



Highlights of [GAO-09-144](#), a report to Chairman, Committee on Finance, U.S. Senate

## Why GAO Did This Study

Federal and state trade promotion activities are intended to help U.S. firms compete successfully in foreign markets. Small and medium-sized enterprises (SME)—firms with fewer than 500 employees—represent a key segment of exporting firms. GAO was asked to determine (1) the relationship between the Department of Commerce’s (Commerce) U.S. Commercial Service (CS) and states’ trade offices’ export promotion programs, (2) CS’s methodology and practices for determining costs and establishing user fees for export promotion services, and (3) how CS’s user fees affect SMEs’ use of its programs.

GAO conducted a survey of states’ trade offices and reviewed data such as export promotion budgets and fees, program information, government standards, and user fee studies. GAO met with officials from Commerce, the State International Development Organizations, six states’ trade offices, and others.

## What GAO Recommends

GAO recommends that Commerce (1) improve CS procedures for determining costs and setting user fees for export promotion services and (2) collect and process more reliable information about its customers to better understand demand for CS services and how the user fees affect customers. Commerce concurred with our recommendations.

View [GAO-09-144](#) or key components. To view the survey results, click on [GAO-09-148SP](#). For more information, contact Loren Yager at (202) 512-4347 or [yagerl@gao.gov](mailto:yagerl@gao.gov) and Stan Czerwinski at (202) 512-6520 or [czerwinski@gao.gov](mailto:czerwinski@gao.gov).

## EXPORT PROMOTION

### Commerce Needs Better Information to Evaluate Its Fee-Based Programs and Customers

#### What GAO Found

Both CS and most states’ trade offices provide various types of export promotion services. However, states have limited resources and scope when compared with CS’s \$235 million budget and large overseas staff. Thus, most states responding to GAO’s survey reported that CS’s services are important to their export promotion capabilities. State offices often partner with CS on trade missions and other activities. CS and most states focus their efforts on encouraging SMEs to participate in their programs, but user fees can influence whether firms choose to access export promotion services. CS lowers fees for SME exporters, but about a third of the states said they provide grants or payments to defray firms’ costs and facilitate access to CS’s programs.

CS needs better information to maximize the efficient and effective operation of its programs and to ensure that there is a sound basis for setting fees. CS set user fees in May 2008 guided by the Office of Management and Budget’s (OMB) full cost recovery policy. However, CS has had a yearly legislative exemption from having to recover full costs through its fees and attempted to recover only a portion of the full cost of its export promotion services. CS did not support and document the methodology and assumptions it used to determine costs and cannot ensure its cost information is consistent and reliable and in accordance with government standards. GAO found significant instances where CS used incomplete and potentially inaccurate data. Complete and accurate full cost information would assist CS and the Congress in making decisions about resource allocations, evaluating program performance, and improving program efficiency. Finally, CS did not document how it established the lower user fees for SMEs and cannot show how the fees it charges different firms for each service link to costs.

The extent to which CS’s user fees affect SMEs’ use of its export promotion programs is unclear. CS lacks reliable and sufficient data to evaluate its customer base and needs to ensure it charges firms the right fees. CS lacks reliable historical data on fees charged, firm size and status, and purchases by location and type. CS is taking steps to better evaluate its customer base. GAO’s survey showed that most states reported the 2008 user fees to be reasonable but thought fees charged SMEs for some services were too high when compared with those charged by private sector providers. CS projects an increase in SMEs’ demand for its services, but the projection is not based on any analysis of historical data. Relevant studies and other sources suggest that the types of services CS offers compared with other providers, the level of individualized attention provided, and service quality are factors that also affect SMEs’ choice to use CS’s services.