

An export primer: The three Cs

Focus on contracts

You've worked hard to establish your credibility in the eyes of a foreign buyer. You've gone to great lengths to assure the customer's confidence in you. Now you're ready to negotiate the contract. What should you look for? How do you make sure the terms and conditions are conducive to delivering the best possible product or service? This article, the last in our series on the three Cs, offers some answers to these tough questions.

The Canadian Commercial Corporation (CCC) has helped Canadian companies negotiate contracts with buyers in over 100 countries. CCC officers have seen what works—and what doesn't. Here are some tips:

Cover your costs

When negotiating an export contract, work out a payment schedule that covers your material costs before products are shipped; if complications arise after the fact, you'll at least have recovered your expenses. This may not sound like positive thinking, but a healthy dose of realism goes a long way toward being prepared. Of course, getting a buyer to make a majority payment in advance of delivery can take some creative thinking.

For example, CCC once worked with a computer manufacturer whose customer wanted to conduct acceptance tests after product delivery. Such a situation holds a great deal of risk due to the shipping costs involved, and due to the supplier's lack of control over the testing. So instead, the firm flew the buyer to

Canada and gained all the necessary approvals here.

Stay on top of details

When negotiating a contract, don't just concentrate on the deliverables. Think about the process. Good project management keeps you out of losses. Don't get into contracts with unclear terms and don't leave issues unaddressed.

For example, sometimes a company may feel there's no need to build first-article approval into a contract when the goods to be produced are the same as those the firm traditionally produces. But dealing with buyers abroad can be complicated so building in milestones and approval stages will spare you unexpected headaches.

Exercise your dollar sense

The period for some contracts may be many months—even years. In that time, the currency in which you're being paid can rise or fall in value, resulting in an unexpected gain or unwanted loss.

Contractually, you have some options: you can specify the value of the currency as it was on a certain date, or you can purchase a currency future which guarantees a favourable rate of exchange. It is important to be aware that some countries' currencies are unsecured. To avoid that risk, CCC usually advises exporters to negotiate contracts in an alternative currency, one acceptable both to buyer and seller, such as U.S. or Canadian dollars.

So is there one golden rule for successful contracting? Don't over-extend yourself. Some companies are uneasy about taking risks; they'll shy away from a contract if it looks like trouble.

But the golden promise of a sale can sometimes lure an exporter into treacherous territory. Be honest with yourself; can you deliver what the contract demands? Are the terms right for you? If not, you could lose the sale and your business. You may need to look for another opportunity—they are out there.

And of course, CCC will always be there to help.

To learn more about how you can put the power of Canada behind your export sales, contact CCC at **1-800-748-8191**, or visit www.ccc.ca *

Put the power of Canada behind your export sales



The **Canadian Commercial Corporation (CCC)** is Canada's export contracting agency. CCC specializes in sales to foreign governments and provides special access to the U.S. defence and aerospace markets. Canadian exporters can gain greater access to government and other markets through CCC's contracting expertise and unique government-backed guarantee of contract performance.

CCC provides export contracting services that often result in the waiving of performance bonds, advanced payment arrangements and generally better project terms. CCC can provide access to commercial sources of pre-shipment export financing. When requested, CCC acts as prime contractor for appropriate government-to-government arrangements.

For more information, contact CCC, tel.: **(613) 996-0034**, toll-free in Canada: **(1-800) 748-8191**, fax: **(613) 995-2121**, Web site: www.ccc.ca

Canada's watershed of opportunity

UK renewable energies market to expand

The United Kingdom (UK) government has recently set ambitious targets for renewable energies to provide 10% of UK electricity by 2010. Since renewables only currently provide 2.8% of UK electricity (total annual consumption 350,000 GWh), this implies an expected 250% market growth over the next decade.

In support of these targets, the UK government has also introduced a number of new regulations. These include obligations on UK electricity supply companies to supply set percentages from renewable sources, and new fiscal measures which penalise fossil-fuel consumption while promoting renewables.

The UK government has also recently announced over £250 million (\$550 million) in extra funds to support renewables R&D, pilot and demonstration projects, as well as marketing and dissemination to increase renewables in the UK marketplace.

These initiatives should lead to a considerable expansion of the UK renewables market, and therefore bring strong UK-market opportunities for Canadian companies working in these sectors.

UK opportunities

Canada is a world leader in the production of renewable energy, with renewables providing 17% of Canada's primary energy supply and 62% of electricity generation—primarily as a result of large-scale hydro. Canada's expertise, and the comparatively low percentage of UK

electricity coming from renewables, means there could be many potential opportunities for Canadian companies.

Opportunities in the UK are likely to be greatest in biomass (both for primary energy and for transportation fuels), offshore wind, small-scale hydro and photovoltaics. Once fuel cell, and to a lesser extent wave/tidal technologies, have developed to the mass-production stage, considerable UK market opportunity awaits.

EUROPE

The UK market has become increasingly open to foreign suppliers, particularly since the privatization of many public services. Purchasers in the UK are looking for products and services that meet their needs at costs that satisfy their shareholders.

Market-entry strategies

Canadian companies with particular component products, technologies or services—especially those which have direct application in new or ongoing renewables projects in the UK on which future projects might be based—could consider a number of possible UK entry strategies, from working directly with one of the UK's major power generator companies or distributor/supply companies, to forming a consortium of companies in the UK to promote and develop a particular project.

Market-entry strategies are likely to prove crucial, particularly since many of the renewable technologies are in demonstration to early-commercial stages globally. Several leading Canadian

renewables companies have already found good reception for their technologies in the UK, and indeed this may result in their early commercial-stage projects being UK-based.

Given the early commercialization stage of renewables technology, opportunities in the UK market may depend less on traditional buyer-seller arrangements than on finding UK partners to pursue commercialization with. The British pound has been very strong in recent years and this makes Canadian imports good value for money, even after import duties are taken into consideration.

Some of the major advantages for Canadian companies conducting business in the UK are commonalities in business practices, similar legal systems, respect for contracts, and a common language. A long history of trade and investment has facilitated close business ties between Canada and the UK, and the renewable energies sector could lead the way.

The contact details for all the major UK power generating, distributor and supplier companies can be found in the Key Contacts section of the Department of Foreign Affairs and International Trade's *Renewable Energies Market in the UK* report. In addition, the relevant UK trade association for the particular renewables area in question would also be an excellent starting-point for seeking suitable consortium members. Details of UK renewables trade associations are also given in the Key Contacts section. The report is available on-line at www.infoexport.gc.ca/ie-en/MarketProspect.jsp?cid=114&oid=36#592

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