

# USER PAY: IS THIS THE WAY? By Roger Chan

Over a number of years, Trade Commissioners have debated the pros and cons of cost recovery. Today more than ever we are facing shrinking program budgets in the trade development field. As a result, there is pressure to find new and innovative ways to either save money by operating more efficiently; stretch our program dollars; or charge for the services we provide.

The results of the operation of the Canadian Business Centre in Mexico City (CBCM)

(*Trade Commissioner* Vol.1, No.5, Oct.1, 1994, p.3) may provide useful information for those debating the issue of external user charges and cost recovery. The CBCM is a service centre for the events and activities of the Commercial section of the Embassy. It is a pilot project sponsored under the Access North America Program. It is an experiment where we are asking clients to pay fees based on full cost recovery. The project is innovative and not without risk.

The CBCM is a meeting and exhibit facility. It features ready-to-use executive offices, corporate meeting and seminar rooms, and exhibit space to showcase Canadian products and services. Each service provided by the Centre has a fee associated with it. You want photocopies of a presentation, you are charged. You wish to hold a reception, you are charged. You want to hold a product seminar, you are charged. There are no freebies at the Centre. This fee for service concept means that the Centre must continually adapt its products in order to meet the needs of its clients.

As the Centre has been open for close to a year, we do have some answers to questions most often asked in considering external user charges. Since opening the Centre on September 3rd 1994 we have held 56 events. There have been six events sponsored by the Latin America and Caribbean Trade Division (LGT). The remaining 362 events have been private sector initiatives. The response

by the private sector has been overwhelmingly positive. Of the 342 firms that have used the Centre, there has been only one firm that has commented: "Why do I have to pay? I already pay taxes." The remaining 341 firms have recognized the value of this facility and have shown no reluctance to pay for its competitively priced services.

The feedback we have received from our clients has been very positive. Repeat clients returning to use the Centre is

about 15% of our business and we fully expect most of our clients to reuse the Centre in some form or another. We have helped firms introduce their products, held seminars and conferences and provided a venue for company receptions — all with the cooperations of the Commercial Section of the Embassy. Each of these events have has been targeted at a specific audience. In total, over 5,200 Mexican firms have visited the Centre since it opened.

One of the major concerns of this pilot project was that it might not be possible to hold 10 sector specific events a year and get enough firms to participate. LGT has recruited an average of 17 firms per event, a figure well within our objectives regarding the number and quality of firms participating in these solo events.

The revenues required to operated the Centre on a full cost recovery basis is over \$1 million. It is difficult to forecast whether this small business can grow over a five year period to have sales in excess of \$1 million. While revenue from the private sector is growing, the assumption that the provinces and other government departments would contribute to the revenue stream has been slow to materialize. They too are facing spending cuts.

*At the time of printing Roger Chan was the Counsellor (Commercial) and Director of the Canadian Business Centre in Mexico City.*



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