

**UPS Canada
Small Business Survey**

March 2011



Agenda

1. Methodology

2. Executive summary

3. Survey results: Canadian Exports and International Trade

Methodology

Instrument

An online survey was conducted between March 9 and March 20, 2011.

Reliability

Among a sample of 546 Canadian small and medium-sized business owners who are Angus Reid Forum panel members. The margin of error on the full base — which measures sampling variability — is +/- 4.19%. Discrepancies in or between totals are due to rounding.

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Executive Summary

Respondents are optimistic about Canada's economic future, but believe the current dependence on natural resource exports needs to change

- One-in-three respondents believe the current manufacturing rebound is a sign of manufacturing re-birth, and an additional one-in-four believe it is good news for all sectors of the Canadian economy.
- Almost three-in-four respondents agree that Canadian manufacturers should disregard the problems presented by the current strength of the Canadian dollar and put more resources into international trade.
- However, just over half of respondents see serious trouble for Canada long term, unless we significantly improve value-add innovations and diversify the natural-resource centred export base.

Executive Summary

There is moderate concern over the trade deficit and over the costs of Canadian manufacturing

- Almost two-in-three respondents are concerned over the past year's trade deficit, although most are only 'moderately concerned'.
- When asked to choose a descriptor for Canadian manufacturing, 43% chose 'high quality', while 36% of respondents chose 'high cost'.

Executive Summary

Respondents favour simpler trade rules and processes to encourage trade

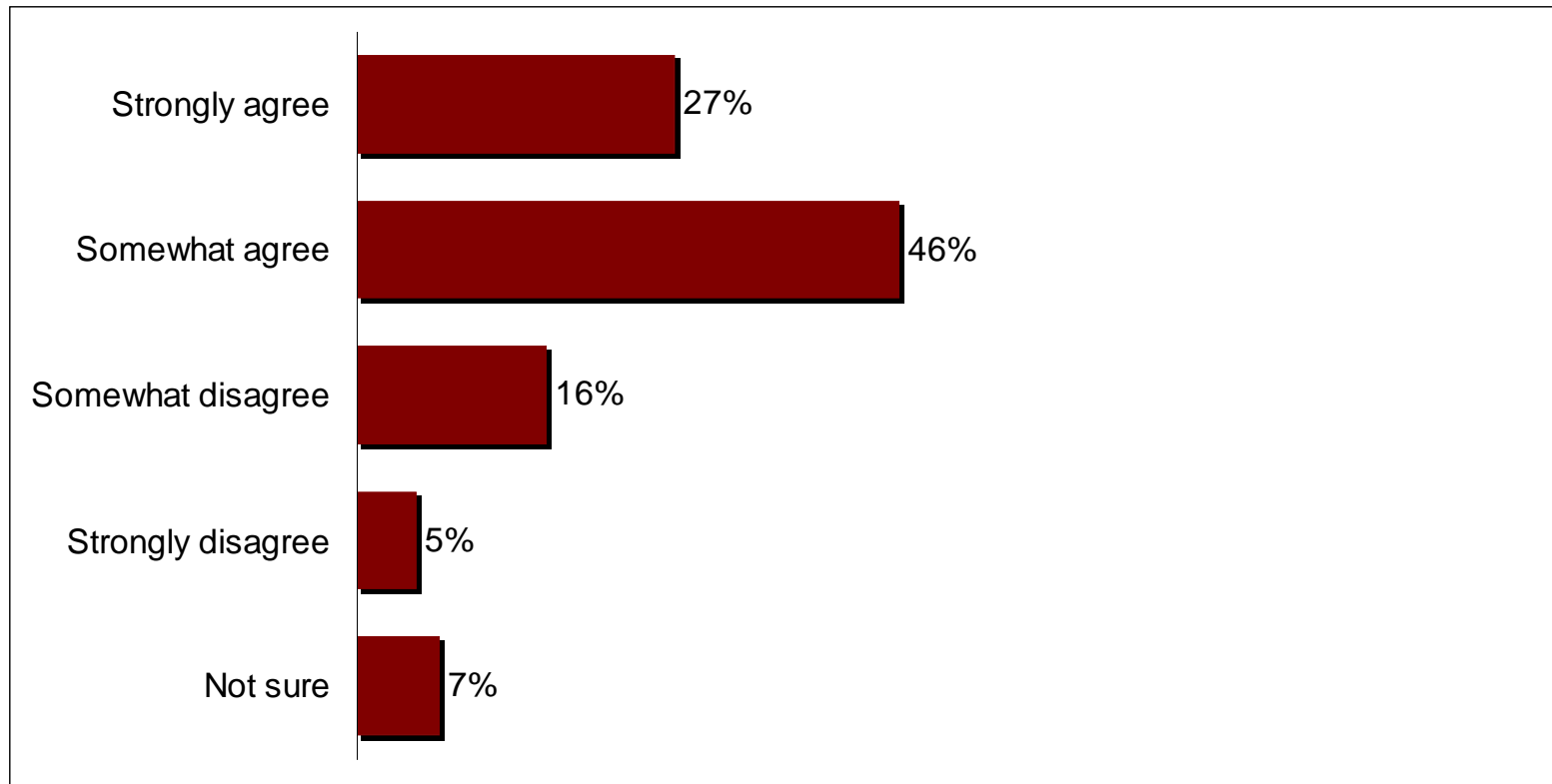
- 24% of respondents indicate that simpler trade rules and processes would help them develop their global trade practices. This is well ahead of the second place response, 'a weaker loonie', at 13%.
- 57% indicate that a Canada-EU trade agreement would be beneficial.
- 25% of respondents will take advantage of a new Canada-U.S. trade agreement to start or expand their import/export business. This compares to only 8% who are interested in U.S. trade but will not take advantage of the agreement to increase their trade.

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Response to Strong Canadian Dollar

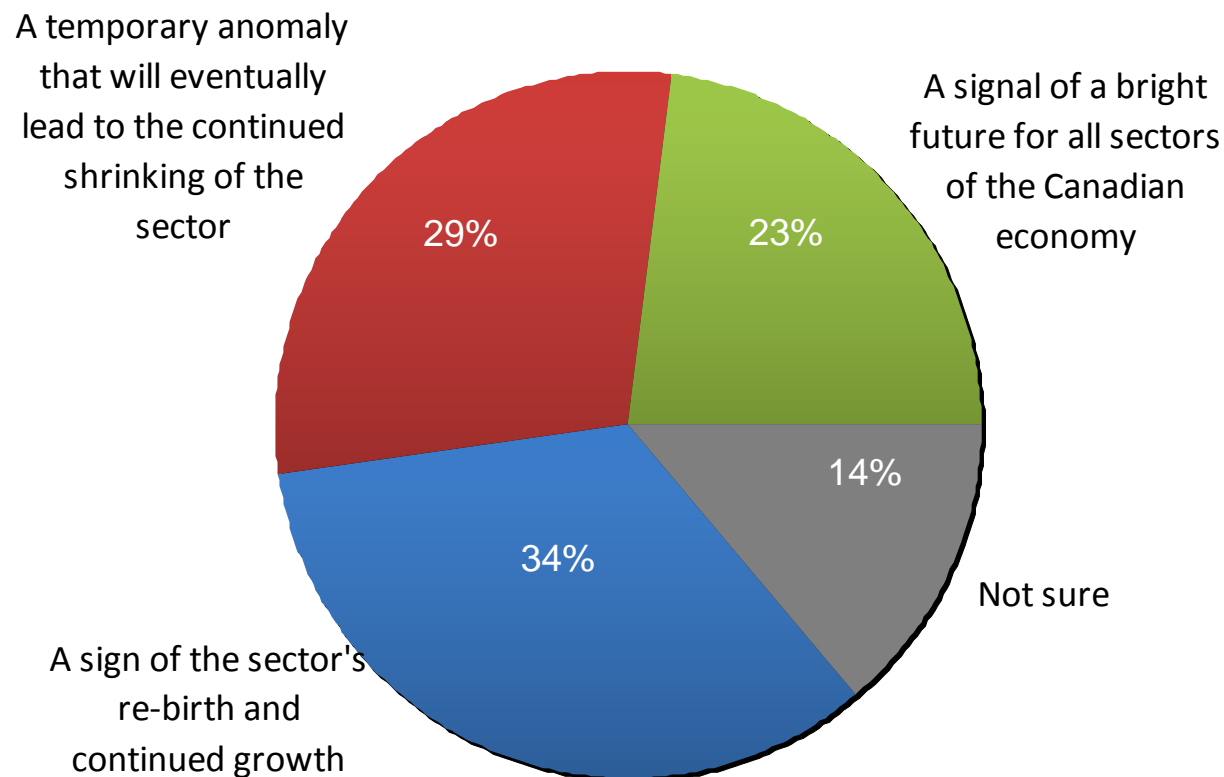
- Almost three-in-four respondents agree that Canadian manufacturers should disregard the strength of the Canadian dollar, and put more resources into international trade.
- 77% of respondents from Quebec agree, compared to 68% of respondents from Ontario.



Base: All respondents (n=546)
Overall, do you agree or disagree with the following statement?

Impact of Manufacturing Rebound

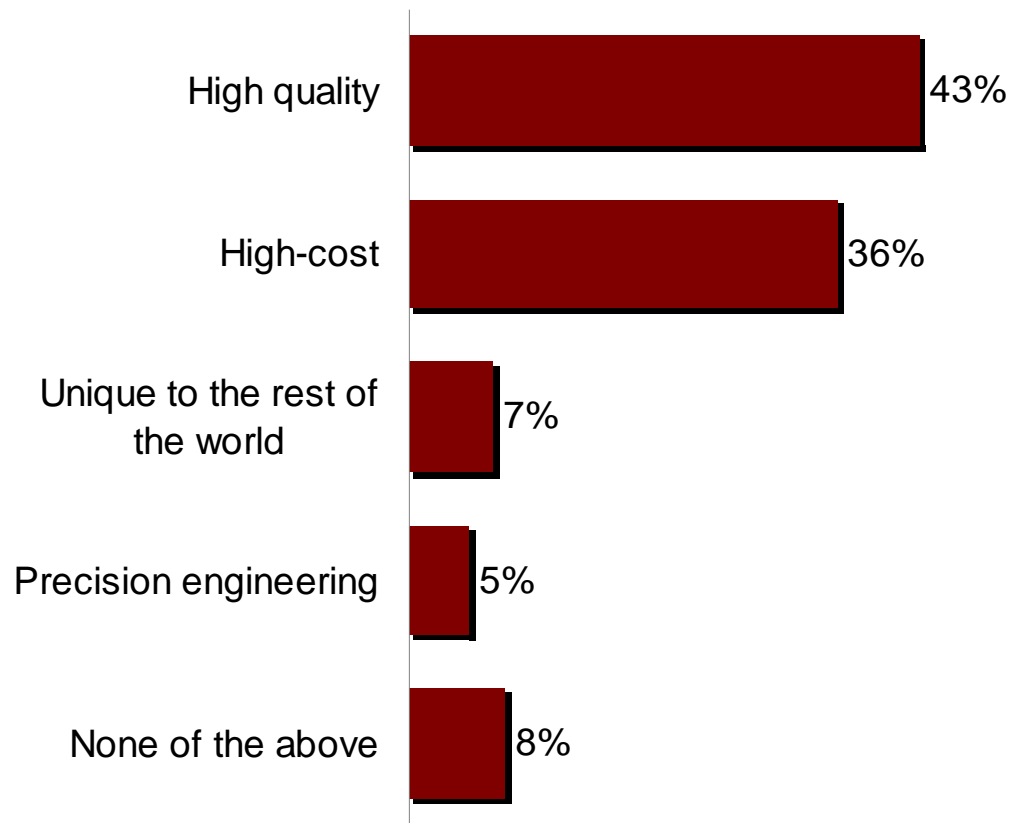
- A majority of respondents feel positive about the long term effects of the manufacturing rebound, with one-in-three seeing it as a sign of manufacturing re-birth, and one-in-four seeing it as good news for all sectors of the Canadian economy.
- 47% of Quebec respondents believe that the rebound of the manufacturing sector is a sign of the sector's re-birth and continued growth. This compares to 34% of Albertan respondents, 32% of British Columbian respondents and 29% of Ontarian respondents.



Base: All respondents (n=546)
Do you believe the recent rebound of Canada's manufacturing sector is...?

Canadian Manufacturing

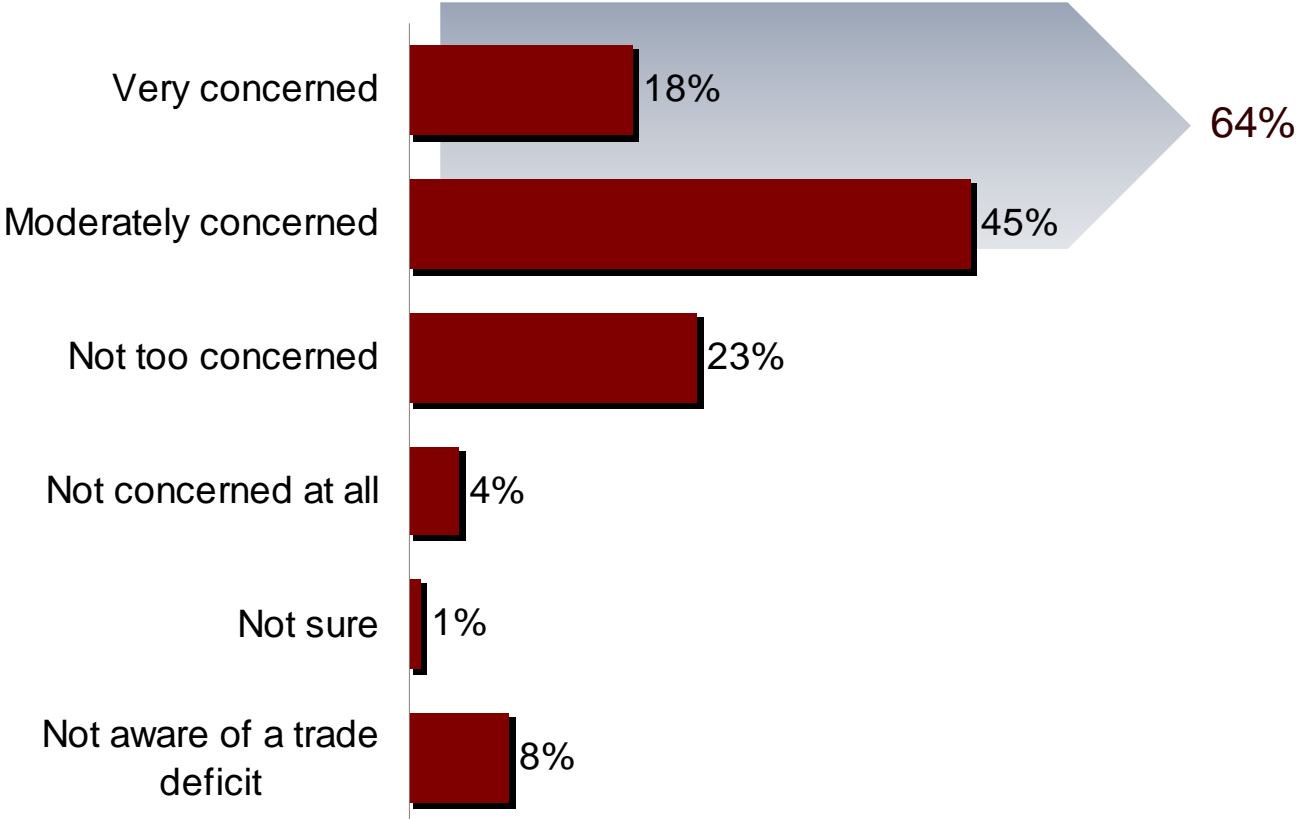
- More than two-in-five respondents indicate that 'high quality' is the best descriptor of Canadian manufacturing.
- However, not far behind are those who feel that 'high cost' is the best descriptor.
- Interestingly, 48% of Albertan respondents and 46% of Ontarian respondents say 'high quality' compared to 37% of Quebec respondents and 39% of British Columbian respondents.



Base: All respondents (n=546)
Which of the following do you think best describes Canadian manufacturing?

Concern Over Trade Deficit

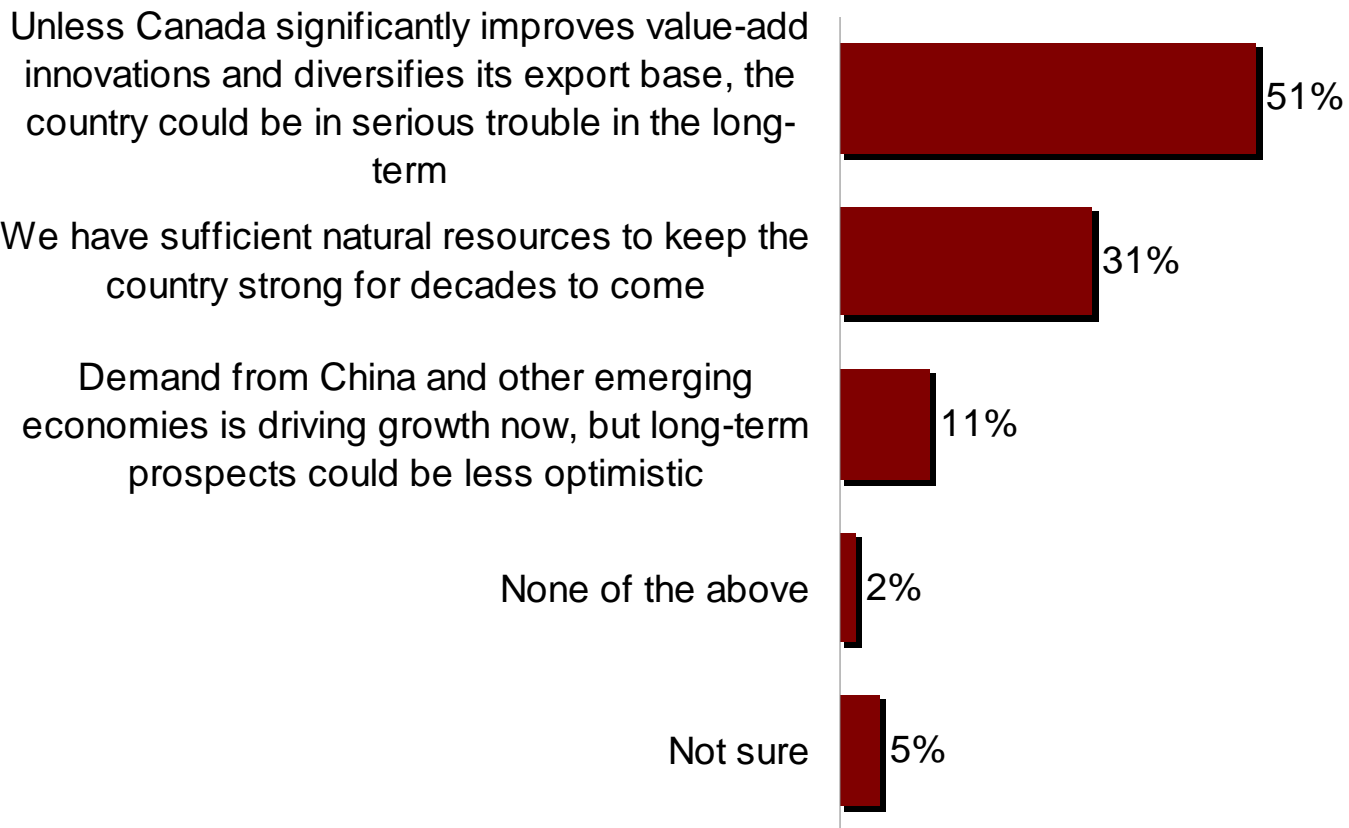
- Almost two-in-three respondents are concerned over the past year's trade deficit, although most are only 'moderately concerned'.
- Respondents from Quebec (69%) are more concerned than respondents from Alberta (59%).



Base: All respondents (n=546)
For the past year, Canada has been experiencing its first trade deficit in more than a generation. How concerned are you about this development?

Reliance on Natural Resource-Based Exports

- Just over half of respondents see serious trouble for Canada long term, unless we significantly improve value-add innovations and diversify the export base.
- 38% of Ontarian respondents and 37% of Albertan respondents feel that 'we have sufficient natural resources to keep the country strong for decades to come'. This compares to 28% of Quebec respondents and 21% of British Columbian respondents who also selected this statement. Regardless, a majority in all four of these provinces believe that 'unless Canada significantly improves value-add innovations and diversifies its export base, the country could be in serious trouble in the long-term'.



Base: All respondents (n=546)

Thinking about Canada and its traditional reliance on natural resource-based exports, which of the following statements best reflects your opinion?

Canada's Export Strengths

- Over half of respondents mention the value of the Canadian dollar as impacting the future strength of Canada's export sector. Slightly less than half mention a rise in U.S. consumer confidence, and no other response receives mention from more than one-in-five respondents.
- Interestingly, Ontarian respondents (13%) are less likely than those in Alberta (19%), British Columbia or Quebec (both 21%) to think the future strength of Canada's finished goods export sector will depend on the value of the Chinese Yuan in international markets.

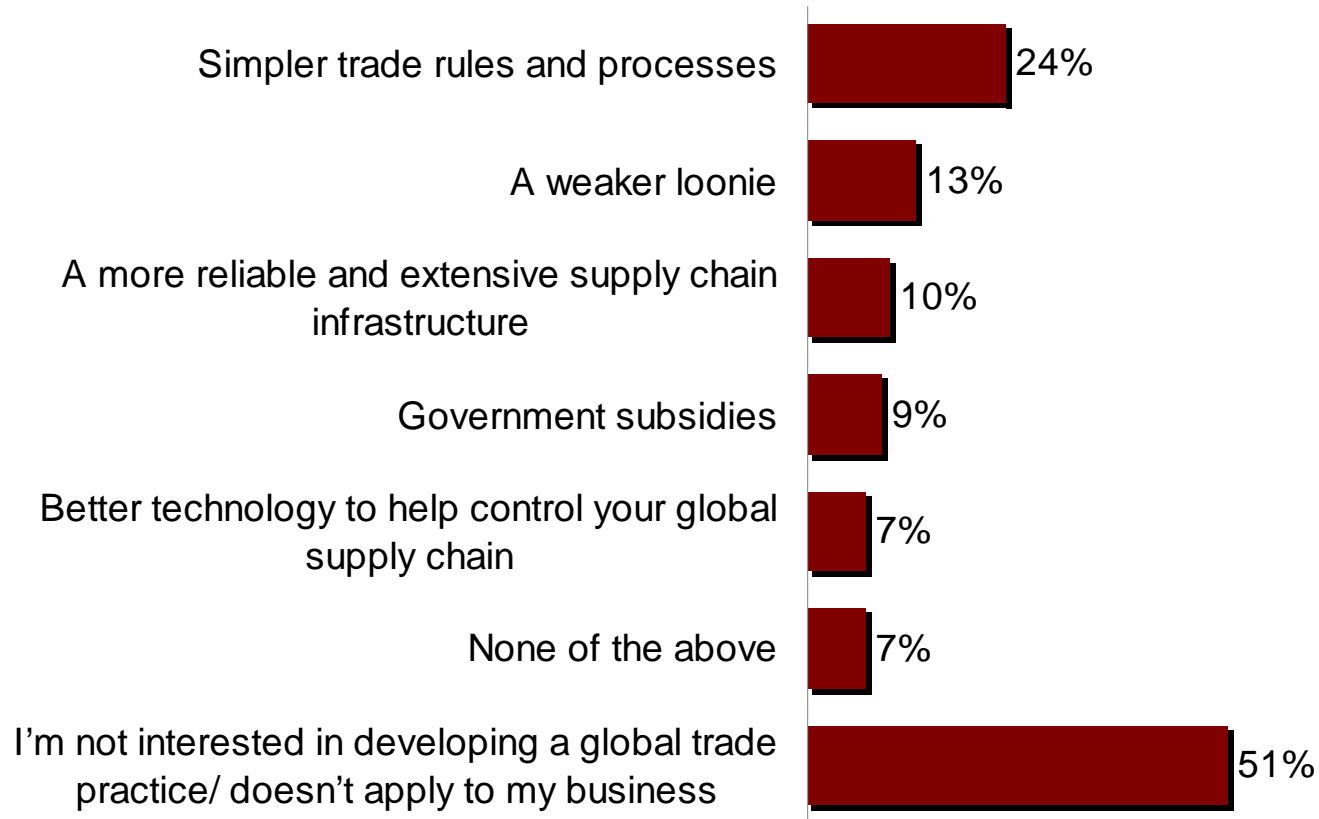


Base: All respondents (n=546)

What do you think the future strength of Canada's finished goods export sector will depend upon?

Development of Global Trade Practices

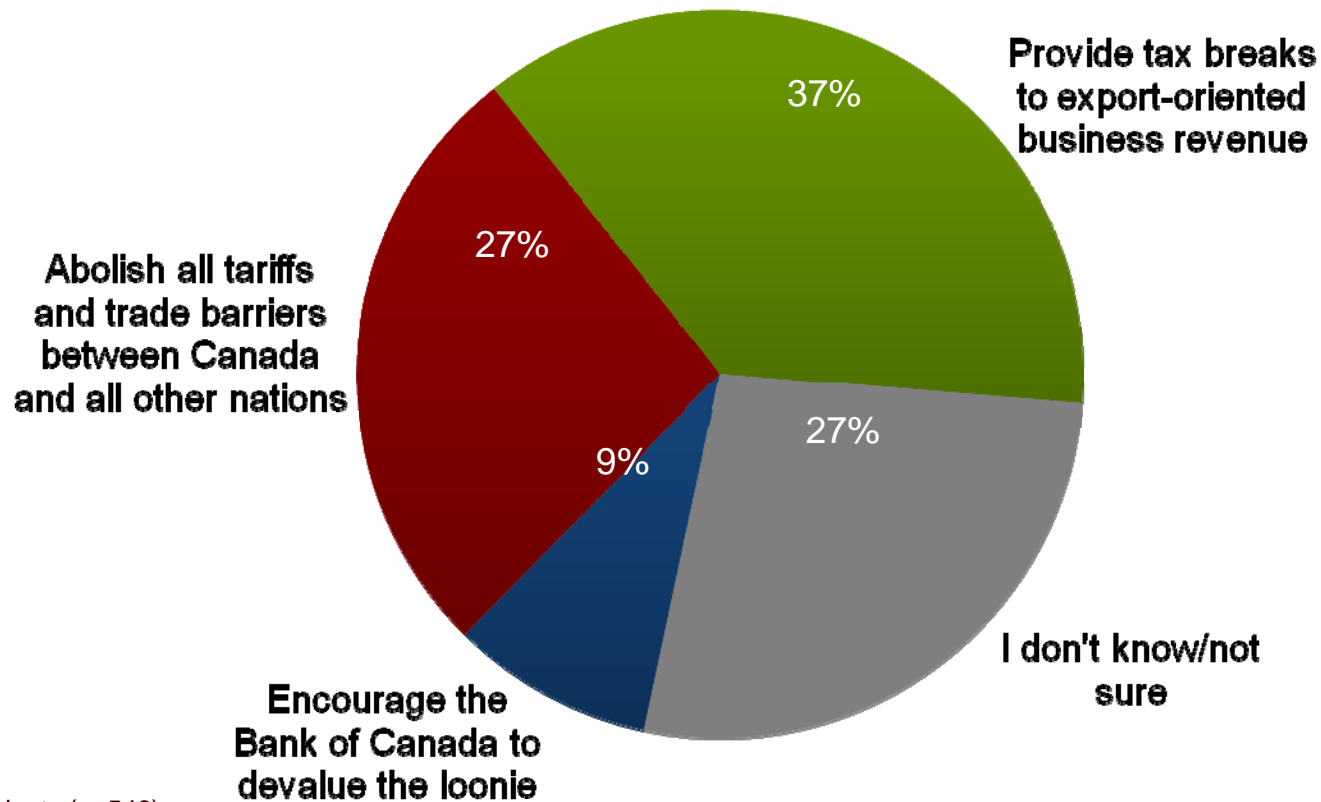
- One-in-four indicate that simpler trade rules and processes would help them develop their global trade practices.
- There are half of respondents who are not interested in global trade or do not feel it applies to their business.



Base: All respondents (n=546)
Which of the following would help you initiate or further develop your global trade practices?

Stimulants for Global Trade

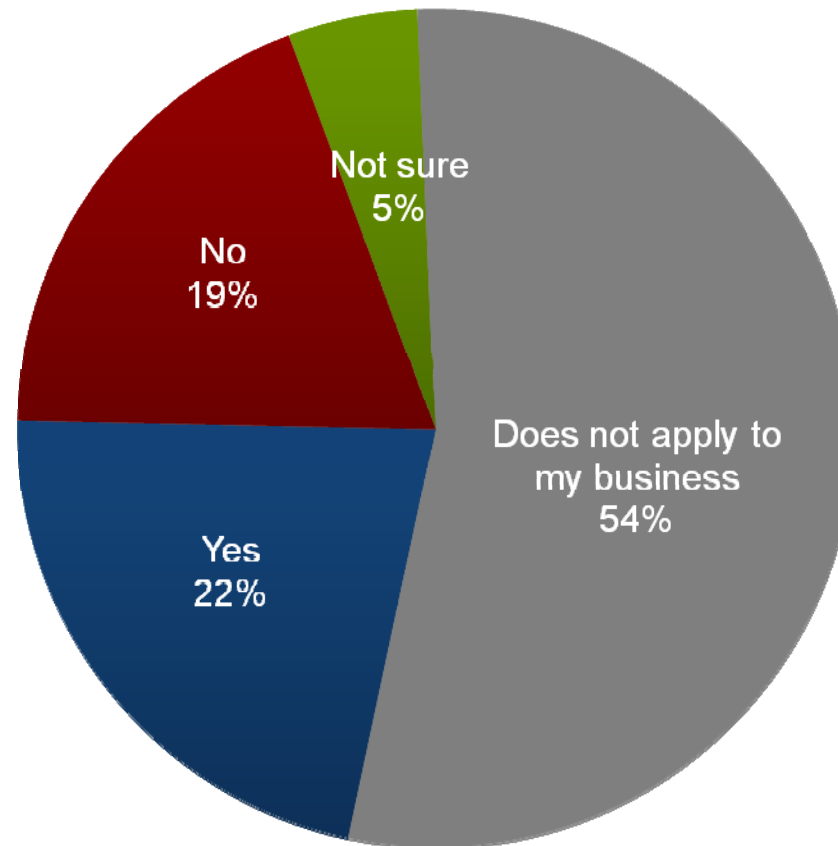
- A plurality of respondents would recommend that the Minister of Trade provide Canadian tax breaks to export-oriented business revenue. However, a smaller but significant number of respondents would rather abolish all tariffs and trade barriers. Few respondents would choose to encourage the Bank of Canada to devalue the Canadian dollar.
- Quebec respondents (44%) are significantly more likely than Ontarian respondents (17%) to say that they would 'abolish all tariffs and trade barriers between Canada and all other nations'. On the other hand, Ontarian respondents (49%) are significantly more likely than Quebec respondents (30%) to say that they would 'provide tax breaks to export-orientated business revenue'.



Base: All respondents (n=546)
If you were the Minister of Trade, what would you do to stimulate global trade among Canadian businesses?

International Competition

- Most businesses feel that competition in international markets does not apply to them.
- Those respondents who do feel it applies are split as to whether they can compete in international markets with businesses from China, India and Brazil.

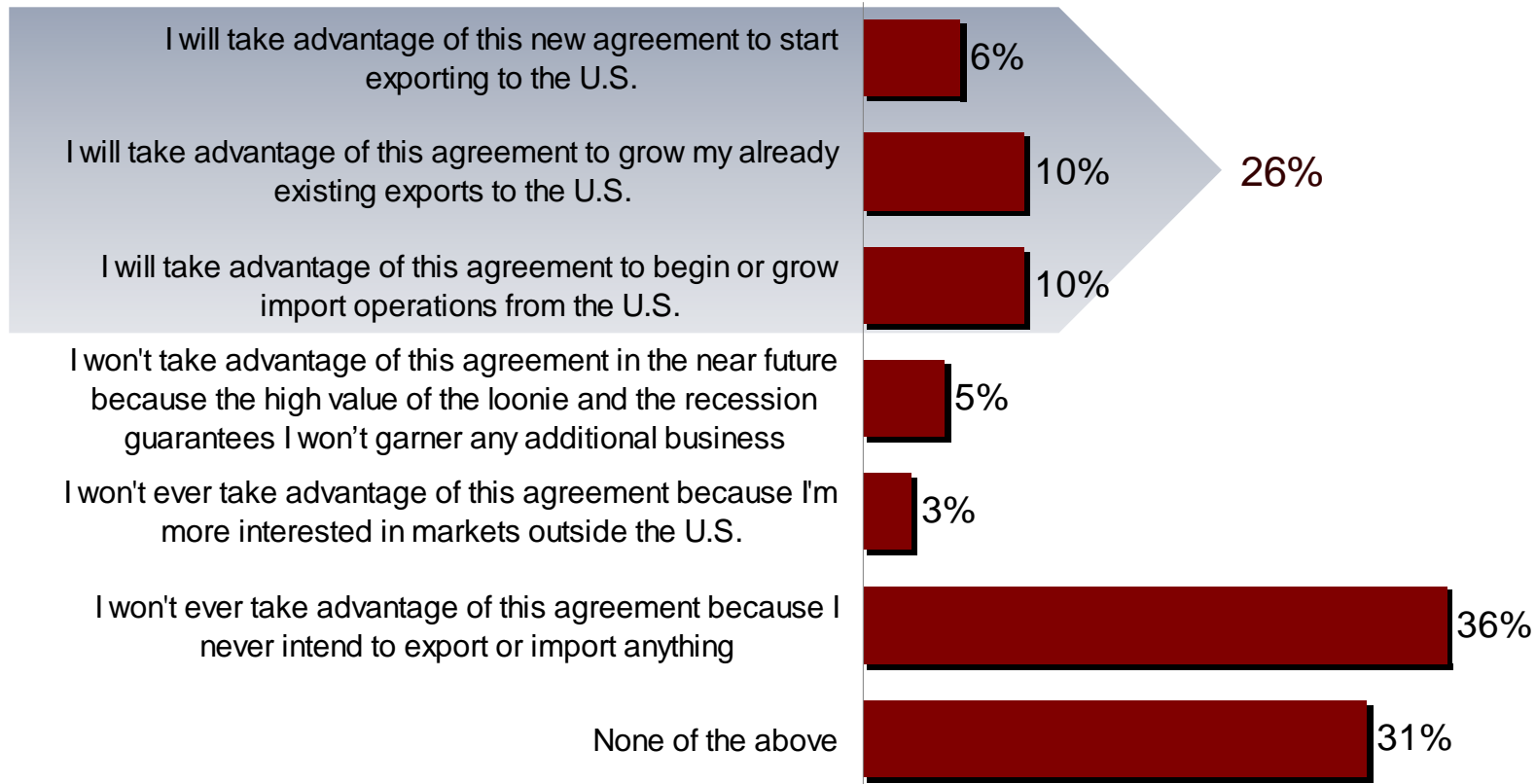


Base: All respondents (n=546)

Do you think your business can compete in international markets with similar sized businesses from China, India and Brazil?

Impact of Canada – U.S. Trade Agreement

- Again, most respondents aren't interested in exporting, or perhaps don't feel it applies to their business.
- Among those who are interested, most will take advantage of this new U.S. agreement to start or grow import/export business with the United States.

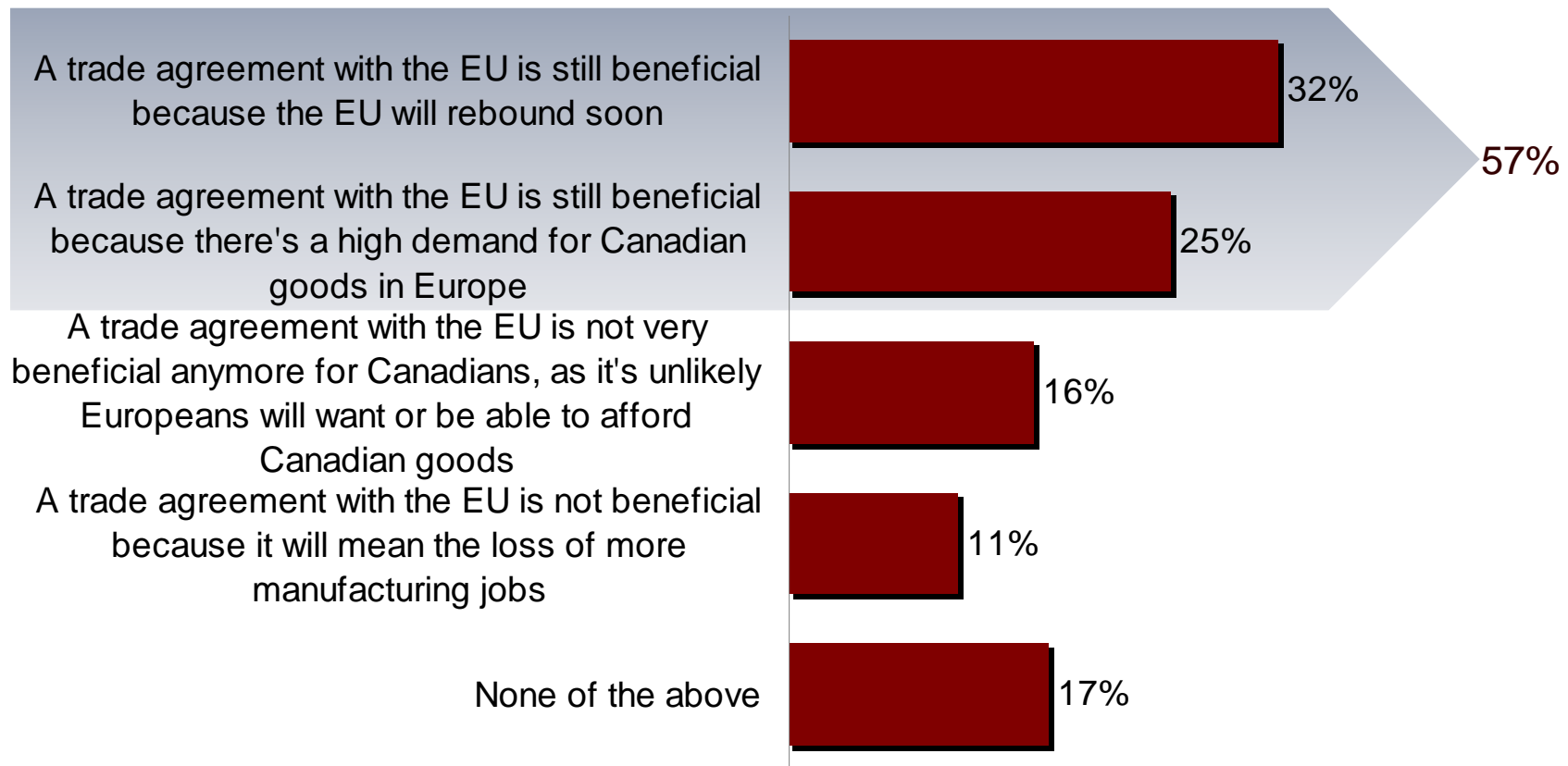


Base: All respondents (n=546)

The Canadian and U.S. governments are currently working on an agreement that would help ease the flow of goods across the Canadian-American border. Please select the statement that best describes how this would impact your business:

Impact of Canada – EU Trade Agreement

- A majority of respondents indicate that an EU trade agreement will be beneficial to Canadian business.
- Respondents from Alberta (21%) are more likely than respondents from Ontario (14%), British Columbia (14%) or Quebec (12%) to think that 'a trade agreement with the EU is not very beneficial anymore for Canadians, as it's unlikely Europeans will want or be able to afford Canadian goods'.

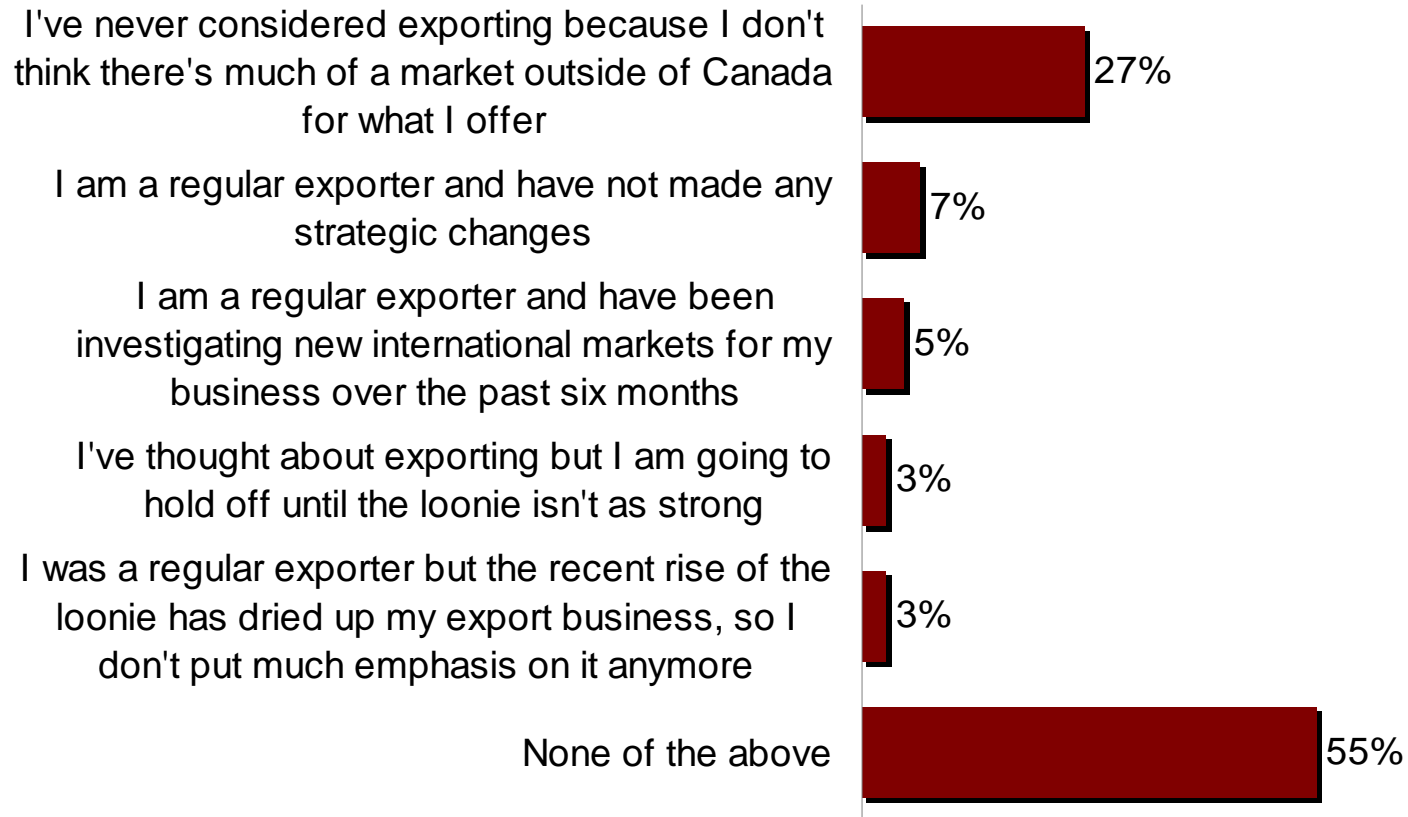


Base: All respondents (n=546)

Canada and the European Union have been in talks for some time about the development of a Canada-EU free trade agreement. With the loonie now on the rise and the Euro in turmoil, do you think?

Recent Business Export Experience

• Few respondents indicate they are current or recent exporters.



Base: All respondents (n=546)
Please choose the statement that best describes your business in the past six months.