Statistics Canada Statistique Canada

17th Voorburg Group Meeting on Services Statistics
2002 Progress Report from Canada

1. Classification of Service Activities (and Products)

1.1) Development of classifications

Over the last 3 years, the Standards Division of Statistics Canada dedicated a lot of effort into the development and integration of the Unified Enterprise Survey (UES) conceptual and statistical model in the context of the Project to Improve Provincial Economic Statistics (PIPES). PIPES was launched in 1998.

Standards Division is currently working on the development of service universe within the North American Industrial Classification System (NAICS) with its two partners (United States and Mexico). Phase 1 of the project was to develop 4 specific NAICS sectors (information, financial services, administrative support). Phase 2, presently underway is aiming at standardizing the following five service sectors:

- Transportation
- Restaurant
- Arts, entertainment and leisure
- Health and
- Education

Service surveys were aligned with the Central Product Classification (CPC). The service categories for expenditures (demand side) were further developed and normalized. There is a concern of an increased response burden due to the number of categories. CPC sector 51 was re-organized to incorporate the Internet industry. Sector 23 (Construction) was re-organized as well.

A “Charter of Accounts” was also developed with the assistance of the Canadian Institute of Chartered Accountants (CICA). The Charter defines standardized financial statements (Income, Expenditures and Balance Sheet) and is based on the nature of industry (typical financial statements for Services industry). The Charter is being used as the financial model and in development of surveys.

1.2) Demand for services

Work was done on the development of a classification structure based on demand for services (and for products) and grouped according to their consumption levels. The ultimate goal is to harmonize the demand structure with our two major partners (United States and Mexico). The objective of this project is to cover the entire universe of services (Services from business to consumers and services from business to business).

1.3) Service Industries Division's Surveys

Service Industries Division assured the transition of many service surveys to the new UES environment (see list of current service surveys - Appendix I).

On February 2, 1999, the statistical agencies of Canada, the United States, and Mexico agreed to develop a comprehensive and integration North American Product Classification System (NAPCS). This follows on the heels of the finalisation of the North American Industry Classification System in 1997. Both systems are designed to improve statistical comparability among the three countries of the North American Free Trade Area (NAFTA), signed in 1994.

The North American Product Classification is designed to be “market-oriented or demand-based”.

Products are being developed in stages by industry. Work began in the Information and Cultural industries (Sector 51), Professional, Scientific and Technical Services (54), Administrative and Support Services, Waste Management and Remediation (56) Sectors. The following schedule was adopted for SID industries:

Of particular note, service products have been developed for the following industries:

5142 – Data processing services
5412 –Accounting, tax preparation, bookkeeping, and payroll services
5413 -- Architectural, Engineering, and Related Services
5414 -- Specialised Design
5415 – Computer systems design and related services
5616 -- Management, scientific and technical consulting services
5617 -- Scientific R&D.

Work underway (2002 to 2004):

722 -- Food Services
721 -- Accommodation
71 – Entertainment
62 – Health Services
61 – Education Services

2. Producers Price Indexes for Services (PPI for Services)

The Services Unit of Prices Division (Statistics Canada) currently collects and generates price indexes for the following services:

- Accounting services (some regional groupings and Canada)
- Informatics and Professional Services (Canada)
- Consulting-Engineering Services (provinces and Canada)
- Telecommunications - long distance (Canada)

- Traveller Accommodation (provinces and Canada)

The Services Unit is also developing new service price indexes and improving existing ones.

2.1) Accounting Service Price Indexes

The Accounting Service Price Indexes were successfully released for the years 1999 and 2000. The indexes include 4 classes of services, which are:
1) Audit, review, related services and other assurance services
2) Bookkeeping, compilation and general accounting services
3) Tax preparation services for corporate clients and
4) Tax preparation services for individuals and unincorporated businesses
The data collection was somewhat difficult. The survey respondents did not quite understand the pricing approach (based on engagement price). The concepts and collection methodology are under review.

2.2) Informatics Professional Services Price indexes

The Informatics Professional Services Price indexes, which only include the Computer Systems and Related Services (541510 of the North American Industry Classification System - NAICS) will be expanded by two business activities:
1) Software publishers - including package software and publishing (NAICS 511210)
2) Data processing, hosting and related services (NAICS 518210)

This is directly connected to the high demand for Information and Communication Technology (ICT) indicators by the National Accounts.

2.3) Indexes in development (2002-2004)

The indexes for non-residential rents (NAICS72112 - Renting and leasing services involving own or leased non-residential property) are being developed at this moment. The indexes will be available by classes of building. The data is already collected. We obtained the information and are presently analysing and generating some preliminary quarterly indexes.

Indexes covering the couriers (&local messengers) and for-hire trucking are presently under development.

3. Information and Communication Technology (ICT)

There is a growing demand for statistical information on what business analysts and economists have termed the New Economy. Much of the research and policy interest in this area has centred on the growth and development of Information and Communication Technology (ICT) industries, and the impact of ICT investments on different aspects of macroeconomic performance, such as output and productivity growth.

Acting upon directives from senior management, efforts are currently underway within the System of National Accounts (SNA) to produce statistical products that provide data users with more insight into the technology revolution. To support these efforts, the SNA Working

Group on New Economy Statistics was established to help facilitate the development of a consistent approach to measuring the industrial and commodity dimensions of the ICT economy.

The principal objective of the Working Group is to agree upon consistent ICT definitions that will enable individual SNA Divisions to produce statistics for the ICT economy. This involves several major tasks:

(1) Agreement on which industries should be used to define the ICT sector;
(2) Agreement on which goods and services should be included in a commodity-based definition of the ICT economy;
(3) Agreement on the relationship that should exist between the ICT industry classification and the ICT commodity classification.

The Science, Innovation and Electronic Information Division (SIEID) of statistics Canada focuses on the development of statistical measures and indicators that facilitate the analysis of the economic and social impacts of the following activities (Please refer to Appendix II for most recent releases):

<u>Science & Technology Science and Technology Activities</u>
Industrial Research & Development
Human Resources and Intellectual Property
Advanced Technologies
Innovation
Biotechnology and
Technology Use

<u>Connectedness E-Commerce</u>
Telecommunications
Broadcasting
Information Society, Research and Analysis

4. Financial Statistics on Services

Present administrative/survey quarterly sources of financial information for the services sector and their respective NAICS coverage:

- Banking and other depository credit intermediation 52211, 52219
- Non-depository credit intermediation 5222
- Credit unions 52213, 52232
- Direct life, health and medical insurance carriers 52411
- Direct insurance (except life, health and medical) carriers 52412
- Reinsurance carriers 52413
- Agencies, brokerages and other insurance related activities 5242
- Loan brokers and other financial Investment 52231, 52239, 523
- Real estate 531
- Other rental companies 532, 533
- Computer systems design and related services 5415
- Professional, scientific and technical services (except computer systems design) 5411 - 5414, 5416 - 5419

- Management of companies and enterprises 55
- Administrative and support, waste management and remediation services 56
- Educational services 61
- Health care and social assistance 62
- Arts, entertainment and recreation 71
- Accommodation and food services 72
- Other services (except public administration) 81

4.1) Financial Services Sector Activities (1999 to 2001)

4.1.1) Quarterly Survey of Financial Statistics for Enterprises (also known as the QFS)

This sample survey of large enterprises collects on a quarterly basis financial statements prepared by incorporated businesses to record their financial position and performance. The data include asset, liability and equity items encompassed in a quarterly balance sheet as well as revenue and expense items from the income statement along with additional supplementary items. The survey provides a wide coverage of financial and non-financial industries outside the public administration and government business enterprises sectors and includes several services industries.

The survey was extensively redesigned between 1998 and 1999 to allow among other things for the conversion to the North American Industrial Classification (NAICS), the adoption of Statistics Canada's Business Register as survey frame, and to allow other procedural and methodological changes to align the program to Statistics Canada's new Unified Enterprise Survey model. As part of this initiative the survey's coverage of financial industries was expanded slightly to include investment funds industries and asset back securities (ABS). Additional variables were also added to allow for the calculation of value added.

4.1.2) Annual Financial and Taxation Statistics for Enterprises (also known as the UES part 1)

The data presented under this annual program comprise financial statements typically prepared by incorporated businesses to record their financial position and performance. The data include: asset, liability and equity items encompassed in a balance sheet, revenue and expense items as reported on an income statement, along with several common financial performance ratios. Beginning with the 1999 reference year, the Financial & Taxation Statistics for Enterprises program has undergone numerous significant changes which affect both the comparability and the historical continuity of the published statistics. Changes in industrial classification, methodology, data sources as well as content have all been introduced. Data are now collected and compiled on the basis of the North American Industrial Classification System (NAICS). Moreover, the data are compiled for the entire incorporated business population as depicted on Statistics Canada's Business Register. Such a census is made possible by supplementing data collected through Statistics Canada's Quarterly Survey of Financial Statements (QFS) and the survey of provincial or federal level government business enterprises, with administrative (tax) data available from Canada Custom & Revenue Agency (CCRA). Content has been affected in two ways. First, the taxation component of the historically published data was not available for reference year 1999; it will however be reintroduced for the 2002-reference period in our effort to meet the 15-month release deadline for 2001. Second, although the financial data are still presented in the basic format of a balance sheet and income statement, certain detail items have changed.

4.1.3) Survey of Suppliers of Business Financing

This new survey was developed in partnership with Industry Canada and the Department of Finance as part of a larger program of information relating to financing for small- and medium-sized enterprises. Statistics Canada undertook this survey covering reference year 2000 with results released January 29, 2002. The first survey results indicated that Canadian businesses employ far more debt financing than other forms of financing such as leasing, with the domestic banks accounting for the largest proportion of total debt outstanding to businesses across all authorization sizes, all provinces and almost all industries. Excluded from the survey were governments, other public sector organizations, not-for-profit organizations, informal suppliers and foreign suppliers.

4.1.4) Survey of Deposit-accepting Intermediaries

The Annual Survey of Deposit-accepting Intermediaries was developed in order to measure economic value-added aligned with Statistics Canada's definitions and in line with the System of National Accounts 1993. The survey measures value-added production and labour data by major activity at the national level. Data are available from 1996 to 2000 with 2001 to be released this autumn. The data are of industry interest with its macro-economic overview of both federally and provincially based units in sample. The data also provides the financial sector benchmark for the e-commerce survey.

4.1.5) Special Studies 2001

- Property and Casualty Insurance: In the fall of 2001, we released information on consolidation in Canada's property and casualty insurance industry in the 1990s. The study found that the industry has grown since 1988, despite a decline in the number of insurers. The number of foreign-controlled insurers fell the fastest, but they increased their overall share of the Canadian market. Consolidation in the industry has resulted in an increased concentration of market share under the biggest insurance company groups but that the consolidation is not solely related to the economies of scale, as smaller insurers focussing on niche markets have competed favorably. Large insurers have increased their focus on automobile insurance, medium-sized insurers have swayed away from automobile insurance to focus on property and 'other' insurance. The smallest insurers focus mainly on property and 'other' niche lines and underwrite very little automobile insurance.

- Life and Health Insurance: The second study of the insurance industry was published January 25, 2002. It focussed on the life and health insurance industry amidst a changing financial services landscape. The steady expansion of the industry throughout the 1990's was due more to regulatory and demographic influences than to economic cycles. The paper concluded that during the restructuring of the industry throughout the decade, declines in employment levels were less dramatic in the life and health insurance industry than for deposit-accepting intermediaries due to the nature of the services offered and the technologies used to deliver them. The evidence of industry consolidation is clear with a net decline in the number of firms offering these services, while the industry's output has grown. At the same time, the paper concluded that equity for the largest firms has risen as mergers and acquisitions have taken place.

- Effects of Mergers and Acquisitions on Foreign Control: Mergers and acquisitions have had a significant influence on the structure of the Canadian economy, notably in the energy, wood and paper industries, but have had a relatively minor role in changing levels of foreign control. The modest annual increase in foreign control was not so much due to mergers and acquisitions activity, but rather to the organic growth of foreign controlled firms already in Canada. The majority of mergers and acquisition activity involving foreign firms consisted of foreign controlled firms purchasing Canadian assets from other foreign controlled firms. Finally, as might be expected, the United States remains the most active participant in mergers and acquisitions, with the European Union a distant second.

4.2) Plans and challenges (2002-2004)

4.2.1) Relating to the Quarterly Financial Survey and the Annual Financial and Taxation Statistics Programs coverage of the services sector

The preponderance of small companies in the services sector results in our estimates being more influenced by administrative tax sources and their inherent shortcomings that are continually being addressed. This is not the case for other industries where large enterprises tend to dominate and therefore the contribution of survey data to the overall estimate is greater. The challenge is to continually improve the efficacy of tax data.

- In response to examining the evolving modalities of the financial sector, we are undertaking a concerted effort at identifying new and changing data requirements in the financial sector. The Financial Sector Data Gap Initiative will involve soliciting clients and partners with a view to improving and in some cases adapting to new data requirements imposed by the changing structure of the industry. The traditional typology of the statistical enterprise and establishment model and the permitted emergence of financial sector holding companies under regulatory changes, is leading us to review of this typology and to assess the implications for data collection.

- Survey of Deposit-accepting Intermediaries: Two areas are being examined with respect to this survey. 1) To investigate a means by which sub-national (i.e. provincial) detail may be estimated and 2) To use this survey as a test model representing the financial sector for the adoption of an extensible business report language (XBRL) compliant survey collection regime.

- Survey of Suppliers of Business Financing: Plans and challenges for this survey include increasing the periodicity of the survey from annual to quarterly. A challenge will be to develop and undertake a strategy to survey public sector organizations for their contribution to business financing.

5) Non profit Institutions

Statistics Canada recently obtained the financing to conduct one or possibly many surveys of non-profit and charitable organisations in Canada, looking for information on the size, employment, finances and technology of these organisations.

Verifying contact information and gathering stratification variables is planned to start in the middle of September and October 2002. Collection of the survey is planned for the spring of 2003.

6) Short Term Indicators

The Business Condition Survey, which is covering a sub sample of the current monthly survey of manufacturing will be expanded to cover a number of other industries (such as trade and services).

Appendix I – Current Service Surveys

1. Annual Motor Carriers of Freight Survey, Private Trucking
2. Annual Survey of Advertising and Related Services
3. Annual Survey of Architectural Services
4. Annual Survey of Automotive Equipment Rental and Leasing
5. Annual Survey of Commercial and Industrial Machinery and Equipment Rental and Leasing
6. Annual Survey of Consumer Goods Rental
7. Annual Survey of Employment Services, 1997
8. Annual Survey of Engineering Services
9. Annual Survey of Investigation and Security Services
10. Annual Survey of Leasing
11. Annual Survey of Personal Services
12. Annual Survey of Professional Accountants
13. Annual Survey of Service Industries: Real Estate Agents, Brokers, Appraisers and Other Real Estate Activities
14. Annual Survey of Service Industries: Real Estate Rental and Leasing and Property Management
15. Annual Survey of Service Industries: Surveying and Mapping
16. Annual Survey of Service Industries: Accounting and Bookkeeping
17. Annual Survey of Service Industries: Employment
18. Annual Survey of Service Industries: Food Services and Drinking Places
19. Annual Survey of Service Industries: Management, Scientific and Technical Consulting
20. Annual Survey of Service Industries: Newspaper Publishers
21. Annual Survey of Service Industries: Repair and Maintenance Services Excluding Automotive
22. Annual Survey of Service Industries: Specialized Design
23. Annual Survey of Service Industries: Translation and Interpretation Services
24. Annual Survey of Services to Buildings and Dwellings
25. Annual Survey of Software Development and Computer Services
26. Annual Survey of the Insurance Business in Canada
27. Annual Survey of Traveller Accommodation
28. Bus Passenger Origin-Destination Survey
29. Canadian National Railways and Canadian Pacific Limited
30. Census of Trusteed Pension Funds
31. Data Availability Survey of the Use and Procurement of Services by Businesses, 1990 and 1996
32. Engineering and Scientific Services
33. For-Hire Trucking Survey
34. Funeral Directors
35. Intercity and Rural Passenger Bus Survey - Monthly
36. Monthly Restaurants, Caterers and Taverns Survey
37. Passenger Bus Statistics - Annual
38. Passenger Bus/Urban Transit Survey - Annual
39. Passenger Bus/Urban Transit Survey - Quarterly
40. Quarterly Estimates of Trusteed Pension Funds
41. Quarterly Motor Carriers of Freight Survey
42. Quarterly Survey of Financial Institutions
43. Survey of Business Service Industries

44. Survey of Real Estate Rental and Leasing and Property Management (1995)
45. Survey of Technology Diffusion in Service Industries
46. Survey of the Couriers and Local Messengers Industry
47. Survey on Aircraft Repair and Overhaul Sector
48. Transborder Trucking survey
49. Truck Use Survey 1989
50. Urban Transit Survey - Monthly

Appendix II – Most Recent Releases

Date	Title
03/09/2002	High-speed Internet by cable, 2001
06/06/2002	Embracing e-business: Does size matter?
24/04/2002	Telecommunications statistics, Fourth Quarter 2001
15/04/2002	Telecommunications statistics Fourth quarter 2001(Notice)
02/04/2002	Electronic commerce and technology, 2001
15/02/2002	Innovation analysis bulletin, Vol. 4, no. 1, January 2002
04/01/2002	Telecommunications statistics, Third quarter 2001
21/12/2001	Telecommunications statistics, Third quarter 2001 (Notice)
17/12/2001	Information and communications technologies
20/11/2001	Broadcasting and telecommunications
09/11/2001	Telecommunications statistics, second quarter 2001
31/10/2001	Innovation Analysis Bulletin, October 2001
29/10/2001	Telecommunications statistics, 1999
23/10/2001	E-commerce: Household shopping on the Internet, 2000
15/10/2001	Electronic commerce and technology use, 2000
28/09/2001	Telecommunications statistics, first quarter 2001
30/08/2001	Household Internet Use Survey, 2000
24/08/2001	Internet Use among Older Canadians, 2000
03/08/2001	Telecommunications services, 1999
02/08/2001	Cable and wireless program distribution, 2000
26/07/2001	Household Internet Use Survey, 2000
11/07/2001	Broadcasting and telecommunications service bulletin, July 2001, Vol. 31, no, 2
10/07/2001	Private Radio Broadcasters, 2000
04/07/2001	Private television broadcasters, 2000
29/05/2001	Innovation Analysis Bulletin, May 2001
29/05/2001	Radio and television broadcasting
10/05/2001	Telecommunications statistics, fourth quarter 2000
27/04/2001	Networked Canada: The information and communications technology sector, 1993 to 1999 (Paper)
17/04/2001	Broadcasting and telecommunications service bulletin, Vol. 30, no. 4
17/04/2001	Telecommunications statistics, 1998
09/04/2001	Networked Canada: The information and communications technology sector, 1993 to 1999 (Internet)
03/04/2001	Electronic commerce and technology, 2000
23/03/2001	Telecommunications statistics, third quarter 2000
13/03/2001	Innovation Analysis Bulletin
01/03/2001	E-commerce: Household shopping on the Internet, 1999
17/01/2001	Internet by cable
15/01/2001	Telecommunications statistics, second quarter 2000
04/12/2000	Plugging in: Household Internet use
10/11/2000	Information and communications technologies and electronic commerce in Canadian industry
03/11/2000	Telecommunications statistics, first quarter 2000
06/10/2000	Innovation analysis bulletin
28/08/2000	Radio and television

10/08/2000	E-commerce and business use of the Internet
24/07/2000	Telecommunications service providers
26/06/2000	Household Internet Use Survey
08/06/2000	Telecommunications statistics, fourth quarter 1999
30/05/2000	Innovation analysis bulletin