



Output Measurement

for the Commercial and Industrial Machinery and Equipment Rental and Leasing Industry

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Presentation Outline

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- Descriptions and Characteristics of the Industry
 - Industry Classification
 - Market Conditions
- Turnover and output measurement
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- Conclusion



Introduction

- The CIME industry (NAICS 5324) is comprised of establishments engaged in renting or leasing commercial and industrial equipment to clients.
- This industry does not offer financial (capital) leases to its clients; only operational leases.
- Lease or rental terms can vary from daily to 2-3 years.
- It is one of three surveys that cover the rental and leasing services industry (NAICS 532) in Canada. The consumer goods (GOOD) and the automotive equipment rental and leasing (AERL) surveys also collect data about NAICS 532.



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Descriptions and Characteristics of the Industry: Industry Classification

Concordances between the North American Industry Classification System Canada 2017 Version 3.0 and the International Standard Industrial Classification of all Economic Activities Revision 4

ISIC Rev. 4	NAICS Canada 2017 V. 3.0	Explanatory notes
N7730 Renting and leasing of other machinery, equipment and tangible goods n.e.c.	532410 Construction, transportation, mining, and forestry machinery and equipment rental and leasing	Construction (including crane without operator), transportation, mining, and forestry machinery and equipment rental and leasing; airplane rental and leasing without operator; chartering of commercial boats without operator; oil field equipment rental and leasing; railway car leasing (except financial); rental of scaffolding (including mobile platforms)
	532420 Office machinery and equipment rental and leasing	Office machinery and equipment rental and leasing (e.g., computer hardware rental or leasing, except finance leasing or by the manufacturer); computer peripheral equipment, rental and leasing; computer rental or leasing services (except finance); office furniture rental, rental of business machines
	532490 Other commercial and industrial machinery and equipment rental and leasing	Other commercial and industrial machinery and equipment rental and leasing (e.g., agricultural machinery, motion picture production equipment, industrial machinery and equipment, materials handling machinery and equipment, medical equipment, metalworking machinery and equipment, painting equipment, theatrical equipment, except costumes)



Descriptions and Characteristics of the Industry: Industry Classification

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ISIC Rev. 4	NAICS Canada 2017 V. 3.0	Explanatory notes
N7730 Renting and leasing of other machinery, equipment and tangible goods n.e.c.	532120 Truck, utility trailer and RV (recreational vehicle) rental and leasing. Output for this industry is derived from the Annual Survey of Service Industries: Automotive Equipment Rental and Leasing.	Caravans and campers, renting and leasing
	532280 All other consumer goods rental Output for this industry is derived from the Annual Survey of Service Industries: Consumer Goods Rental.	Motorcycles and motor scooters, renting and leasing
	532310 General rental centres Output for this industry is derived from the Annual Survey of Service Industries: Consumer Goods Rental.	Rental or range of commercial and industrial equipment (contractor and builder tools)

No changes are expected for this industry with the next revision of NAICS (2022).



Descriptions and characteristics of the industry: Market conditions

Concentration within the industry

- Whole industry 5324 is partially dominated by 532410 “Construction, transportation, mining, and forestry machinery and equipment rental and leasing”

Horizontal integration

- Large number of small enterprises
- Big part of the turnover is generated by large corporate groups (top 15 account for 30.0% of the industry and top 50 account for just under 50.0% of the industry)
- Major players have successfully acquired smaller businesses over the last few years

Sales by type of client

- Sales to businesses account for approximately 88% in Canada
- Exports represent less than 5%

Descriptions and characteristics of the industry: Market conditions

Level of market concentration for the commercial and industrial machinery and equipment rental and leasing industry, 2019

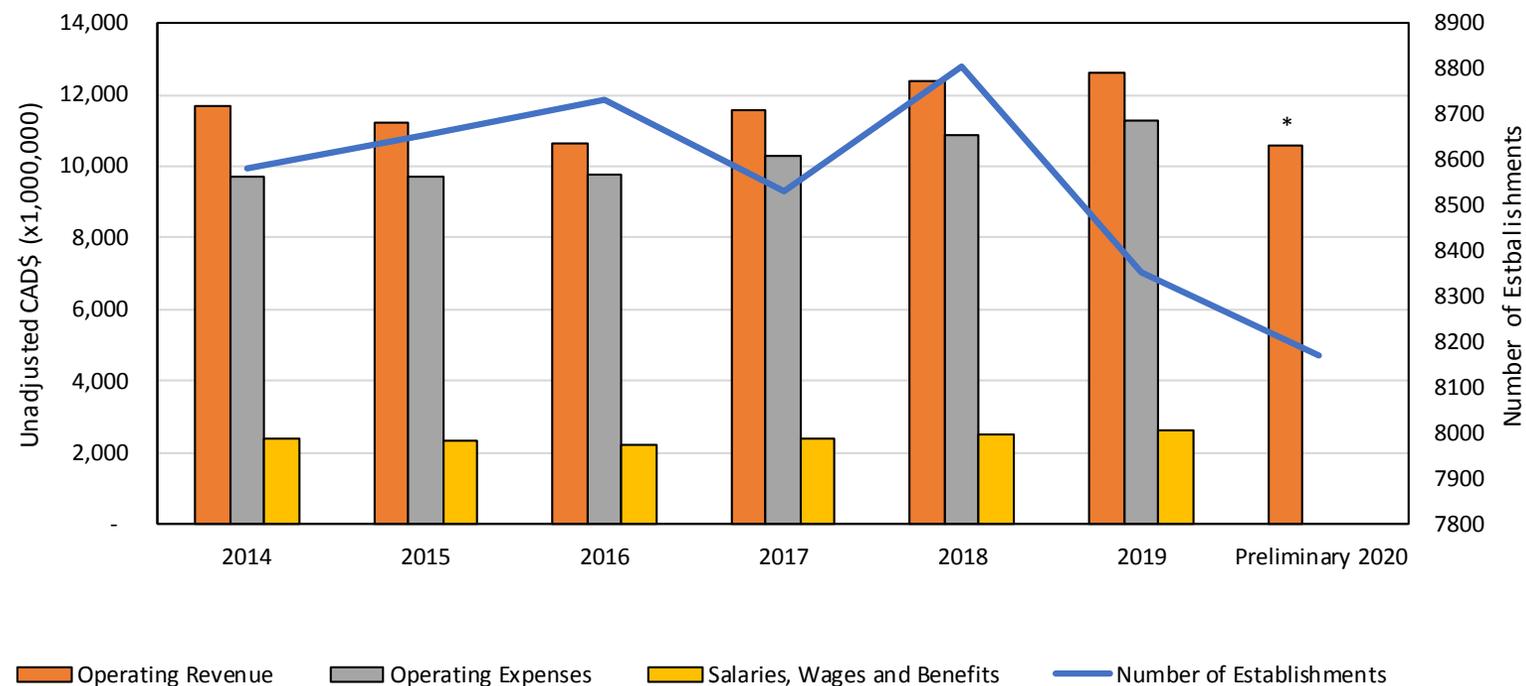
NAICS 5324	Number of establishments	Total revenue (\$)	Revenue of largest firms as percent of total revenue (%)
All firms	8,385	12.6 billion	100.0
50 largest firms	596	6.04 billion	47.9

Source: Statistics Canada [Table 21-10-0009-01 Commercial and industrial machinery and equipment rental and leasing, summary statistics](#); Table 33-10-0304-01 Canadian Business Counts, with employees, December 2020; and [Table 33-10-0305-01 Canadian Business Counts, without employees, December 2020](#).

Descriptions and characteristics of the industry: Market conditions

The pandemic impacted the CIME industry... 

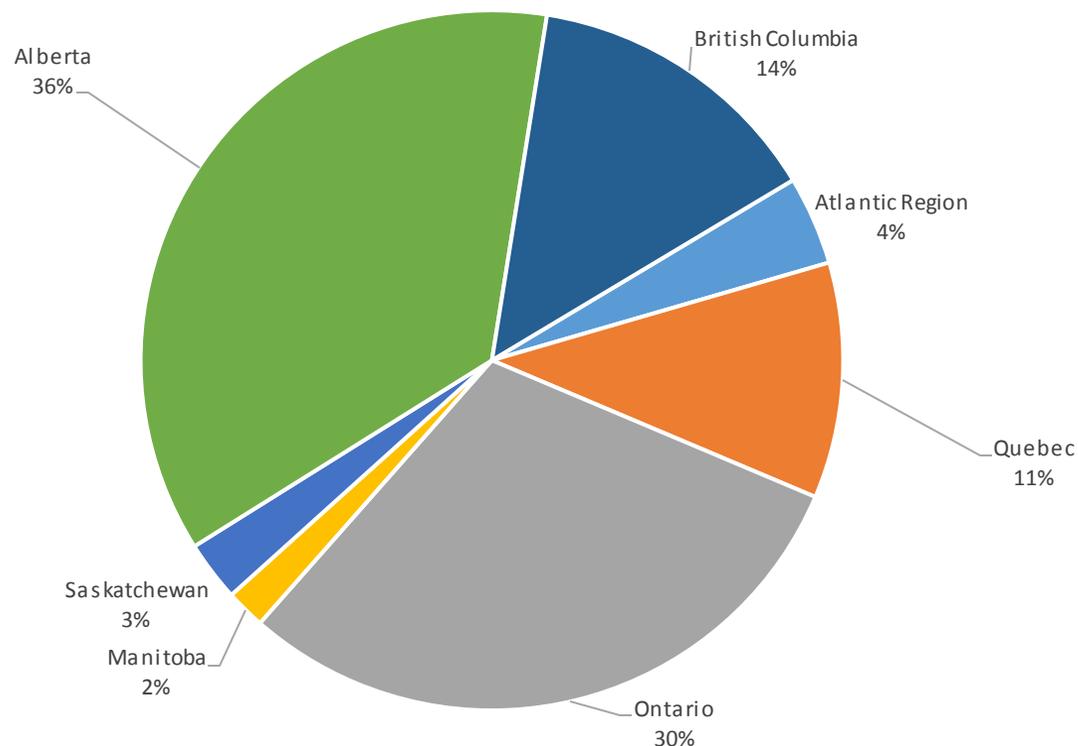
Summary statistics, commercial and industrial machinery and equipment rental and leasing [5324], Canada



- Preliminary estimates indicate that operating revenues and employment declined 15% in 2020
- Decline in the number of establishments
- The demand in this industry is mainly coming from the construction industry and the oil and gas sector

Descriptions and characteristics of the industry: Market conditions

Distribution of operating revenue by province, 2019

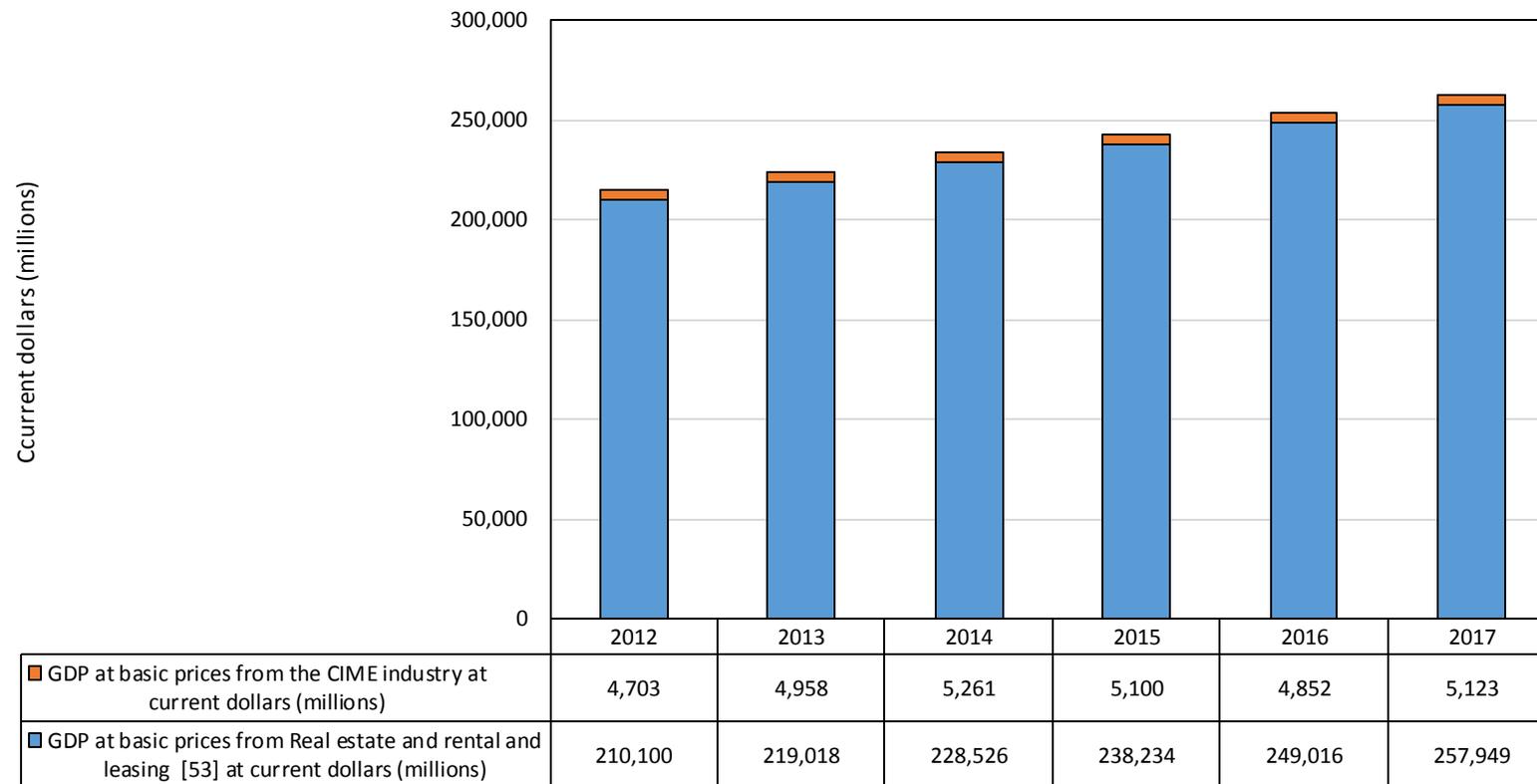


- Establishments in this industry are most concentrated in Alberta, followed by Ontario, British Columbia and Quebec.
- Considering that some of the largest businesses relying on the CIME industry operate in the oil and natural gas sectors, the trends of the CIME industry mirror the performance of Alberta's energy sector.

Descriptions and characteristics of the industry: Market conditions

The CIME industry represents a small share of Canada's total economic activity.

Commercial and industrial machinery and equipment rental and leasing gross domestic product relative to the real estate and rental and leasing gross domestic product



- This figure highlights the small contribution of NAICS 5324 to the entire rental and leasing sector (NAICS 53) of the Canadian economy. Based on published data, the size of this industry has been stable, averaging 2.1%, plus or minus 0.2 percentage point throughout the years.
- The economic activity in this industry totalled around \$5.1 billion in 2017, representing 0.26% of Canada's GDP.

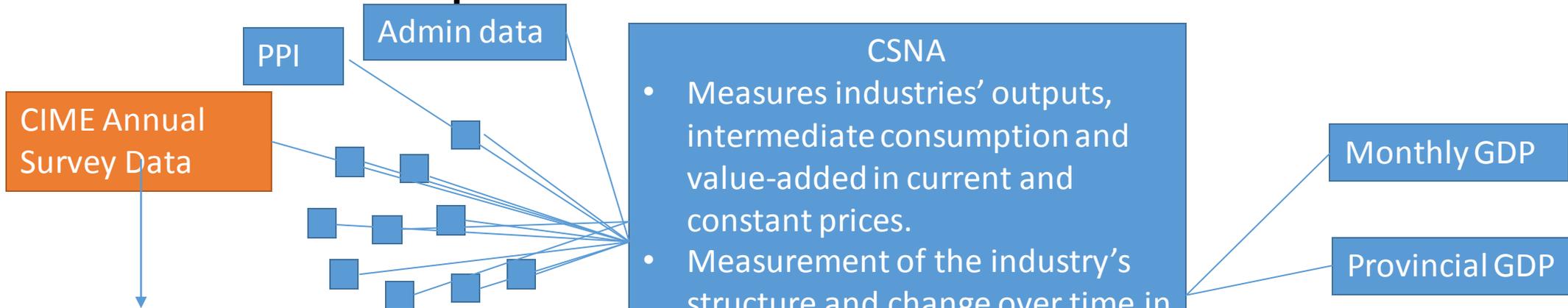


Descriptions and characteristics of the industry: Market conditions

Specific characteristics of the industry

- In recent years, rental and leasing of equipment may have become the preferred option, compared with purchasing equipment (affords more flexibility for fiscal purposes and financial reasons,...).
- The barriers to enter the market are considered to be low.
- One of the difficulties lies in acquiring the initial capital required to purchase new, often expensive, equipment.
- As a result, only few industry players offer a broad range of equipment across geographic locations.
- Over the last few years, companies have increasingly digitized their operations by adopting communication networks and information technology.

Turnover and output measurement: General framework



- Generic Published Data:

- Operating Revenue
- Operating Expenses
- Operating Profit Margin
- Salaries, Wages, Commissions & Benefits
- Industry Expenditures

- Additional Variables

- Sales by type of goods and services
- Sales by type of client
- Sales by consumer location
- E-commerce
- Details on purchased services
- International transactions
- Covid-19



Turnover and output measurement: Measurement methods

- The agency surveys this industry at the establishment level, primarily through electronic questionnaires. The sample size is approximately 490 enterprises.
- Sources: Estimates for this industry are based on a combination of data collected directly from survey respondents, administrative files and tax data.
- Businesses below the established size thresholds are ineligible for sampling.
- Since 2019, the commercial and industrial machinery and equipment rental and leasing program started to use a pseudo-census with a cross-sectional design approach (all units in the surveyed population are included in survey estimates).



Turnover and output measurement: Measurement issues

- Allocation of complex units
- Frame maintenance
- Internet sales?
 - Note this is not published for CIME.
 - Why is the module on Internet sales poorly responded?
 - Is the data available?
 - Further investigation needs to be done.
- Lower response rate (COVID-19)
- In the new strategy (use a pseudo-census with a cross-sectional design approach), admin data are massively leveraged which can, on occasion, cause challenges with statistical processes (imputation, allocation).



THANK YOU

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