

IV VIEWS OF AND ABOUT THE TRADING HOUSE SECTOR IN CANADA

In addition to the quantitative data reported in Chapter III, the Task Force believed that it should also seek out more qualitative comments, in particular with regard to the experiences of trading houses when dealing with government agencies and programs, with banks and manufacturers, and with regard to the perceptions of trading houses themselves by banks and manufacturers.

Views Expressed by the Trading House Sector

These views were gathered through a survey conducted by the Canadian Export Association and from meetings conducted by the Task Force in Halifax, Montreal, Toronto, and Vancouver. The CEA received 37 questionnaires, and the regional meetings were attended by approximately 70 people from the trading house sector. The survey and the meetings provided the Task Force with hypotheses to be tested and leads to be pursued in the course of its activities.

Trading houses surveyed appear to be cognizant of federal government services (PEMD, Trade Fairs and Missions, geographic bureaus, industry sector branches, and regional offices of the Department of Regional Industrial Expansion), and generally make use of the programs. Trading houses, however, consider that they do not benefit fully from government programs because they are primarily designed for manufacturers and the trading house contribution to Canadian trade is not yet fully recognized.

Respondents do not appear to be very familiar with the Canadian International Development Agency's (CIDA) operations in general. Those with CIDA experience feel that the Agency should rely more on trading house experience, especially in distant markets, and that a trading house registration form should be re-activated by CIDA to enable it to use trading houses more effectively.

Few respondents had worked with the Canadian Commercial Corporation (CCC). Trading houses with this experience expressed satisfaction and felt that CCC was supportive of their efforts. Some, however, had the impression that CCC was more in competition with than supportive of their activities.

Services provided by the Export Development Corporation (EDC) would be expected to be used extensively by trading houses. It does not appear to be the case. Most respondents were of the opinion that financial and insurance services provided by EDC do not meet their needs, and, as a result, they do not use them. Inadequacies were also noted in the area of insurance, pre- and post-shipment financing, and guarantees. Trading houses considered that EDC was not yet fully aware of the nature of their activities and tended to impose upon them the same lending criteria used with manufacturers.

While respondents do not appear to have difficulties in locating suppliers, the latter do not respond promptly and adequately to enquiries related to export market development. Trading houses were convinced that, given their experience, they could assist some of the many non-exporting firms producing goods in Canada which have competitive products and the capacity to supply.

While some respondents acknowledge that banks are responsive to their needs, a large proportion of them remain unsatisfied with bank services. A better understanding of trading houses is still needed, and banks should give increased weight in their evaluation methods to demonstrated experience and performance and rely less heavily on the traditional notion of "seizable" assets in assessing credit worthiness.

When trading houses were asked to identify those areas where they would welcome Task Force recommendations

for the improvement of the environment for Canadian traders, by far the highest priority listed was the need for an improved image of trading houses. The creation of a trading house association was perceived by many respondents as a first step towards enhancing the image of the sector.

Recommendations to the Trading House Sector

After reviewing the facts assembled in this report, the Task Force believes that first and foremost the sector needs national representation in the form of an organization that will work at strengthening the credibility of the sector in the eyes of the public and private sectors. The Task Force has been told by nearly every group in both the public and private sectors that some means should be found to present an adequate evaluation of individual trading houses on the basis of selected criteria related to experience, reliability, and competence. The Task Force, therefore, recommends to the private trading house sector that:

Recommendation 1

A national grouping of trading houses be established with a rigorous accreditation procedure.

Recommendation 2

The national grouping and any related regional representations undertake activities (seminars, workshops, conferences) aimed at promoting the services offered by the sector to interested parties such as manufacturers, producers and their respective trade associations, banks, and government departments and agencies.

Recommendation 3

The level of action and profile of the existing trading house division of the Canadian Export Association be used as a base for increased activity and the development of strong regional representation within a national grouping.

The Task Force regards the large number of small existing trading houses as having considerable potential to increase exports originating from small Canadian manufacturing firms, and has specifically directed a number of its recommendations to speeding up the growth of firms in this group. In addition, there also would be merit in developing medium-sized and large trading firms. In this context, the Task Force believes that small trading companies should give serious consideration to regrouping of their individual activities, through such informal areas as cooperative marketing programs or more formal mergers.

Existing linkages between trading houses and small and medium-sized manufacturing firms are inadequate. There is no doubt that if the measures recommended above were adopted the gap could be reduced. In addition, trading houses should consider establishing closer relations with manufacturers, particularly through their trade associations. The Task Force feels that trading houses should pay greater attention to the potential for vertical integration with trade associations in the creation of joint export marketing groups.

Trading Houses and the Small and Medium-Sized Manufacturing Sector

Small and medium-sized firms represent a substantial potential for expanding Canadian exports. In 1980, it was estimated that there were close to 52,000 manufacturing firms in Canada. Of these, 85 per cent were small firms