



Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
et du Commerce international

Trade Commissioner
Service

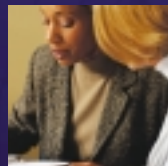
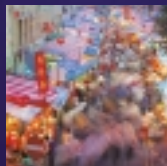
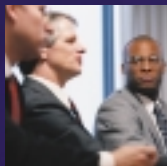
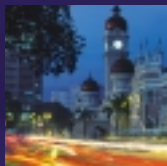
Service des
délégués commerciaux

ANNUAL *report*

2002-2003



PROGRAM FOR EXPORT MARKET DEVELOPMENT



Assistance to Companies and Associations

Canada 

Introduction

The Program for Export Market Development (PEMD) is a vital component of the Government of Canada's international business development strategy. PEMD's mandate is to assist smaller companies that are either new to exporting or are expanding to new markets. The program helps these companies identify and exploit sales and capital project opportunities abroad by sharing the cost and risk of implementing export development plans in new markets.

The PEMD partnership with Canadian business is an investment in a company's commitment to develop international export markets. PEMD provides conditionally repayable contributions. Repayment of each contribution is based on contracts obtained or on incremental sales made by the recipient company as a result of PEMD-supported activities in the target market.

There are four elements of PEMD: Market Development Strategies (MDS), New to Exporting Companies (NEC), Capital Project Bidding (CPB), and Trade Associations (PEMD-TA). The latter element provides financial assistance to national sectoral trade and industry associations generically promoting the products and services of their members in the international marketplace. That assistance is non-repayable.

PEMD is managed by the Export Development Division, Trade Commissioner Service Overseas Programs and Services Bureau, of the Department of Foreign Affairs and International Trade (DFAIT), and jointly administered with Industry Canada (IC) through the regional International Trade Centres. In Quebec, the regional offices of Canada Economic Development for Quebec Regions assist with delivery of the program.

<http://www.dfait-maeci.gc.ca/pemd/>

1-888-811-1119

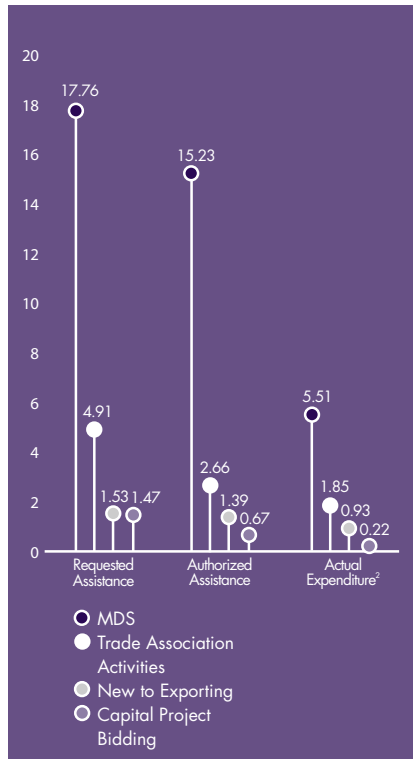
Year in Review

Export development had significantly improved last year rebounding from the impact of September 11, and notwithstanding the impacts of the Mad Cow disease and SARS. PEMD-supported activities and expenditures were greater in 2002-2003 than in the previous year.

During 2002-2003, PEMD supported 686 projects from 678 companies¹. It also supported 50 associations compared to 21 last year. Total program expenditures were \$8.513 million, which is 35% higher than the previous year. Company expenditures increased by 41% to \$6.66 million in 2002-2003, while trade-association expenditures increased by 16% from the previous year to \$1.85 million. Company repayments totalled \$3.11 million, lower than the \$3.99 million reported in 2001-2002. It should be noted that repayments are generally based on sales resulting from PEMD-supported activities undertaken in previous years.

During 2002-2003, we witnessed a significant shift in the expenditure pattern among the elements of PEMD. The Market Development Strategies (MDS) element represented 64% of total expenditures – an increase from the previous

Assistance by Program Element 2002-2003 (\$ Millions)



¹ Since there are three separate elements in the industry-related component of PEMD, a company may have more than one application approved in the same year.

² A portion of expenditures result from support authorized the previous year.

year's figure of 58%. New to Exporting Companies (NEC) represented 10.9% of total expenditures; Capital Project Bidding (CPB) represented less than 3%. Trade Associations received more than 21% of total PEMD expenditures in 2002-2003.

In 2002-2003, \$429,000 was provided as grants to 10 colleges and universities to support their international business studies.

Following the Strategic Review of the trade association component undertaken in 2001, the client base of the trade association component has more than doubled. A web-based process for applications and claims was introduced in February 2002. Applications and claims are now filed online.

We are currently undergoing a review of PEMD Industry. Improvements resulting from this exercise should be in place by 2005.

The 2001-2002 PEMD client survey demonstrated that PEMD continues to be well regarded by its clients and is seen to make an important contribution.

PEMD Assistance Expenditures and Repayments (\$ Millions)



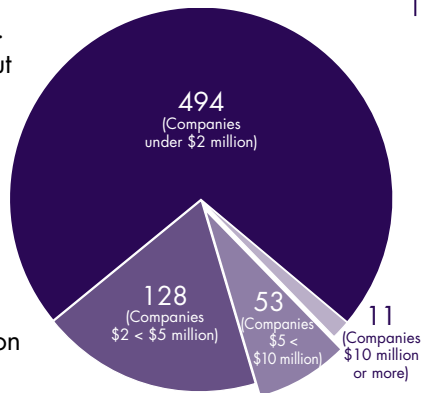
These figures are the combination of assistance for associations and industry.

Industry

This section of the report deals with the 3 components of the PEMD Industry, namely the Market Development Strategy (MDS), the New to Exporting Companies (NEC) and the Capital Project Bidding (CPB). The MDS focusses on assisting companies with the implementation of a simple marketing plan designed to penetrate an international market. The NEC provides assistance to companies that are new to exporting to introduce them to export markets without undue financial strain. Finally, the CPB supports Canadian companies in bidding for major capital projects outside Canada by contributing to the costs of bid preparation or proposal preparation at the pre-contractual stage.

As in previous years, more than 2/3 of projects approved came from very small companies. Of the total \$6.66 million PEMD assistance in 2002-2003, \$4.63 million, or 70%, was spent on companies with less than \$2 million in annual sales. Another \$1.34 million, or about 20% of total assistance, was provided to companies with annual sales between \$2 and \$5 million. A further \$0.56 million was received by companies with sales from \$5 million to \$10 million; those with sales over \$10 million received \$0.12 million.

Number of projects approved, by company size.



Number of Projects and Total Expenditure (\$ Million) by Province and Territory

PEMD assistance was expended for 686 projects for a total amount of \$6.66 million. Ontario- and British Columbia-based firms had the highest number of assisted projects followed by Quebec and Alberta. A similar distribution was reported in 2001-2002. Ontario companies were paid the highest amount of assistance followed by British Columbia and Quebec firms. (see Annex A)

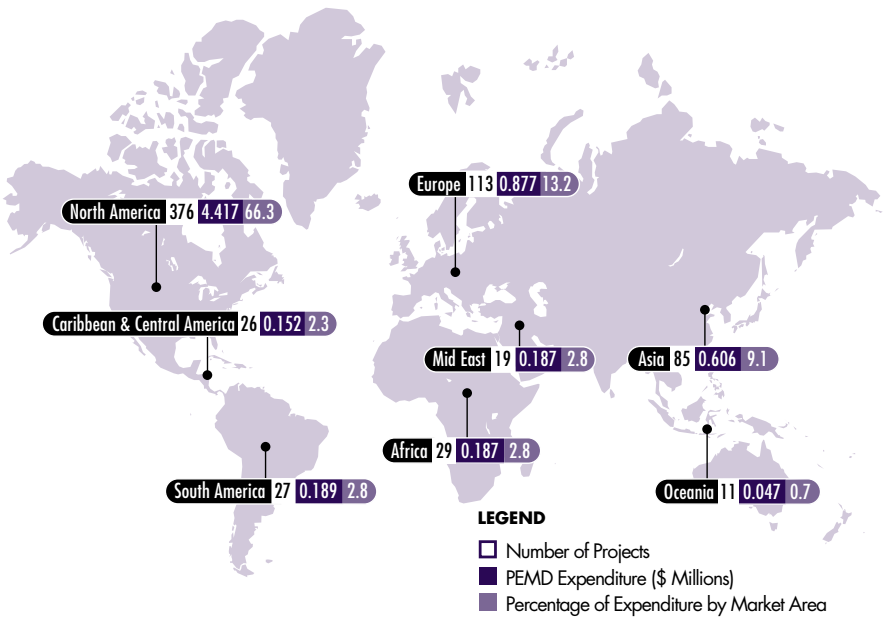
Number of Projects and Total Expenditure by Industry Sector

The industrial sectors receiving the largest assistance were manufacturing, professional, scientific and technical sectors. (see Annex B)

PEMD Assistance by Market Area

The NAFTA area continued to be the most targeted market, accounting for the majority (66.3%) of PEMD expenditures, up from 56% last year.

PEMD Industry Assistance by Market Area (\$ Million)



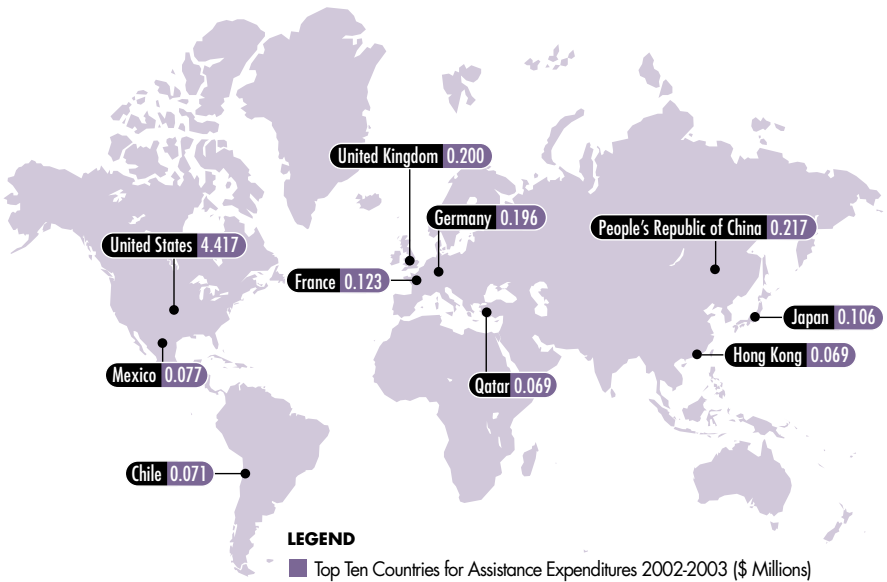
Patty Hughes, Director, Business Development,
Healthcare Information Technologies, Montreal, Quebec

“Our corporation is most grateful for the PEMD program. We would not be as bold in our efforts to export should we not have this assistance.”

Top Ten Countries for Expenditure (\$ Million)

The country most targeted by PEMD-assisted Canadian companies was the United States, which accounted for more than \$4.4 million or 66% of total expenditures, followed by United Kingdom, China, France, Japan, Italy, Mexico, Germany, Chile and Qatar.

Top Ten Countries for Expenditure for PEMD Industry (\$ Million)



Debra Donovan, President & CEO,
Scotia Slate Products, Nova Scotia

“As a small business, capital is quite valuable. The ability to borrow with repayment terms that match revenue streams makes so much sense. This is real help to small business.”

Trade Associations

Associations receiving PEMD support have mounted a variety of sectorally based export-promotion initiatives on behalf of their members. These initiatives are particularly important for small and medium-sized enterprises, which are often unable to afford such undertakings on their own.

Overview of Trade Associations – 7-year Period

Year	Approved Applications	Expenditures \$
1996-97	25	1,304,606
1997-98	32	1,526,047
1998-99	29	1,758,567
1999-2000	22	1,444,380
2000-01	23	1,144,667
2001-02	21	1,585,817
2002-03	50	1,851,320

Applications and Total Expenditure

Between 1996 and 2003, trade associations had an average of 25 applications approved per year, and spent an annual average of \$1.51 million. In 2002-2003, \$1.85 million was spent through the trade associations component, up from \$1.58 million in 2001-2002.

Trade Association Expenditure by Sector

Sector	Actual Expenditure \$	%
Manufacturing	725,028	39.16
Professional, Scientific, Technical and Education	305,397	16.50
Wholesale, Retail Trade	284,602	15.37
Agriculture, Forestry, Mining	273,156	14.75
Information and Culture	201,206	10.87
Other Services (except Public Administration)	36,264	1.96
Accommodation and Food Services	14,486	0.78
Transportation and Warehousing	11,181	0.60
Total	1,851,320	100.00

As in previous years, manufacturing was the dominant sector in 2002-2003, accounting for 39% of all PEMD trade-association assistance. Other prominent sectors included Professional, Scientific, Technical products and Education with 16.5% of all assistance, Wholesale and Retail Trade, with 15.4%, and Information and Culture with 10.9%.

Trade Association Expenditures by Market Area

Region	Actual Expenditures \$	%
North America	1,015,377	54.9
Western Europe	465,044	25.1
South America	151,370	8.2
Asia	135,072	7.3
Central America	49,239	2.7
Oceania	30,252	1.6
Middle East	4,967	0.3
Eastern Europe	0	0.0

55% of total trade association assistance was spent in the U.S. and Mexico. Europe accounted for 25%, while South America accounted for 8%. Compared with the previous year, expenditures in Oceania drastically dropped, while in South America they significantly increased.

Top Ten Countries for Trade Association Expenditures

Country	Expenditure \$	%
United States	1,015,377	54.9
United Kingdom	160,761	8.7
Italy	126,299	6.8
Peru	100,000	5.4
Germany	94,380	5.1
France	63,207	3.4
Japan	58,029	3.2
Hong Kong	53,329	2.9
Mexico	49,239	2.7
Brazil	37,455	2.0

As in 2002-2003, the country most targeted in 2002-2003 by trade associations for PEMD-assisted market development activities was the United States, where \$1,015,377 was spent, or 54.9% of total expenditures.

Natasha Betancor-Leon, Vice-President,
Amore Pet Services Inc., British Columbia

"The PEMD program has allowed us to enter the midwestern and eastern U.S. market as a major player in a new industry. Without the PEMD (we are on our second one this year) we could not have attended trade shows and met the people who have an impact on the industry."

PEMD Client Survey 2001-2002

With the assistance of an independent firm, the Export Development Division of the Department of Foreign Affairs and International Trade, which manages PEMD, conducted an online survey of PEMD's 2001-2002 clients. Of the 555 companies and Trade Associations sent surveys, 207 responded, a participation rate of 44%.

Purpose

The purpose of the survey was twofold: to obtain feedback from companies and trade associations on levels of satisfaction with programs and delivery, and to track program performance and service over time. The survey examined several aspects of client satisfaction, including overall satisfaction with the program, service expectations prior to using PEMD, overall assessment of PEMD after using it, future intentions, and the actual and perceived value of the program's contributions to export results. Ultimately, the results will help to improve PEMD.

Overall Satisfaction

Impressively, 92% of respondents recorded a score of at least 6 out of 10 (up from 88% in 2001). The 2002 average satisfaction score was 7.98 which is slightly higher than the overall satisfaction scores in the past two years (7.94 in 2000 and 7.84 in 2001).

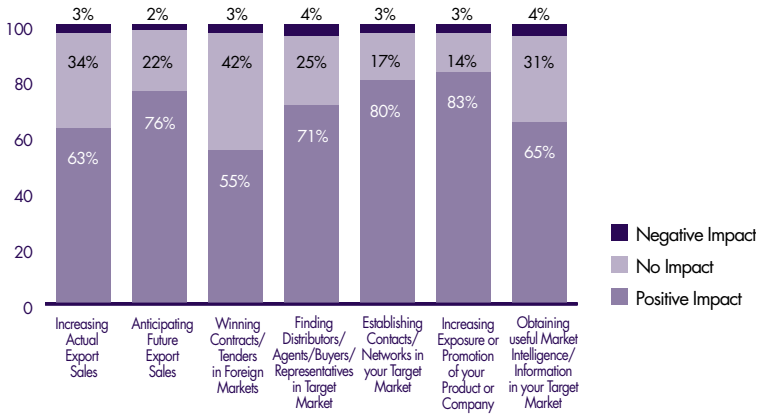
M.J.'s Fine Foods Inc., Ontario

"With funding from PEMD, we were able to aggressively open up the Mid-West and North-East markets in the U.S. As expected, the market for our all natural product has been huge and we are planning to triple our business in those regions during 2004."

Overall Value and Worth

Survey respondents were asked to assess the overall value and worth of not only the program, but also the service provided by PEMD staff during the past fiscal year. 82% of respondents stated that the service they received was well worth the time and costs associated with the program. Furthermore, 90% of respondents said they would recommend PEMD to other organizations.

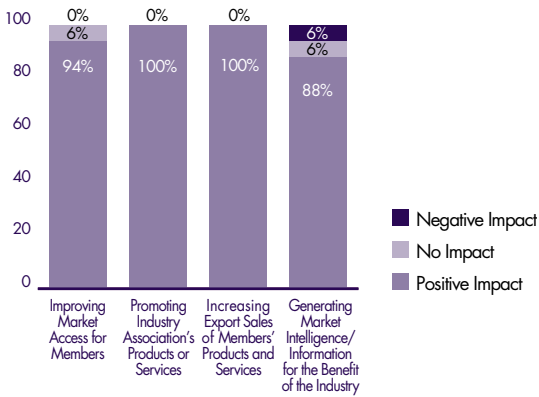
Contribution to Industry Clients' Results



Rob Denomme, Director of Operations,
Genuine Cellars, Manitoba

“Before the PEMD program we didn’t have any sales to the U.S. Now we have a quarter million in our first year and our first try at it. We now know that the U.S. market holds at least 5-6 million in sales in the next 3-5 years. Thanks to the PEMD support.”

Contribution to Trade Associations' Results



When asked about the impact of PEMD on their operations, both industry and trade-association clients reported many positive outcomes. Industry clients were most positive about the program's ability to help them increase exposure, establish contacts and networks, and promote their products in foreign markets. Trade associations were overwhelmingly convinced that PEMD improved market access and increased export sales of their members' products and services. These results are very similar to those recorded in 2000 and 2001.

Annexes

Annex A

Number of Projects and Total Expenditure (\$ Million) by Province and Territory (Companies only)

Province	Number of Projects	Expenditure (in \$ Millions)	Percentage of Total Expenditure
Ontario	225	1.868	28.03%
British Columbia	150	1.541	23.13%
Quebec	90	1.353	20.30%
Alberta	90	0.855	12.84%
Manitoba	41	0.366	5.50%
New Brunswick	13	0.223	3.34%
Nova Scotia	38	0.200	3.00%
Newfoundland & Labrador	18	0.128	1.92%
Saskatchewan	18	0.119	1.78%
Prince Edward Island	2	0.008	0.12%
Yukon	1	0.002	0.03%
Northwest Territories	0	0	0%
Nunavut	0	0	0%
Total	686	6.66	100.0%

Annex B

Number of Projects and Total Expenditure (\$ Million) by Industry Sector (Companies only)

Sector	Number of Projects	Expenditure (in \$ Millions)	Percentage of Total Expenditures
Manufacturing	252	2,689,859	40.38%
Professional, Scientific, Technical and Education	116	1,165,753	17.50%
Wholesale, Retail Trade	99	1,067,185	16.02%
Information, Cultural Industries	95	830,997	12.47%
Construction	34	262,488	3.94%
Agriculture, Forestry, Mining	38	185,268	2.78%
Administrative and Support, Waste Management	26	179,528	2.69%
Services	10	156,586	2.35%
Miscellaneous	16	124,463	1.87%
Total	686	6,662,127	100.00%

Contact Centres

Assistance to Companies

British Columbia/Yukon

Tel.: (604) 666-0005

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Fax: (780) 495-4507

Alberta (Calgary)

Tel.: (403) 292-6070

Fax: (403) 292-4578

Saskatchewan (Saskatoon)

Tel.: (306) 975-5315

Fax: (306) 975-5334

Saskatchewan (Regina)

Tel.: (306) 780-6124

Fax: (306) 780-8797

Manitoba

Tel.: (204) 983-4540

Fax: (204) 983-3182

Ontario

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Fax: (416) 973-8161

Quebec

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Newfoundland

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Fax: (709) 772-5093

Assistance to Associations

Arts and Culture

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Fax: (613) 992-5965

Education

Tel.: (613) 944-0762

Fax: (613) 995-3238

Industry and Service

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General Information

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