



International Trade Canada
Trade Commissioner Service

Commerce international Canada
Service des délégués commerciaux

ANNUAL *report*

2004-2005



PROGRAM FOR EXPORT MARKET DEVELOPMENT



Assistance to Companies and Associations

Canada

Introduction

Since 1971, the Program for Export Market Development (PEMD) has been 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. Through its assistance either directly to companies, or through national sector-wide trade associations, the program helps these smaller enterprises with the cost and risk of implementing export development plans in new markets. Since its inception, PEMD has assisted over 30,000 Canadian businesses in marketing their products and services abroad and sales stemming from this assistance have exceeded \$16 billion.

PEMD-Associations provides results-focussed assistance on a cost-shared basis to Canadian, sectoral, trade associations that have a national mandate. These contributions made by PEMD to trade associations are non-repayable. Throughout the year, associations utilize a rigorous self-evaluation structure to assess the effectiveness of their PEMD-supported initiatives.

In past years, PEMD has provided conditionally repayable contributions to small companies as an investment in their commitment to developing international export markets. This component was known as PEMD-Industry. This funding was divided into three key elements: Market Development Strategies (MDS), New to Exporting Companies (NEC) and Capital Project Bidding (CPB). In 2004, PEMD-Industry was closed but contracts made to individual enterprises prior to March 30, 2004 are being honoured.

PEMD is managed by the PEMD and eServices Division, Trade Commissioner Service Overseas Programs and Services Bureau. This Bureau is part of the Department of International Trade.

<http://www.international.gc.ca/pemd>

1-888-811-1119

Year in Review

Even though 2004-2005 marked a period of strong global growth and relative stability in global financial markets, continued adjustment by Canadian exporters to a depreciated US dollar made for a challenging and often discouraging export environment.

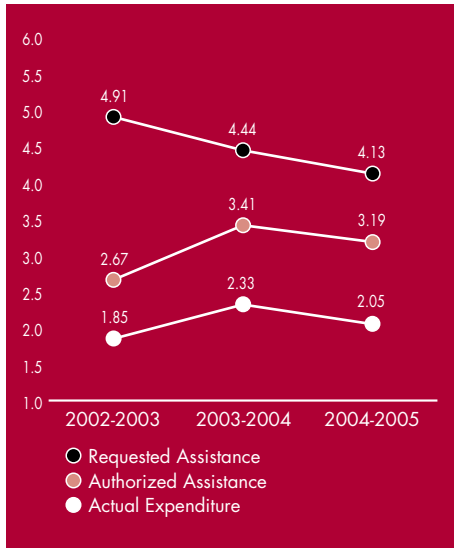
In 2004-2005, PEMD-Industry closed down and accordingly, no new applications from individual enterprises were accepted. However, in honouring contracts signed prior to March 30, 2004, PEMD-Industry still supported 412 projects from 390 companies. PEMD also supported 54 trade associations, only a marginal decrease from the 57 that were assisted in the previous year. Given the close of PEMD-Industry and certain budget reductions in 2004, program expenditures totalled \$7.1 million. Company repayments totalled \$2.26 million, lower than the 2.53 million reported in 2003-2004. It should be noted, however, that these repayments are generally based on sales resulting from PEMD-supported activities undertaken in previous years.

In 2004-2005, PEMD-Industry witnessed no major shifts in the expenditure pattern. The Market Development Strategies (MDS) element represented 65% of total expenditures – the same as last year's figure. New to Exporting Companies (NEC) represented 3.5% of total expenditures while Capital Project Bidding (CPB) represented 2.6% – both only showing minor decreases from 2003-2004. The remaining 28.9% of PEMD spending was allocated to Trade Associations.

After 3 successful years of the reviewed and reengineered PEMD-Associations, it is evident that associations' initiatives, ideas and applications are more targeted, better organized and more attentive to program criteria than ever. In comparison with past

years, the percentages of associations and requested monies approved were higher than usual. Moreover, since the review of the program, the percentage of funds being approved has been steadily increasing. At \$3.19 million out of a requested \$4.13 million, PEMD approved its highest percentage (77.1%) of requested funds in 2004-2005. Furthermore, of the 57 applications PEMD received in this period, 96.5% were approved, the highest percentage in recent years.

PEMD-Associations Requested Assistance, Authorized Assistance and Actual Expenditure since Program Review in 2002 (\$ Millions)



Peter Boag, President

Aerospace Industries Association of Canada

“Canada’s aerospace industry is export intense with the US taking up most of its output. Diversification into new geographic markets will help lessen the predominant reliance on one market and provide growth opportunities for Canadian aerospace firms. Entering a new market, however, can be a daunting challenge for small and medium-sized firms on their own. Through PEMD support, AIAC is able to assess new market opportunities and make these know to our companies and to help showcase their capabilities at major trade venues in emerging markets.”

PEMD-Associations

The Program for Export Market Development, for Associations, provides financial support (contributions) to Canadian national sectoral associations for the generic export promotion of their industry's products or services. Eligible activities must relate to the improvement of market access or the development of market intelligence. In addition, activities must be for the benefit of the association's entire industry; members and non-members alike. These activities are particularly important for small and medium-sized enterprises, which are often unable to afford such undertakings on their own.

There are three types of international business promotion activities that are funded by PEMD-Associations: direct contacts (such as trade shows, outgoing missions and incoming visits); marketing tools (such as web site development targeting foreign customers, print materials and other materials that promote the export of associations' goods and services); and other marketing activities (such as research, awards programs, and indirect marketing that promotes relationship building, or improves access to foreign markets).

The cost of these activities is shared between the association and the federal government. Annual non-repayable contributions range from a minimum of \$20,000 to a maximum of \$100,000. Through its assistance to associations, the program aims to meet the changing needs and expectations of the Canadian business community.

Each year, associations work alongside trade commissioners in Ottawa, at ITCan's regional offices, and at posts abroad to develop their application. Trade Commissioner Service Officers at over 140 embassies and consulates around the world provide current information and advice on the merits of applications from the market viewpoint. This feedback on proposed PEMD-supported events from our posts is an essential criterion in the evaluation of a PEMD application. In addition to the post feedback, applications are also assessed according to export strategy, incrementality (the presence of new or expanded international market development initiatives), membership benefits and the association's performance in the past two years.

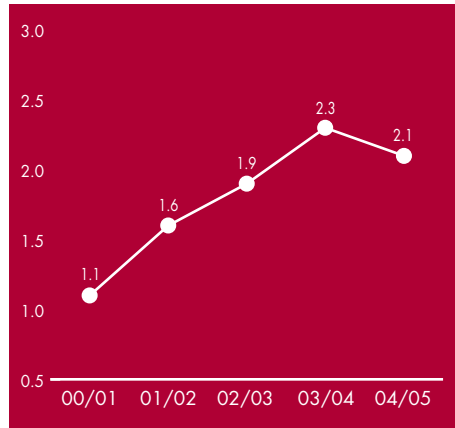
Since the reform of PEMD-Associations in 2001, the number of participating associations has increased from about 20-25 per year to 55-60. Moreover, approved assistance has increased from \$1.5 million to about \$3.2 million in 2004-2005. As a result of PEMD-Associations' strong

performance, Treasury Board renewed the program for another five years. With this renewal came four recommendations to be considered by PEMD management. Specifically, it was suggested that PEMD-Associations consider enlarging its eligibility criteria, raising the ceiling for annual contributions, enabling associations to allocate contributions to their members and emphasizing the overall export-related efforts of an association in the assessment of incrementality. Any changes stemming from these recommendations will be implemented in time for the launch of the 2006-2007 PEMD-Associations application round.

Overview of Expenditures of PEMD-Associations (\$ Million) – 5-Year period

When financially possible, PEMD-Associations offers a supplemental round of funding that lasts from late summer to late fall. Supplemental funding allows well-performing associations to easily apply for extra funding.

This gives all associations the flexibility to undertake activities that have arisen on short notice. Due to budgetary constraints in 2004-2005, PEMD-Associations did not offer a supplemental round of funding. This may explain the slight decrease in total expenditures after years of consistent program growth.



Alan Herscovici, Executive Vice-President

Fur Council of Canada

“At a time when global markets are becoming increasingly competitive, PEMD support plays a vital role in assisting our trade association to develop and implement comprehensive export strategies for the benefit of our entire industry.”

PEMD-Associations

Results-Based Focus

In order to make claims for PEMD funding, trade associations must utilize a rigorous system of self-evaluation. During the application stage, associations must identify specific performance indicators for each of their planned activities as well as projected key results for the overall contribution. These performance indicators can include but are certainly not limited to having a certain number of buyers attend an event, distributing a target number of directories or brochures or making a defined number of contacts/sales leads.

PEMD contributions are paid after activities are completed. In order to submit a claim for a package of activities, trade associations must first report against the performance indicators they chose for each activity in the package. Furthermore, they must provide a tangible Proof of Activity that resulted from the package. When an association completes its final package of activities for the year it must also submit a final report (called "results" report) comparing the anticipated key results and benefits to the actual results. International Trade Canada uses these reports each year to evaluate the effectiveness of PEMD-Associations as well as the performance of an individual association. Performance is an essential element in the evaluation of PEMD applications in years to come.

The PEMD-Associations' reporting requirements enable managers to track the results obtained with PEMD funding. Results reported by associations do not always correlate with an increase in sales (given that companies do not always report sales increases to their association and that the trade associations receiving money do not sell products that are sold by its members). It also acknowledges that within the context of export market development for trade associations, there are often initial non-quantifiable benefits which precede the later economic/sales-related benefits.

Results 2004-2005

Results reported under PEMD-Associations in 2004-2005 included total increased sales of \$8M and total prospects for future sales worth \$163M. One association linked the effectiveness of its PEMD supported activities in the USA to an overall export increase in 2004 valued at \$509M. The reported results for one association included the certification of a Canadian manufacturing process in the US and its public endorsement by the US Department of Energy and by two American associations.

Another association claimed that PEMD-supported activities led to potential partnerships worth up to \$26M. Other reported indicators of PEMD’s successful year included financing agreements, the initiation of licensing negotiations, the coverage of two Canadian industry sectors in specialized foreign magazines, MOUs, the recruitment of new members interested in exporting and the exposure of new exporters to foreign markets.

PEMD-Associations Expenditures by Sector

Sector	Number of Associations	%	Expenditure
Service Industries & Capital Projects	12	22.0%	\$ 451,071
Consumer Products	5	15.3%	\$ 314,516
Forest Industries	6	12.4%	\$ 254,558
Building Products & Construction	4	7.2%	\$ 148,442
Aerospace & Defence	4	6.9%	\$ 140,816
Health Industries	2	6.6%	\$ 136,305
Arts & Cultural Industries	2	5.9%	\$ 121,597
Information & Communications Technologies	6	5.5%	\$ 113,208
Metals, Minerals and Related Equipment, Services and Technology	1	4.9%	\$ 100,000
Plastics	2	4.2%	\$ 85,475
Bio-Industries	2	4.1%	\$ 85,105
Environmental Industries	2	1.7%	\$ 34,208
Manufacturing Technologies	1	0.9%	\$ 17,682
Automotive	2	0.7%	\$ 14,371
Advanced Manufacturing Technologies	1	0.5%	\$ 11,287
Rail & Urban Transit	1	0.4%	\$ 8,301
Agricultural Technology & Equipment	1	0.4%	\$ 8,220
Ocean Technologies	1	0.4%	\$ 8,079
	54	100.0%	\$ 2,053,241

The largest portion of contributions to associations went to Service Industries and Capital Projects (with 12 active associations), accounting for 22.0% of all PEMD-Associations assistance. Other prominent sectors included Consumer Products (5 active associations) with 15.3% and Forest Industries (6 active associations) with 12.4%.

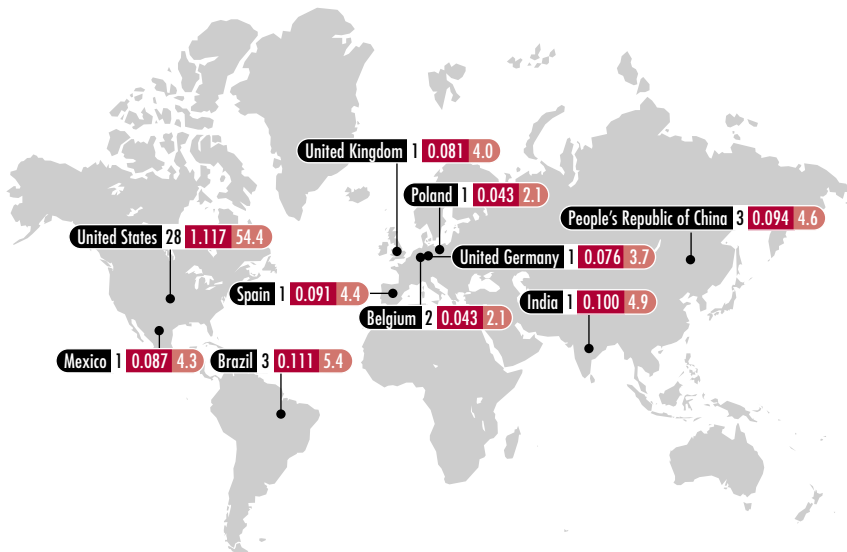
Jon Baird, Managing Director

CAMESE

“It is not possible for a Canadian business association like CAMESE to organize international trade events without the kind of government support offered by the PEMD Trade Association Activities program.”

In 2004-2005, associations receiving PEMD support mounted a variety of sectorally based export-promotion initiatives on behalf of their members. As in past years, PEMD-Associations funding was spent across numerous industry sectors and across the globe.

Top Ten Countries for Expenditure for PEMD-Associations



LEGEND

□ Number of Projects ■ PEMD Expenditure ■ Percentage of Total

The country the most targeted by PEMD-Associations beneficiaries was the United States, which accounted for almost \$1.2 million or over 50% of total expenditures. It is also important to note that for the first time ever, the top 4 countries for PEMD expenditures were rounded out by Brazil, India and China, the three emerging markets in the 2005 International Policy Statement.

Ted Callighen, President

Canadian Association of Moldmakers

“PEMD helps Canada’s mold and tooling companies compete successfully in the global marketplace. With PEMD’s support our members are better able to increase awareness, develop quality leads and generate export sales across North America and around the world.”

PEMD-Associations

Success Stories 2004-2005

Steven Brasier, CAE, Executive Director

Canadian Institute of Planners

“The Program for Export Market Development has greatly benefited the Canadian Institute of Planners (CIP), enabling our Institute to pursue export-related activities that we would not otherwise have engaged in, to study our members’ export activities, interests and needs, and to foster valuable overseas contacts and important trade opportunities for Canadian planning firms and related professions. The ability to modify activities is a real benefit in working with overseas partners on new initiatives that often require fine-tuning. The online reporting systems are thorough and require full accountability, while also being easy to use, secure, highly accessible, and linked to other useful resources...”

Ron Kane, Vice President

Aerospace Industries Association of Canada

“The Chinese aviation market is poised for phenomenal growth. Assessing the opportunities as well as the entry barriers for Canadian companies is a complex task generally beyond the capacity of most Canadian aerospace firms. AIAC’s recent PEMD supported mission to Air Show China that was followed by an extensive round of consultations with Chinese aviation officials and government authorities considerably augmented our understanding of the market. Access to this market intelligence by Canadian aerospace companies is helping them tailor their market development strategies and to better prepare themselves to pursue realistic opportunities.”

Susan Wiggins, Chief Administrative Officer

Association of Registered Interior Designers of Ontario (ARIDO)

“We are extremely grateful for the support we receive from PEMD for our annual trade show. The result of that support is the opportunity to expose the Canadian marketplace to a global audience; to organize such a broad reaching program without PEMD support just wouldn’t be possible.”

Neill Dixon, Artistic Director

Canadian Association for the Advancement of Music and the Arts

“PEMD funding support has enabled CAAMA to stage 450+ live showcase opportunities for Canadian Indie artists and small labels this past year with a reported increase in foreign rights sales of 125% over the same period. As well, CAAMA introduced 24 new members to export marketing. Canadian Indies confirmed their full satisfaction with CAAMA programs, especially the pulling of highly qualified international buyers to Canada. By attracting and hosting international companies, CAAMA has increased the number of Canadian labels and artists now active on the international stage... Why now? It's partly because there are now so many talented Canadian bands but it's also because it has taken some of our musicians and labels until now to realize that competing on an international level is very much within our reach. Thank you PEMD.”

Suzanne Bossé, Executive Director

Association for the Export of Canadian Books

“PEMD support enables the AECB to offer value-added services to the industry in a comprehensive and cost-effective manner. Without PEMD funding, the AECB would not be able to gather and distribute market intelligence, present seminars on export market development, or develop countless other initiatives to support Canadian book publishers' activities in export markets.”

Tony Pollard, President

Hotel Association of Canada

“International Trade Canada's PEMD Program is an excellent value added service that greatly benefits the hotel industry, its suppliers, the government and by extension the people of Canada. As an exporting nation with 86 per cent of everything we produce in this country going outside of Canada, the PEMD program made it possible for hotel industry suppliers to sell off-shore. Through the Hotel Association of Canada, Canadian suppliers of Furniture, Fixtures and Equipment to the lodging industry, in particular, have been able to capitalize on markets that would not have been otherwise available... It is only through close collaboration with PEMD that we have enjoyed successes in Africa, Europe, the Middle East, Asia and the Caribbean.”

PEMD-Industry

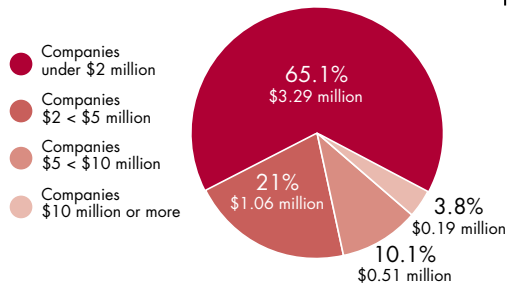
This section of the report deals with PEMD-Industry. PEMD-Industry expenditures were made under three components of the program: Market Development Strategy (MDS), New to Exporting Companies (NEC) and Capital Project Bidding (CPB). The MDS focuses on assisting companies with the implementation of a simple marketing plan designed to penetrate an international market. The NEC provides assistance to companies that are new to exporting to introduce them to export market 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 penetration or proposal preparation at the pre-contractual stage.

In 2004, the PEMD-Industry was closed as part of the government-wide effort to reallocate funds. A strategic review of the program had determined that PEMD-Industry was no longer in line with clients needs. Small and medium size enterprises, however, continue to receive assistance through the Virtual Trade Commissioner, through ITCan's regional offices in each of Canada's provinces, and through more than 140 embassies and consulates abroad. Furthermore, in 2004/05, the Government of Canada continued with its Enhanced Representation Initiative (ERI) in the United States. The US has long been identified as the most important target market for PEMD-Industry clients.

Even though the program was closed in 2004 and no projects were approved, PEMD honoured all contracts that had been made prior to March 30, 2004.

As in previous years, roughly 2/3 of projects receiving assistance were from very small companies. Of the total \$5.05 million PEMD-Industry assistance in 2004-2005, \$3.29 million, or 65%, was spent on companies with less than \$2 million in annual sales. Another \$1.06 million, or about 21%, was provided to companies with annual sales between \$2 million and \$5 million. A further \$0.51 million was received by companies with sales from \$5 million to \$10 million; those with sales over \$10 million received \$0.19 million.

Total PEMD-Industry Expenditures by Company Size



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

Sector	Number of Projects	Expenditures (in \$ Millions)	Percentage of Total Expenditures
Manufacturing	145	1.769	35.0%
Professional, Scientific, Technical and Education	81	.769	15.2%
Information and Cultural Industries	46	.581	11.5%
Wholesale Trade	37	.566	11.2%
Retail Trade	24	.311	6.2%
Construction	15	.211	4.2%
Educational Services	7	.120	2.4%
Other Services (except Public Administration)	6	.114	2.3%
Administrative and Support,			
Waste Management	12	.107	2.1%
Misc.	28	.502	9.9%

**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	135	1.593	31.5%
British Columbia	91	1.189	23.6%
Quebec	73	1.125	22.3%
Alberta	41	0.525	10.4%
Nova Scotia	24	0.205	4.1%
Manitoba	12	0.146	2.9%
Newfoundland and Labrador	9	0.106	2.1%
New Brunswick	6	0.102	2.0%
Saskatchewan	10	0.059	1.2%
Prince Edward Island	0	0	0%
Yukon	0	0	0%
Northwest Territories	0	0	0%
Nunavut	0	0	0%
Total	401	5.05	100.0%

Contact Centres

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Saskatchewan (Saskatoon)

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Saskatchewan (Regina)

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Assistance to Associations

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General Information

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OR

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