into account (i.e. “Education”, “Highways”, “General Administration”) in the direct expenditure minus compensation estimation of Connecticut’s public procurement. For education, only the part relevant to higher education should be taken into account and as the “Connecticut Department of Transportation” is probably also responsible for airports, this line of expenditure should also be incorporated – although to understanding, as for highways, there are also exclusions to foreign suppliers in airport procurement. We also took into account the line “General Buildings” , when the Department of Public Works was covered.

According to the US Census 2007 and the US GPA Report, direct expenditure minus compensation amounts to 9,8 billion USD. Yet, **higher** education expenditure (to which we deduct compensation) only amounts to 1,7 billion USD (i.e. 2,1 billion USD multiplied by the share of compensation in direct expenditure of Connecticut). By applying the same methodology to administrative services and transportation, we obtain 4 billion USD of potential procurement. If these assumptions are rights, it is therefore necessary to correct the US statistical report by replacing the reported value of 9,8 billion USD by a value of 4 billion USD, hence needing a 5,8 billion USD re-correction.

A similar analysis has been conducted for the remaining States, where as indicated previously only the relevant expenditure functions have been taken into account. The EU is ready to go State by State to verify its calculations and verify the best estimate of actual coverage. The overall methodology is provided in the table for each of the States under footnotes (a), (b), (c), (d), (e), (f), (g), (h) and (l) in the overall estimation table.

To avoid any potential underestimation of the US public procurement market, the public procurement of **Illinois** and **Texas**, for which only the central purchasing agency has been committed in the GPA, additional sources were taken into account. The Department of Central Management Services claims in its website that the State of Illinois purchases for 10 billion USD, yet the general administrative services expenditure function (minus compensation) amounts to 0,8 billion USD. The Texas Facilities Commission provides in one of its financial reports some 13 billion USD of expenditure, yet general administrative services expenditure function (minus compensation) amounts to 1 billion USD.

This implies that according to our estimations, the public procurement covered by GPA at State level, **not taking into account the impact of thresholds and mass transit exceptions**, is 380 billion USD, and that the restrictions that are not considered in the US statistical report amount to some 160 billion USD.

Impact of Mass transit and highway funds, State preferences programmes and thresholds

Thresholds and mass transit have a horizontal impact on the procurement committed by the US in Annex 2.

Should the Highway and Mass Transit Funds appear indeed to be valued at 45 billion USD, if we apply the share of highway expenditure of the States covered by GPA (some 77 billion USD out of the 83 billion USD) and the share of State and local (respectively 66 billion USD and 21 billion USD), the exception can be estimated to be worth some 28,5 billion USD. Yet, since there appear to be toll revenues for highways, the actual value of projects undertaken may be higher (up to 37,6 billion USD if we apply a 30% mark-up). The EU is eager to enter into a detailed discussion to better estimate the impact of the mass transit and highway funds.

Furthermore, we have applied the small business set-asides and minorities set asides (22%) for all the States to estimate the value of the various preference programmes applied by the States covered by the GPA, such as, *for instance*:

- Small and disadvantaged business preference, preference for economic “target areas” and “enterprise zones” in California
- Small business set asides in Illinois
- Preference for minority businesses, the disabled and in-state service providers in Texas
- Preference for US made materials in Wisconsin
- Preference for minority and disadvantage businesses in Oklahoma
- Preference for New York businesses in New York
- Preference for minority-owned businesses in Florida
- Preference for small business, “targeted groups” and disadvantaged areas in Minnesota
- (...)

If we apply a 10% threshold percentage at State level, then the accessible market at State level amounts to 27 billion USD and the total offered by the US to EU firms amounts to 151 billion USD.

3.1.3 - Utilities

In this case, we have relied on data from the GPA Reports (which is expenditures-based). For utilities, it is also worth underlining that some data is provided above the thresholds and some with disregard to the thresholds.

2 - Japan

(a) Open markets under current GPA commitments

According to C1 estimations, Japanese above-threshold procurement amounted to 96 billion EUR in 2007, although only 22 billion EUR were offered to economic operators from other GPA Parties.

(b) Entities and purchases not offered under current GPA commitments

General restrictions in Japan were estimated to amount to 74 billion EUR in 2007.

(1) Entities not offered (*ratione personae*):

Cities, towns and villages: The GPA only covers the higher levels of Japanese administrative structure (i.e. Prefectures and so-called "Largest Cities"). The public procurement of those lower levels - such as Tokyo's 23 "special wards" (some of them with a population exceeding 500.000 inhabitants), "core cities", "special cities", etc... - that are excluded from the GPA amount to 12.5 billion EUR.

Entities not included in the Japanese Annex 3: two main categories of entities seem to escape from GPA coverage i.e. local public corporations and national health entities. C1 estimates that their procurement amounts to some 40 billion EUR, thus half of all the Japanese above-threshold public procurement.

(2) Purchases not offered (*ratione materiae*)¹

Services uncovered by the GPA are estimated to amount 4.9 billion EUR, corresponding mainly to business services such as banking, audit and management consulting.

(3) Defence in Japan: Based on the experience of C3 with the analysis of defence budgets and IISS², C1 estimates that above-threshold³ purchases of warlike material amounted to 4 billion EUR.

(4) SME set aside: (see point 2.2): 4.2 billion EUR.

¹ The value presented for purchases not offered (*ratione materiae*) already excludes the overlap with the entities not offered e.g. purchases of banking services by core cities. Therefore, the real value of the purchases not offered is higher.

² The International Institute for Strategic Studies is a UK-based think tank conducting scientific research in the area of international peace and security and publishes in particular detailed statistics of defence expenditure.

³ Assuming that above-threshold procurement represents 32% of procurement at central level, as indicated in Japanese GPA Reports. For local authorities, a threshold of 16% was assumed (thus half of the former)

(5) Higher thresholds for construction and architectural services (see point 2.3): 3.2 billion EUR.

(6) Specific restrictions: A series of specific exceptions apply to the purchases of specific entities. Very often these actually preclude the access to the main type of purchases of that entity (e.g. operational safety requirements for the procurement of the Urban Development Corporation, the Tokyo Metro Co. and the Japan Railway Construction Public Corp.). In the worst-case scenario, where all these exclusions would actually preclude all procurement to companies from other GPA Parties, a total of 5.1 billion EUR would also need to be deducted.

(c) Restricted markets under GPA commitments (specific derogations against EU firms)

There are no specific derogations applying in Japan GPA commitments against EU companies.

| Japan vs EU: PP Assumption-based estimates for 2007 | billion JPY | billion EUR | % of GDP | % of (1) | % of (2) |
|--|---------------|-------------|----------|----------|----------|
| GDP (2007 Eurostat forecast at current prices) | | 3,203 | | | |
| (1) Total public purchases (1) | 87,951 | 565 | 18% | 100% | |
| (2) Public Procurement above GPA thresholds (2) | 15,532 | 96 | 3.0% | 17% | 100% |
| Central level | 2,920 | 18 | | | |
| Prefectures | 1,995 | 12 | | | |
| Cities, towns & villages | 2,559 | 16 | | | |
| Local public enterprises | 7,033 | 44 | | | |
| Local public corporations | 1,731 | 11 | | | |
| Revenue-oriented public enterprises | 560 | 3 | | | |
| National Health | 4,742 | 29 | | | |
| Group A Agencies | 684 | 4 | | | |
| Group B Agencies | 342 | 2 | | | |
| Minus : Public Procurement not offered to GPA (3) | | -74 | 2.3% | -13% | -77% |
| Entities not included in Annex 2 (Cities, towns and villages, except largest cities) | -2,013 | -12.5 | | | |
| Entities not included in Annex 3 | | -40.1 | | | |
| Local public corporations | -1,731 | -10.7 | | | |
| National Health | -4,742 | -29.4 | | | |
| Services not included in Annex 4 | | -4.9 | | | |
| Maintenance and repair of motor vehicles (51) | | -0.2 | | | |
| Maintenance and repair of motorcycles and snowmobiles (52) | | 0.0 | | | |
| Courier services (58) and all postal services (DELETE) | 0 | 0.0 | | | |
| Other specific services - UNKNOWN | | 0.0 | | | |
| Uncovered business services (ex. banking, audit and consulting) (4) | | -4.7 | | | |
| Defence | | -4.0 | | | |
| Higher thresholds for works | | -3.2 | | | |
| Annex 2: 15 million SDR (10% loss) (prefectures & largest cities) | -174 | -2.7 | | | |
| Annex 3: 15 million SDR entities Group A | -34 | -0.5 | | | |
| Higher thresholds for Architectural, engineering & other technical services: | | | | | |
| Annex 2: 1.5 million SDR | | | | | |
| SME set asides: Cooperatives & associations existing before GPA | | -4.2 | | | |
| Annex 2: profit making activities & exposed to competition | | -3.5 | | | |
| Revenue oriented enterprises | -560 | -3.5 | | | |
| Annex 2 & 3: PP related to operational safety or transportation | | -1.0 | | | |
| Tokyo Metro Co - all procurement | -45.28 | -0.3 | | | |
| Urban Development Corp. - all procurement | -110 | -0.7 | | | |
| Local public corporations - transport (already excluded) | | 0.0 | | | |
| JR (already excluded) | | 0.0 | | | |
| Japan Railway Construction Public Corp. (cf. Infra) | | 0.0 | | | |
| Annex 2: Prod, transp & distrib of electricity | -17.32 | -0.1 | | | |
| Local Public Corporations (already excluded) | | | | | |
| Annex 3: Related to Non-nuclear proliferation and IPR | | -0.2 | | | |
| Japan Atomic Energy Agency | -19 | -0.1 | | | |
| RIKEN Research Center | -12 | -0.1 | | | |
| Annex 3: Geological and geophysical surveys | | 0.0 | | | |
| Japan Oil, Gas and Metals National Corp. | -0.8 | 0.0 | | | |
| Japan Railway Construction Pub. Corp. | | -0.2 | | | |
| Construction, advertising & real state services | -30.49 | -0.2 | | | |
| Procurement of ships jointly owned with private companies | -0.64 | 0.0 | | | |
| NTT-Telecomm equip & services related to safety of telecomm | | 0.0 | | | |
| NTT is not covered by GPA | | | | | |
| JR & Japan Tobacco - all services | | -0.2 | | | |
| JR (already excluded) | | 0.0 | | | |
| Japan Tobacco - exclusion of all services | | | | | |
| Thus Japan Tobacco fully excluded | -36 | -0.2 | | | |
| Decreased supplies & services threshold to 120.000 SDR in Annex 1- new GPA (Plus) | | 0.1 | | | |
| (3) Japan's Public Procurement offered to GPA | | 22 | 0.7% | 4% | 23% |

(1) Based on national accounts (intermediate consumption, gross fixed capital formation and social transfers in kind) and utilities' purchases estimated at 20% of total public purchases from national accounts.

(2) Based on adding the expenditure of all government levels. Possible overlapping between "Revenue-oriented public corporations" and group A agencies (Japan b)

(3) Threshold of 32% assumed for central level (GPA Report) and 16% (thus half) for all other levels

(4) Owing to the fact that there are no available and reliable data, most of the figures are based on reasoning and guesswork.

(5) We extrapolated the covered services from central level (source GPA Report) to the purchases of all government levels. These were deducted from the total business services purchased by the government (source; Japanese input-output matrix)

(6) Based on experience of C3 with the analysis of defence budgets and SIPRI

3-Canada

(a) Open markets under current GPA commitments

According to C1 estimates, above-threshold procurement in Canada amounts to 59 billion EUR, although only 2 billion EUR (3.2% of all estimated Canadian PP) is actually open to other GPA Parties because of the magnitude of restrictions applying.

(b) Entities and purchases not offered under current GPA commitments

General restrictions in Canada were estimated to amount to 57 billion EUR in 2007. By adding all the *ratione personae* and *ratione materiae* exclusions, because of overlaps (estimated at 1.3 billion EUR), the amount is greater than 58 billion EUR.

(1) Entities not offered (*ratione personae*):

Provinces and local administrations: Canada does not offer the access to the procurement of its provinces, therefore cutting the access to some 51 billion EUR (above the GPA thresholds). This exclusion affects access to utilities' procurement in Canada as a whole.

Entities of Annex 3: Although Canada has an Annex 3 to the GPA, it is not accessible to EU suppliers because many of the operators are private (Canada Post, VIA Rail). Their procurement amounts to 1.2 billion EUR.

Missing federal entities: Some federal contracting authorities are not covered by the GPA (e.g. Canadian Commercial Corporation, whose above-threshold procurement amounts to 1 billion EUR). According to the Canadian official public procurement database, Contracts Canada, their combined market size amounts to 1.06 billion EUR.

(2) Purchases not offered (*ratione materiae*)⁴

Excluded services: According to Contracts Canada, excluded services at federal level amount to 1.23 billion EUR (above the GPA thresholds,). These cover notably education and training, translation, communication, transport and financial services

Excluded construction works: According to Contracts Canada, excluded works at federal level amount to 0.01 billion EUR (above the GPA thresholds). These cover dredging services, site preparation for mining and construction contracts for Transport Canada (unless these are not published).

⁴ The value presented for purchases not offered (*ratione materiae*) already excludes the overlap with the entities not offered e.g. purchases of banking services by the Canadian Commercial Corporation. Therefore, the real value of the purchases not offered is higher.

(3) Defence in Canada: According to Contracts Canada, the Canadian National Defence is the largest contracting authority in Canada and its above-threshold purchases amounted to 2.7 billion EUR in 2007.

(c) Restricted markets under GPA commitments (specific derogations against EU firms)

Based on data of Contracts Canada, it is either impossible to estimate all specific derogations against EU firms at federal level (shipbuilding, communication equipment, agricultural products purchased within agricultural programs) or useless (national security exemptions or urban transport equipment which is anyway excluded since local authorities do not open their own public procurement). Still, based on the information available on Contract Canada, one reaches at least 1 billion EUR of derogations.

| Canada vs EU: PP Assumption-based estimates for 2007 | billion CAD | billion EUR | % of GDP | % of (1) | % of (2) |
|---|--------------|--------------|----------|----------|----------|
| GDP (2007 GDP estimate at current prices. Exch. rate 1.4678 CAD/EUR) | 1,536 | 1,046 | | | |
| (1) Total Public Purchases | 331 | 225 | 22% | 100% | |
| (2) Public Procurement above GPA thresholds | 86 | 59 | 5.6% | 26% | 100% |
| Federal government (including Federal entities in Annex 3) | 9.7 | 6.6 | | | |
| Sub-central government (state and local level) | 74 | 51 | | | |
| Canada Post | 1.44 | 0.98 | | | |
| Via Rail | 0.34 | 0.23 | | | |
| Minus: Public Procurement not offered to GPA | -83 | -57 | -5.4% | -25.2% | -97.0% |
| Sub-central government (state and local level) | -74 | -51 | | | |
| Canada Post | -1.44 | -0.98 | | | |
| Via Rail | -0.34 | -0.23 | | | |
| Missing federal entities | -1.56 | -1.06 | | | |
| Canadian Commercial Corporation | -1.24 | -0.85 | | | |
| Canadian Space Agency | -0.10 | -0.07 | | | |
| Office of Indian Residential School | -0.09 | -0.06 | | | |
| Social Development Canada | -0.10 | -0.07 | | | |
| ALL other exclusions | -0.02 | -0.01 | | | |
| Defence | -4 | -2.7 | | | |
| Excluded services (4): | -1.77 | -1.23 | | | |
| R&D services (A) | -0.25 | -0.17 | | | |
| Excluded telecom services (D304) | -0.13 | -0.09 | | | |
| Transportation services | -0.09 | -0.06 | | | |
| Financial services (L) | -0.34 | -0.23 | | | |
| Communication services (T) | -0.23 | -0.15 | | | |
| Equivalent II B Services excluded | -0.74 | -0.51 | | | |
| Excluded construction | -0.02 | -0.01 | | | |
| Dredging services (CPC 5138) (5) | -0.02 | -0.01 | | | |
| Site preparation for mining (CPC 5115) | 0.00 | 0.00 | | | |
| Construction contracts of Transport Canada | 0.00 | 0.00 | | | |
| Derogations: | -1.5 | -1.0 | | | |
| Shipbuilding and repair | ? | ? | | | |
| Urban transport equipment (1) | - | - | | | |
| FSG 58: communic., protect. & coherent radiation equip.(3) | -0.60 | -0.41 | | | |
| Set aside small & minority businesses (2) | - | - | | | |
| FSC 36: special industrial machinery (3) | -0.08 | -0.06 | | | |
| FSC 70: General purpose automated data processing equipment | -0.80 | -0.55 | | | |
| FSC 74: Office machines, text processing system | -0.001 | 0.00 | | | |
| Agricultural products of agricultural programs (3) | - | - | | | |
| Oil purchases for strategic reserve requirements (3) | - | - | | | |
| Safeguard of nuclear material (3) | - | - | | | |
| <i>Correction for overlaps between ratiōne materiae and personae</i> | <i>1.89</i> | <i>1.28</i> | | | |
| (3) Canada's Public Procurement offered to GPA (6) | 2.8 | 1.9 | 0.18% | 0.8% | 3.2% |

(1) Exclusion already contained in the exclusion "Sub-Central government"

(2) Value has been assumed as irrelevant

(3) Assumed not to be published

(4) Reference to NAFTA classification

(5) All contracts were found to be below the threshold of 5 million SDRs

(6) The actual coverage is over-estimated since not all PP contracts are covered by the Contracts Canada database

4-Korea

(a) Open markets under current GPA commitments

According to C1 estimations, Korea's above-threshold procurement amounted to 24.6 billion EUR in 2007, although only 12.3 billion EUR were offered to EU firms.

(b) Entities and purchases not offered under current GPA commitments

General restrictions in Korea were estimated to amount to 9.9 billion EUR in 2007.

(1) Entities not offered (*ratione personae*):

Lower-local local governments: Korea's offer indicates that any entity with a separate legal personality that is not listed in not covered. In the case of sub-central contracting entities Korea offer access to provincial-level metropolitan government entities whose list includes 17 entities: Seoul Metropolitan Government, 15 more metropolitan cities and the Special Self-Governing Province of Jeju Island). Therefore Korea does not offer access to procurement of lower-level local government entities (75 cities *-si-* 86 counties *-gun-* and 69 autonomous districts *-gu-*) estimated at about 1.1 billion EUR.

(2) Purchases not offered (*ratione materiae*)⁵:

Restrictions for supplies, services and works (including SME set asides and excluding defence) not offered were estimated at about 2.5 billion EUR.

Supplies: the following supplies have not been offered: defence supplies, aircrafts, ships, space vehicles, railway equipment, motor vehicles, engines turbines & components, agricultural machinery and equipment, agricultural supplies, communication equipment, etc.

Services: building cleaning services, research and development services, postal, courier and some telecommunication services, financial services, some transport services (e.g. by internal waterways, air, rail, road and pipeline) and arbitration services.

Works contracts are not covered if they fall under the SME set aside program or are related to national security and defence.

⁵ The value presented for purchases not offered (*ratione materiae*) already excludes the overlap with the entities not offered e.g. purchases of banking services by counties "gun". Therefore, the real value of the purchases not offered is higher.

(3) Defence in Korea: Based on the public procurement of the Ministry of National of Defence in 2004 from GPA statistical report of Korea, C1 estimates that the excluded defence procurement in 2007 amounts at about 5.4 billion EUR.

(4) SME set aside: 0.4 billion EUR, it is included in total amount for point (2) Restrictions *ratione materiae*. See point 2.1 (a) for further information.

(5) Higher thresholds for construction procurement of Annex 2 and Annex 3 entities: 0.9 billion EUR. See point 2.2 (a) for further information.

(c) Restricted markets under GPA commitments (specific derogations against EU firms)

Specific derogations against EU firms are estimated to amount 2.4 billion EUR in 2007.

(6) Specific restrictions refer to contracts awarded by Korean National Railroad Administration, procurement for airports by Annex 1 entities and procurement for urban transport (including subways) by Annex 1 and Annex 2 entities.

5-Recent additions after the conclusion of the re-negotiation of GPA

US - no substantial change - the US has committed 3,5 billion USD of additional procurement. Taking into consideration other existing restrictions, the total volume of markets added by the US amount to 1,7 billion EUR (Transport Security Administration and 10 minor federal agencies); these amounts do not alter significantly the market access (32%).

Japan - Japan has added some 5 billion EUR of works concessions - source: the Government of Japan, own estimations. Japan opens therefore now 28% of its public procurement market.

Canada - Canada has opened 6 billion EUR of regional procurement (Provinces). it opens therefore now 16% of its procurement market.

Korea - Korea has added its urban transport operators and some local authorities, adding therefore some 2 billion EUR of additional procurement opportunities.

| Korea vs EU: PP Assumption-based estimates for 2007 | billion EUR | % of GDP | % of (1) | % of (2) |
|--|------------------------|---------------------|---------------------|---------------------|
| GDP (2007 estimate at current prices) | 715 | | | |
| (1) Total public purchases (1) | 106 | 15% | 100% | |
| (2) Public Procurement above GPA thresholds | 24.6 | 3.4% | 23% | 100% |
| Annex 1: Total (2) | 12.5 | | | |
| Annex 2: Total (2) | 2.5 | | | |
| Annex 3: Total (2) | 7.2 | | | |
| Works threshold 15 million SDR Annex 2 & 3 | 0.9 | | | |
| Local Entities not included in Annex 2 (Si/Gun/Gu) | 1.1 | | | |
| Annex 3: Services (not covered in existing GPA) plus lower threshold (2) | 0.4 | | | |
| Minus: Public Procurement not offered to GPA | -9.9 | -1.4% | -9% | -40% |
| Annex 1: Not covered (2) (4) (Including Defence procurement 5.4 billion EUR) | -6.5 | | | |
| Annex 2: Not covered (2) (4) | -0.1 | | | |
| Annex 3: Not covered (2) (4) | -1.3 | | | |
| Works threshold: 15 million SDR (Annex 2 & 3) | -0.9 | | | |
| Local Entities not included in Annex 2 (Si/Gun/Gu) | -1.1 | | | |
| (3) Public Procurement offered to GPA | 14.7 | 2.0% | 14% | 60% |
| Minus: PP not offered to EU in GPA | -2.4 | | | |
| Railways (Korean National Railroad Administration) | -1.2 | | | |
| Airports by entities listed in Annex 1 | -0.4 | | | |
| Urban transport (including subways) for entities in Annex 1 & 2 | -0.8 | | | |
| (4) Korea's Public Procurement offered to EU | 12.3 | 1.7% | 12% | 50% |

(1) Estimate based on final General government final consumption expenditure for 2006.

(2) Estimates based on Korea's 2004 GPA Statistical Report extrapolated to 2007.

(3) Korea revised offer for Annex 3 includes services and lowers the threshold for supplies and services from 450,000 SDR to 400,000 SDR.

(4) This figures include SME set aside contracts.