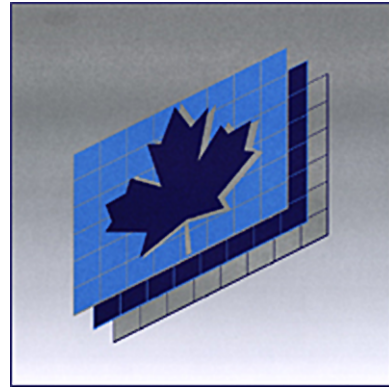




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Corporations Returns Act

1999



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Industrial Organizations and Finance Division
Annual Financial and Taxation Statistics Section

Corporations Returns Act

1999

Foreign Control in the Canadian Economy

Parliamentary Report

of the Minister of Industry under the Corporations Returns Act

Published by authority of the Minister responsible for Statistics Canada

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- .. not available for a specific reference period
- ... not applicable
- nil or zero
- amount too small to be expressed
- ^P preliminary
- ^r revised
- x suppressed to meet the confidentiality requirements of the *Statistics Act*
- E use with caution
- F too unreliable to be published

NOTE:

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Major financial characteristics, by industry group and control	1790004
Historical Series	1980-1998
Major characteristics; Top 4, Top 8 and Total; by Control For 182 industries For 134 industries	1790002
Major characteristics of Leading Enterprises ; Impact on Nine Industrial Divisions; by Control Leading 25 Leading 100 Leading 500 CRA (size) All corporations	1790003

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This publication was prepared under the direction of:

- **Cynthia Baumgarten**, Director, Industrial Organization and Finance Division
- **Mark Marcogliese**, Assistant Director, Industrial Organization and Finance Division

Economist

- **Stewart Taylor**, Unit Head
- **Ed Holmes**, Economist

Support

- **Jeannine D'Angelo**, Client Services
- **Johanne Desjardins**, Publishing Coordinator

For further information, please contact Stewart Taylor (telephone (613) 951-6564, fax (613) 951-0318, email taylste@statcan.ca).

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Tabulations additional to those published can be developed and made available on a cost-recovery basis. Requests should be directed to Jeannine D'Angelo, Industrial Organization and Finance Division, Statistics Canada, Ottawa; telephone (613) 951-2604, fax (613) 951-0318.

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Related Publications

Catalogue

<u>No.</u>	<u>Title</u>
61-221	CALURA, Aspects of Business Organization
61-222	CALURA, Aspects of Foreign Control
61-517	Inter-Corporate Ownership available on CD-ROM and updated quarterly
61-219	Financial and Taxation Statistics for Enterprises, Annual
61-008	Quarterly Financial Statistics for Enterprises
67-202	Canada's International Investment Position, Annual
67-203	Canada's International Transactions in Services, Annual

Introduction

The Corporations Returns Act

The Corporations Returns Act (CRA) requires that an annual report be submitted to Parliament providing insight into the financial nature of foreign control of enterprises operating in Canada. The level and share of assets and of operating revenue of foreign controlled enterprises in Canada are analyzed in order to provide a better understanding of this issue. Emerging trends and unusual movements are highlighted and explained whenever possible in order to bring new information into the public domain.

This report presents measures of foreign control, in terms of the share of assets of enterprises operating in Canada controlled by foreign entities and, to a lesser extent, their share of operating revenues. Enterprises in this report are defined by their ability to report a complete and consolidated set of financial statements for their Canadian operations.

The current value of assets owned by an enterprise, whether foreign or Canadian controlled, reflects financial decisions and results over an extended period. Therefore, an asset-based measure of foreign control reflects economic decisions and market conditions prevailing over a period of years and is likely to reflect longer-term trends. On the other hand, operating revenues normally reflect business conditions in a particular year and are, therefore, more volatile and quicker to react to current business conditions. Consequently, revenue based measurements of the share of foreign ownership are more likely to fluctuate from year to year. Consequently, most of the analysis in this report focuses on assets with secondary reference to operating revenues. The exception is in our analysis of corporate concentration, where operating revenues are the focus.¹

The Corporations Returns Act (CRA) is administered by the Chief Statistician of Canada under the authority of the Minister of Industry Canada. The purpose of the Act is to collect financial and ownership information of corporations carrying on activities in Canada. With these data, Statistics Canada evaluates the extent and effects of non-resident ownership and control of corporations in Canada.

¹ Economists refer to various kinds of concentration indexes, as a measure of the "market power" of corporations and the degree of competition that exists among them. Market power may be defined as the ability to control prices or output, or to exclude competitors from a relevant market or industry. This analysis ranks enterprises according to their operating revenues in order to reflect these enterprise characteristics.

The Act was amended several times, most recently in 1998. Its predecessor, known as the Corporations and Labour Unions Returns Act (CALURA), was originally passed by Parliament in 1962. In addition to collecting financial and ownership information on the affairs of corporations (known as Part 1), CALURA was also responsible for collecting information on the extent and effects of the association of Canadians with international labour unions (known as Part 2).

When the CALURA legislation was introduced in 1962, international unions accounted for two thirds of union membership in Canada. Since then, there was a general downward trend and international unions now account for less than one third of Canadian union membership. The data also indicated a very gradual downward trend in unionization rates, with generally no large swings from year to year. As alternative sources of labour union information were also available, there seemed little need to duplicate those efforts. With the most recent amendment in 1998, the labour unions component was removed, leaving Part 1 of the Act unchanged but necessitating a change of name -- to the Corporations Returns Act (CRA).

Note to Users of Labour Union Information

For those interested, data regarding labour unions are still available – some of which were not gathered under the CALURA program;

- 1) the Labour Force Survey by Statistics Canada (Publication no. 71-001PPB) provides a rich source of data on the size of the union movement, the socio-demographic characteristics of union members (and, for comparison, non-union workers), and the characteristics of the jobs that members and non-members hold (including industry, occupation, hours of work and wage rates);
- 2) data on flows, particularly flows associated with restructuring (growth in service jobs and the decline in goods producing employment) are obtainable from the Survey of Labour and Income Dynamics conducted by Statistics Canada (Catalogue no. 75F0002MPE);
- 3) Statistics Canada frequently publishes analytical tables on unionized/non-unionized workers. These data make it possible to compare job characteristics by industry, province, occupation, hours of work and wage rates, as well as socio-demographic characteristics such as age and gender. (One of their CD-ROMs, Labour Historical Review, catalogue no. 71F0004XCB details some of the labour union information.)

Further, Statistics Canada is prepared to consider adding questions to its ongoing surveys to meet the needs of its key users, on a cost recovery basis.

The Corporations Returns Act for 1999

Beginning with reference year 1999, significant changes have been made to the Corporations Returns Act (CRA) which affect the comparability and the historical continuity of these financial statistics. Data analysts are advised that the statistics are now collected and compiled on the basis of the North American Industry Classification System (NAICS Canada 1997) that differs markedly from the 1980 Standard Industrial Classification for Companies and Enterprises (SIC-C) previously in use.

The Standard Industrial Classification for companies and enterprises (SIC-C) was primarily intended for the use in the collection, compilation and publication of financial statistics. Within this classification system, the unit capable of reporting financial statistics was normally located at a higher level within the business' organizational structure. At this level, the business enterprise may span multiple industrial activities.

However, the NAICS is designed for the compilation of production statistics and, therefore, for the classification of data relating to establishments (and locations). Accordingly, it takes into account the specialization of activities generally found at the level of the producing units of businesses. Establishment-based classifications such as NAICS do not recognize the vertical integration of business activities. NAICS was developed by the statistical agencies of Canada, Mexico and the United States to provide a consistent framework for the collection, analysis and dissemination of industrial statistics used by government policy analysts, by academics and researchers, by the business community, and by the public.

NAICS is a product-oriented industry classification that standardizes the way businesses are classified across Canada, Mexico and the United States. NAICS was primarily designed to classify economic production performed at the establishment level. The activity which contributes the most value-added determines the NAICS code for the establishment.

To determine which NAICS Canada 1997 code should be assigned to an enterprise, the NAICS Canada 1997 code is determined for each establishment belonging to the enterprise. The NAICS Canada 1997 code representing the largest value-added is then assigned to the enterprise. The NAICS Canada 1997 classification system (unlike the 1980 SIC-C) does not provide classifications for integrated activities. For example, a petroleum enterprise may be involved in exploration, mining, refining, shipping and retailing of petroleum products. The 1980 SIC-C provided a classification code for integrated petroleum activities, but under NAICS Canada 1997 such an enterprise is classified to an enterprise with the NAICS Canada 1997 code that relates to the activity that provides the most value-added, i.e. either mining, manufacturing or retailing.

These changes have improved the quality, reliability and comparability of the statistics with the United States and Mexico. They nonetheless affect the user's ability to relate and compare the data to those previously produced on the SIC-C basis under the old methodology. Historical data on a SIC-C basis for 1988 to 1998 are available on CANSIM.

This report is divided into 5 sections. First, some background information is presented with respect to the Corporations Returns Act, itself. The remainder of the report will then discuss the data findings collected under the authority of the CRA.

Section I addresses the overall issue of foreign control of enterprises operating in Canada. A similar examination is done in Section II for the Finance and Insurance Sector and in Section III for the Non-financial Sector. In both sections, foreign control is portrayed in more detail, broken down by the industries comprising each of the sectors.

Section IV explores corporate concentration in the various industries, outlining the degree to which a small number of enterprises may control the resources and output of those industries.

Section V, entitled Size Analysis, gives a portrait of both Canadian and foreign controlled corporations by industry, broken down by the size of the corporation (small, medium and large).

Executive Summary

Overview

In 1999, enterprises under foreign control owned \$794.3 billion or 21.7% of Canadian assets and generated \$604.9 billion or 29.6% of operating revenues. During the five-year period prior to 1999, and despite some fluctuations foreign control averaged about 22% of assets and 30% of operating revenues.

The United States continues to be the largest foreign contributor to economic activity in Canada, accounting for 60% of the assets and 69% of the operating revenues under foreign control.

Foreign activity is more prevalent in the non-financial sector of the economy, where foreign interests control 25.4% (\$460.0 billion) of assets and 30.1% (\$552.2 billion) of operating revenues, compared to 18.1% (\$334.4 billion) of assets and 25.1% (\$52.6 billion) of financial sector operating revenues.

Where foreign controlled firms dominate the industry, there is a corresponding dominance in the control of assets of the larger enterprises (greater than \$75 million in revenue). This is especially notable in the oil and gas extraction and coal mining, manufacturing, non-depository credit intermediation and insurance carriers industries where foreign control is greater than 40% for both assets and operating revenues in these industries.

Non-Financial Sector

Whether ranked by assets or operating revenues, manufacturing is the largest industry in the non-financial sector; with combined foreign and domestic assets of \$513.1 billion and \$591.3 billion of operating revenue representing 28.3% and 32.2% respectively of the non-financial sector totals.

Foreign enterprises control 47.1% (\$241.8 billion) of the assets and generate 52.2% (\$308.6 billion) of the manufacturing industry's operating revenues. Manufacturing accounts for 52.6% of the total (\$460.0 billion) non-financial assets under foreign control and 55.9% of total (\$552.2 billion) foreign-controlled non-financial operating revenues.

Oil and gas extraction and coal mining, is the only other non-financial industry where foreign control exceeds forty percent. Foreign enterprises control 44.2% (\$53.0 billion) of the assets and 52.9% (\$23.1 billion) of the operating revenues recorded by the oil and gas extraction and coal mining industry. At the global level, these industries are highly integrated and dominated by several large multinational corporations with geographically dispersed facilities. Additionally, foreign control restrictions in Canada are minimal for these industries.

Financial Sector

Government regulations that restrict the operations of foreign banking subsidiaries continue to constrain the level of foreign ownership in the deposit credit intermediation industry, by far the largest industry in the financial sector.

In 1999, the deposit credit intermediation industry, accounted for 67.9% of the \$1,842.7 billion of financial sector assets and 41.9% of the \$209.4 billion in operating revenues earned by the financial sector. Foreign ownership of the deposit credit intermediation industry, was a modest 10.8% of assets and 12.7 % of operating revenues.

On the other hand, foreign-controlled enterprises have a significant presence in the insurance carriers and non-depository credit intermediation industries, accounting for more than 40% of the assets and operating revenues in both these industries.

Section I

Foreign Control of Enterprises Operating in Canada

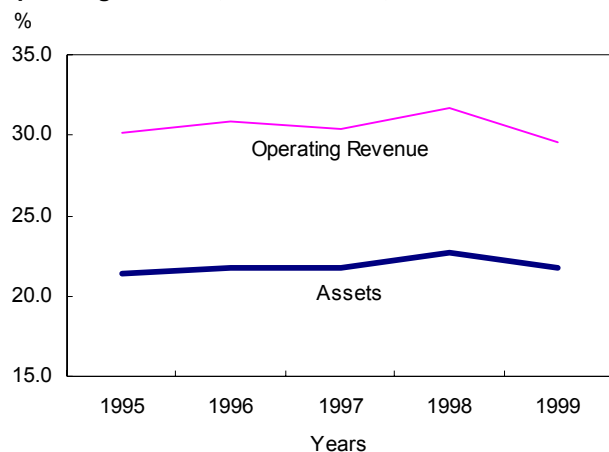
All Industries

Overview

In 1999, the foreign controlled share of assets of enterprises operating in Canada was 21.7%, while the share of operating revenues was 29.6%.

Since the mid-1990s, the share of foreign control for all industries has hovered around 22% for assets and roughly 30% for operating revenues¹. (See Chart 1.1)

Chart 1.1 - Foreign controlled share of Assets and Operating Revenue, All Industries, 1995-1999



Foreign Control by Country and Region

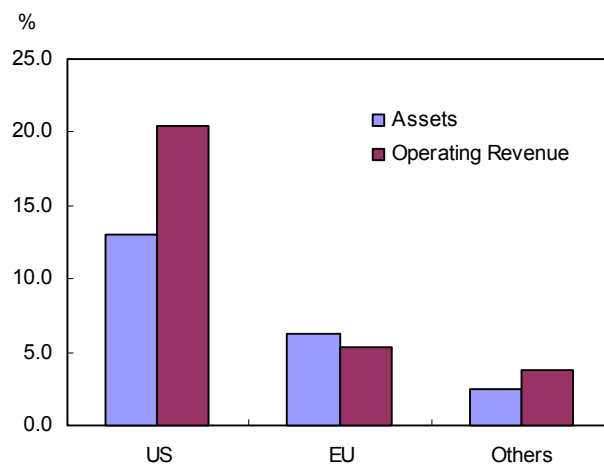
Overview

Among the enterprises operating in Canada that are under foreign control, the United States controls the largest share of assets. The European Union (EU) is a distant second with less than half the assets of US controlled firms.

United States controlled enterprises continue to dominate the foreign sector of the Canadian economy accounting for 13.0% of total corporate assets in 1999, but 59.9% of all foreign controlled assets. Similarly, the American share of operating revenue continues to dominate the foreign component, reaching 20.4% of all assets and 69.0% of the foreign controlled share in 1999.

The share of assets for the European Union (EU) controlled enterprises was well behind that of the US, resting at 6.2% of all assets or 28.7% of the total foreign component 1999. Operating revenues generated by EU controlled firms was 5.4% of all assets and 18.2% of the total foreign component in 1999. (See Chart 1.2)

Chart 1.2 - Foreign Controlled Share of Assets and Operating Revenue, All Industries, by country of control, 1999



¹ Beginning with reference year 1999, the Corporations Returns Act (CRA) data are presented on the basis of the North American Industry Classification System (NAICS Canada 1997) which differs markedly from the 1980 Standard Industrial Classification for Companies and Enterprises (SIC-C) that was used until 1998. Other methodological changes were also implemented in 1999 that should improve the quality and reliability of the statistics, however, the changes will also affect the user's ability to compare and relate the 1999 data to those produced in prior years. Please refer to the Statistical Notes and Definitions for additional details.

Section II

The Finance and Insurance Sector

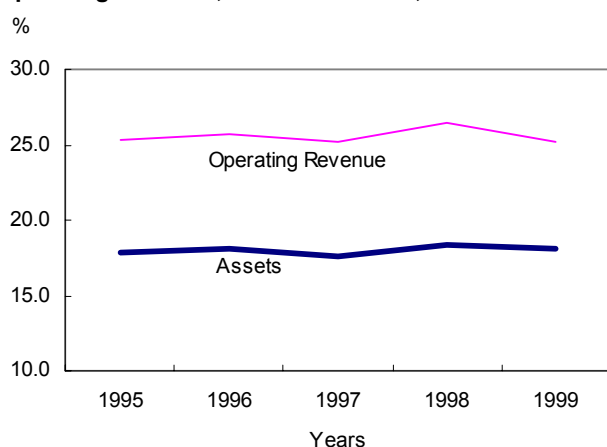
Overview

Deposit credit intermediation, non-depository credit intermediation, insurance carriers and other financial intermediaries make up the finance and insurance sector.

The foreign controlled share of assets held by enterprises in the financial sector was 18.1%, while the share of operating revenues reached 25.1% in 1999.

Since the mid-1990s, the share of foreign control in the financial sector has hovered around 18% for assets and 26% for operating revenues¹. (See Chart 2.1)

Chart 2.1 - Foreign controlled share of Assets and Operating Revenue, Financial Sector, 1995-1999



The total of all assets held by the financial sector reached \$1,842.7 billion in 1999. The deposit credit intermediation industry (which includes chartered banks and credit unions) is, by far, the largest contributor to the financial sector with nearly 68% of all assets held in this sector. (See Table 2.1) Together, assets held by the remaining three industries, insurance carriers, non-depository credit intermediation and other financial intermediaries accounted for the remaining 32% of all assets held in the financial sector.

The total of all operating revenues in the financial sector amounted to \$209.4 billion in 1999. Once again, the deposit credit intermediation industry is the largest contributor, generating 42% of all operating revenues in the financial sector.

Share by Industry

The foreign share of the assets held in the deposit credit intermediation industry was only 10.8% in 1999. The dominance of the Canadian chartered banks and heavy government regulation in this industry continues to curtail foreign control of the financial sector. Canadians also primarily hold the assets of other financial intermediaries, with only 12.4% held by foreign interests. On the other

**Table 2.1
Assets and Operating Revenue by Industry, Financial Sector, 1999**

Industry	Assets		Operating Revenue	
	(\$ million)	%	(\$ million)	%
Deposit Credit Intermediation	1,251,982	67.9	87,697	41.9
Insurance Carriers	251,614	13.7	63,503	30.3
Other Financial Intermediaries	194,824	10.6	40,481	19.3
Non-Depository Credit Intermediation	144,300	7.8	17,737	8.5
Total Financial Industries	1,842,720	100.0	209,418	100.0

Sector profile

¹ Beginning with reference year 1999, the CRA data are presented on the basis of the North American Industry Classification System (NAICS Canada 1997) which differs markedly from the 1980 Standard Industrial Classification for Companies and Enterprises (SIC-C) that was used until 1998. Other methodological changes were implemented in 1999 that should improve the quality and reliability of the statistics, however, the changes will also affect the user's ability to compare and relate the 1999 data to those produced in prior years. Please refer to the Statistical Notes and Definitions for additional details.

hand, the foreign share of the non-depository credit intermediation (which includes credit providing, sales financing and consumer financing companies) and insurance carrier industries is somewhat higher at 49.8% and 41.1%, respectively, where there is less government regulation. (See Table 2.2)

Country of Control

In 1999, Canadian controlled enterprises held \$1,508.3 billion in assets or 81.9% of all assets held in Canada in the Finance and Insurance Sector. Canadian controlled enterprises also dominated the share of operating revenues generated in the financial sector, at 74.9% of the financial sector total or \$156.8 billion in 1999.

At a distant second, US controlled enterprises held \$152.0 billion in assets, representing only 8.3% of all assets held, but represented 45.5% of the foreign controlled share. Close behind, the EU held \$147.2 billion in assets, comprising 8.0% of all assets or 44.0% of the foreign share held in 1999.

The same pattern applies to operating revenues, as well. American controlled enterprises generated \$25.4 billion in operating revenues in 1999, commanding 12.1% of total operating revenues generated in the financial sector. The EU's share of operating revenues was slightly less at 10.3% or \$21.6 billion in 1999. (See Table 2.3)

Table 2.2
Foreign Share by Industry, Financial Sector, 1999

Industry	Assets		Operating Revenue
		%	
Non-Depository Credit Intermediation	49.8		53.5
Insurance Carriers	41.1		42.5
Other Financial Intermediaries	12.4		12.3
Deposit Credit Intermediation	10.8		12.7
Financial Industries Total	18.1		25.1

Table 2.3
Value of Assets and Operating Revenue, Financial Sector, by control, 1999

Control	Assets		Operating Revenue	
	(\$ million)	%	(\$ million)	%
Canadian	1,508,346	81.9	156,780	74.9
US	152,029	8.3	25,444	12.1
EU	147,191	8.0	21,569	10.3
Other Foreign	35,155	1.9	5,626	2.7
Total	1,842,720	100.0	209,418	100.0

Section III

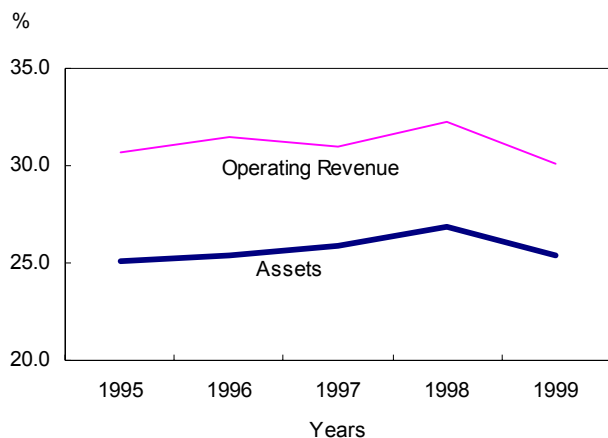
The Non-Financial Sector

Overview

The foreign controlled share of assets and operating revenues of enterprises in the non-financial sector were 25.4% and 30.1%, respectively in 1999.

Since the mid-1990s, the share of foreign control in the non-financial sector has hovered around 26% for assets and 31% for operating revenues¹. (See Chart 3.1)

Chart 3.1
Foreign Controlled Share of Assets and Operating Revenue, Non-Financial Sector, 1995-1999



Sector Profile

The total of all assets held in the non-financial sector reached \$1,812.6 billion in 1999, of which, 25.4% was held by foreign and 74.6% held by Canadian controlled enterprises, respectively. Operating revenues amounted to \$1,835.5 billion in 1999, of which, 30.1% was held by foreign and 69.9% held by Canadian controlled interests, respectively. (See Tables 3.1 and 3.2 for an industry profile).

Share by Industry

Foreign control of assets is greatest in the manufacturing industries in 1999 resting at 47.1% while the foreign share of assets in the oil and gas extraction and coal mining industries was second at 44.2%. Conversely, the foreign share of operating revenues in the oil and gas extraction and coal mining industries is highest at 52.9% with the foreign share of operating revenues in manufacturing industries a close second at 52.2%. (See Chart 3.2)

Generally speaking, the percentage of assets and operating revenues controlled by foreign interests, in a particular industry, are within a few percentage points of each other with one exception, as can be seen in Chart 3.2. There is a considerable discrepancy between the foreign control of assets (1.9%) and operating revenues (28.5%) in the utilities industries. The reason for this is that a large number of corporations in the utilities sector are involved in the wholesaling of natural gas. However, as agents and brokers, they do not take ownership of the assets, they just facilitate the distribution of assets from the producer to the consumer. Consequently, operating revenues are somewhat higher than the assets held.

The manufacturing and the oil and gas extraction and coal mining industries have the highest degree of foreign control, in terms of the shares of assets and operating revenues. At the global level, these industries are highly integrated and dominated by several large multinational corporations with geographically dispersed facilities. Additionally, foreign control restrictions in Canada are minimal for these industries.

¹ Beginning with reference year 1999, the CRA data are presented on the basis of the North American Industry Classification System (NAICS Canada 1997) which differs markedly from the 1980 Standard Industrial Classification for Companies and Enterprises (SIC-C) that was used until 1998. Other methodological changes were implemented in 1999 that should improve the quality and reliability of the statistics, however, the changes will also affect the user's ability to compare and relate the 1999 data to those produced in prior years. Please refer to the Statistical Notes and Definitions for additional details.

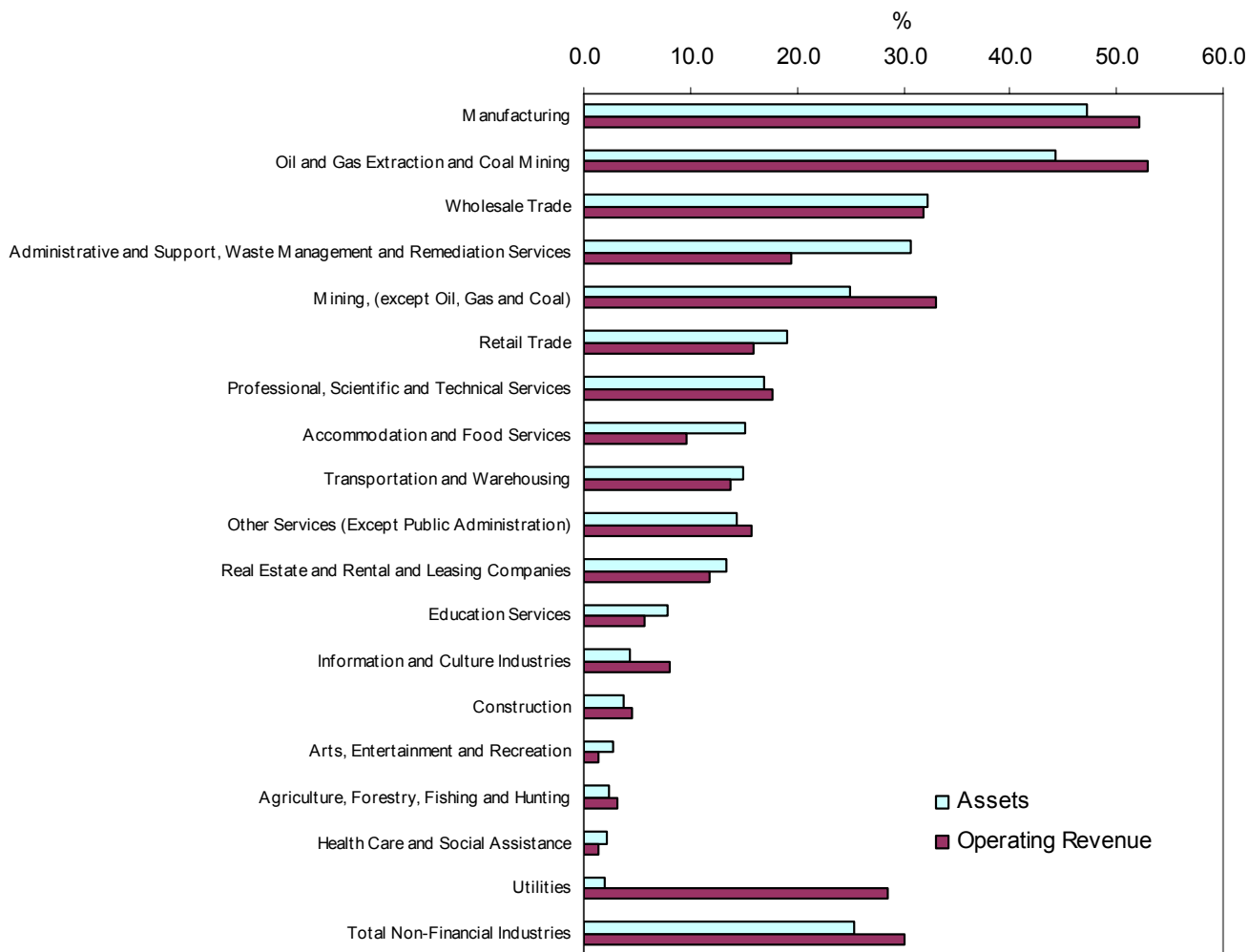
Table 3.1
Assets held by Non-Financial Industries, by Control, 1999

Non-Financial Industry	Foreign	Canadian	All
		(\$ millions)	
Agriculture, Forestry, Fishing and Hunting	976	41,810	42,785
Oil and Gas Extraction and Coal Mining	53,025	67,002	120,026
Mining, (except Oil, Gas and Coal)	19,963	59,770	79,733
Utilities	2,720	142,733	145,453
Construction	3,219	83,252	86,472
Manufacturing	241,810	271,316	513,125
Wholesale Trade	45,755	96,192	141,947
Retail Trade	19,395	82,426	101,822
Transportation and Warehousing	15,497	87,730	103,227
Information and Culture Industries	5,456	118,485	123,941
Real Estate and Rental and Leasing Companies	23,957	154,773	178,730
Professional, Scientific and Technical Services	9,315	45,958	55,273
Administrative and Support, Waste Management and Remediation Services	9,500	21,394	30,895
Education Services	202	2,345	2,547
Health Care and Social Assistance	327	15,407	15,734
Arts, Entertainment and Recreation	397	13,702	14,099
Accommodation and Food Services	5,281	29,406	34,687
Other Services (Except Public Administration)	3,176	18,901	22,077
Total Non-Financial Industries	459,971	1,352,601	1,812,572

Table 3.2
Operating Revenue held by Non-Financial Industries, by Control, 1999

Non-Financial Industry	Foreign	Canadian	All
		(\$ millions)	
Agriculture, Forestry, Fishing and Hunting	982	29,484	30,467
Oil and Gas Extraction and Coal Mining	23,089	20,590	43,679
Mining, (except Oil, Gas and Coal)	7,767	15,756	23,523
Utilities	15,166	38,109	53,275
Construction	4,867	103,481	108,348
Manufacturing	308,561	282,748	591,309
Wholesale Trade	98,611	210,635	309,246
Retail Trade	43,963	231,619	275,582
Transportation and Warehousing	12,003	75,423	87,425
Information and Culture Industries	4,911	55,257	60,169
Real Estate and Rental and Leasing Companies	4,874	36,424	41,299
Professional, Scientific and Technical Services	10,598	49,432	60,030
Administrative and Support, Waste Management and Remediation Services	7,521	31,226	38,747
Education Services	226	3,738	3,964
Health Care and Social Assistance	222	15,808	16,030
Arts, Entertainment and Recreation	320	22,233	22,552
Accommodation and Food Services	3,941	36,823	40,764
Other Services (Except Public Administration)	4,591	24,530	29,121
Total Non-Financial Industries	552,214	1,283,317	1,835,531

Chart 3.2
Foreign Controlled Share of Assets and Operating Revenue, by Non-Financial Industries, 1999



Country of Control

In 1999, the value of foreign controlled assets held by enterprises of the manufacturing industry reached \$241.8 billion, more than four times as much as the next largest contributor, oil and gas extraction and coal mining industries. Together, the assets held by these two industries comprised just under 65% of all foreign controlled assets held in the non-financial sector. (See Table 3.3)

The manufacturing industries were also the most dominant, in terms of foreign operating revenues generated, as well. In 1999, \$308.6 billion or just under 56% of all operating revenues were generated by foreign controlled enterprises in the manufacturing industries. The next largest contributor was the wholesale trade industries, holding 17.9% of the foreign share of all non-financial industries in 1999.

Within the foreign controlled group, the United States continues to be the largest holder of assets holding 17.9% of total assets representing 70.3% of all assets held by foreign interests. European Union controlled enterprises are a distant second, commanding a 4.5% share of total assets in 1999, or representing 17.6% of the assets under foreign control.

The United States also continues to be the largest generator of operating revenues within the foreign controlled group. The US holds 21.3% of total operating revenues representing 71.0% of all operating revenues generated by foreign interests. European Union controlled enterprises are a distant second, commanding a 4.8% share of total operating revenues in 1999, or representing 16.1% of the operating revenues under foreign control . (See Charts 3.3 and 3.4)

Table 3.3
Foreign Assets and Operating Revenue held by Non-Financial Industries, by Control, 1999
 (Ranked in descending order by Assets)

Non-Financial Industry	Assets	Operating Revenue
	(\$ millions)	
Manufacturing	241,810	308,561
Oil and Gas Extraction and Coal Mining	53,025	23,089
Wholesale Trade	45,755	98,611
Real Estate and Rental and Leasing Companies	23,957	4,874
Mining, (except Oil, Gas and Coal)	19,963	7,767
Retail Trade	19,395	43,963
Transportation and Warehousing	15,497	12,003
Administrative and Support, Waste Management and Remediation Services	9,500	7,521
Professional, Scientific and Technical Services	9,315	10,598
Information and Culture Industries	5,456	4,911
Accommodation and Food Services	5,281	3,941
Construction	3,219	4,867
Other Services (Except Public Administration)	3,176	4,591
Utilities	2,720	15,166
Agriculture, Forestry, Fishing and Hunting	976	982
Arts, Entertainment and Recreation	397	320
Health Care and Social Assistance	327	222
Education Services	202	226
Total Non-Financial Industries	459,971	552,214

Chart 3.3
Share of Assets, Non-Financial Industries by Country of Control Group, 1999

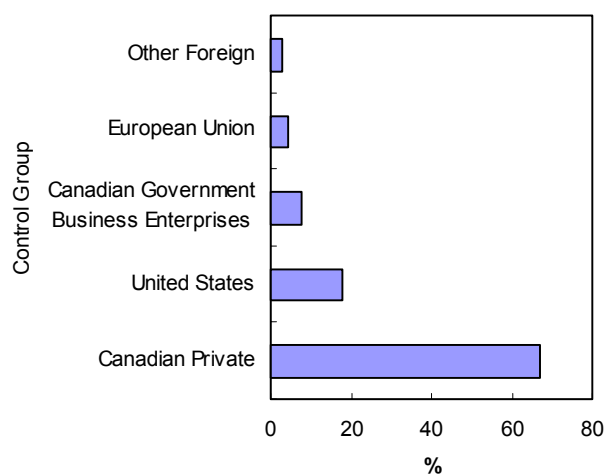
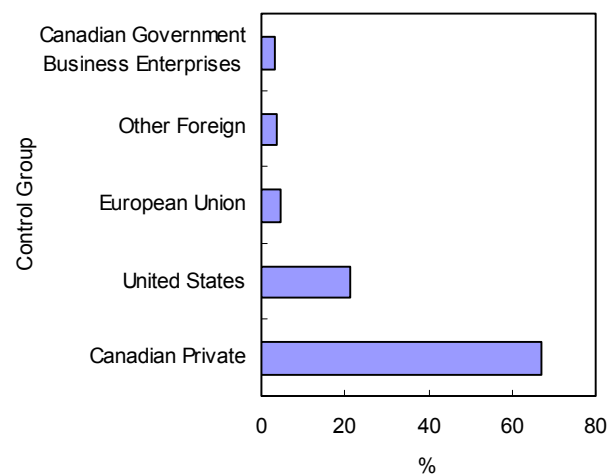


Chart 3.4
Share of Operating Revenue, Non-Financial Industries by Country of Control Group, 1999



Reasons for the strong US performance would include the high degree of integration within the North American marketplace, the strong trading relationship that exists between Canada and the US, and merger and acquisition activities.

Mergers and Acquisitions

Changes in the value of assets of enterprises can take place either through internal growth (decline) in the enterprise or through acquisitions (divestitures) and mergers. For instance, a Canadian controlled enterprise could grow by acquiring another Canadian controlled enterprise; by acquiring a foreign controlled enterprise; by internal growth or by some combination of these three mechanisms.

Canadian and foreign controlled firms were involved in significant mergers and acquisitions during 1999, reaching a record dollar volume of \$178 billion or more than a 20% increase from that recorded in 1998.² Historically, a portion of the overall growth in assets can be attributed to increasing levels of outward foreign direct investment, whereby companies resident in Canada acquire foreign-based affiliates.

While mergers and acquisitions in Canada are certainly a significant economic activity, historically they have had a relatively minor influence with respect to movements in foreign control. Where foreign participants are involved, the majority of the mergers and acquisitions activity in Canadian assets takes place between foreign firms rather than between foreign and Canadian owners. Past experience has shown that increases in foreign ownership of Canadian assets are mainly due to the organic growth of the foreign controlled firms already in Canada.

Corporations involved in mergers and acquisitions are subject to government regulation and/or review, depending on the industry and the value of the transaction. The banking, communications and transportation industries have industry specific regulations. Mergers and acquisitions above a specified threshold are subject to review by the Competition Bureau, while all transactions involving non-residents are subject to the Investment Canada Act.

² Mergers and Acquisitions in Canada – 1999 Annual Directory.

Section IV

Corporate Concentration

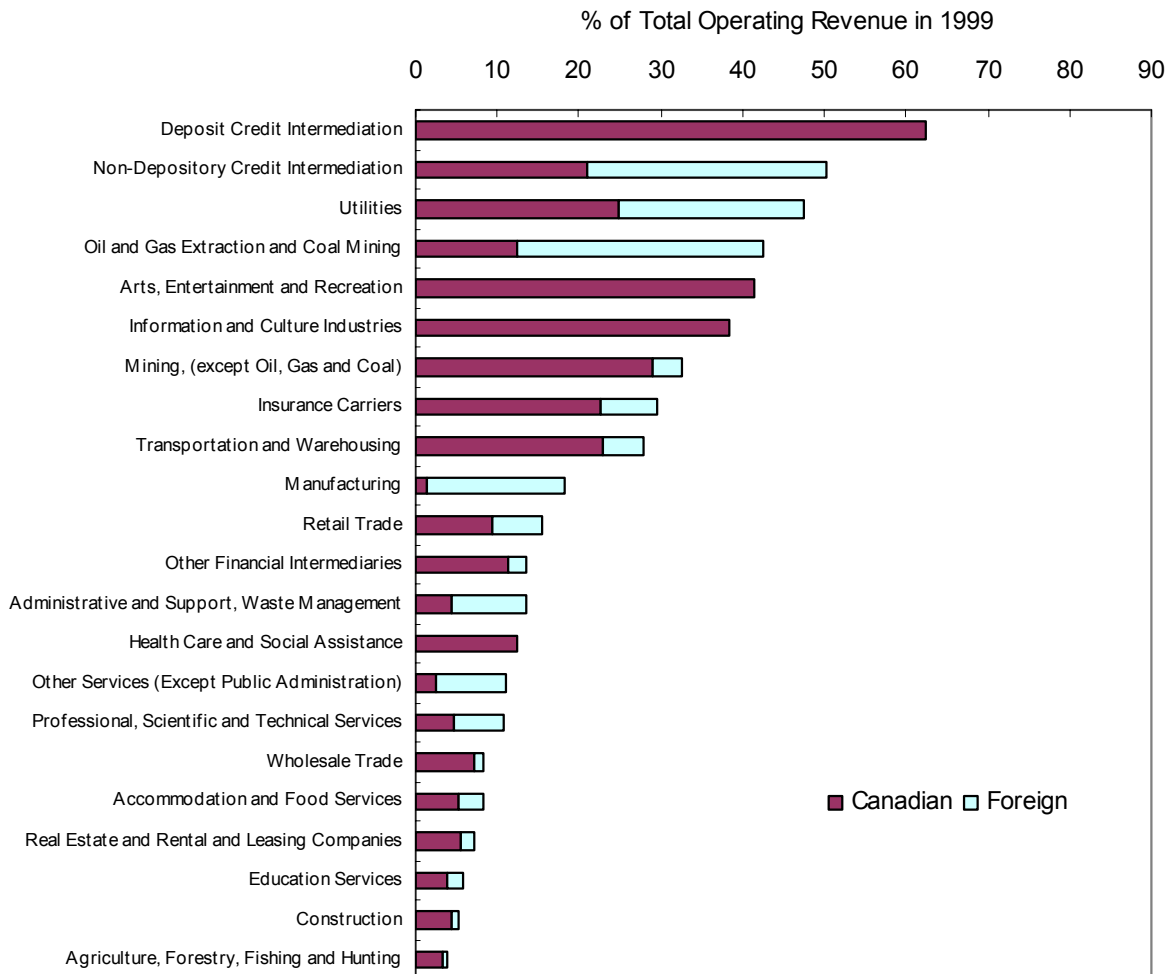
Economists refer to various kinds of concentration indexes as a measure of the “market power” of corporations and the degree of competition that exists among them. Market power may be defined as the ability to control prices or output, or to exclude competitors from a relevant market or industry. This analysis ranks enterprises according to their operating revenues in order to reflect these enterprise characteristics. The information that follows is intended to provide additional insight regarding the Canadian economy, with particular focus on the manufacturing industries.

The concentration ratios presented in Chart 4.1 are the aggregate operating revenues of the top 5 enterprises in each industry, expressed as a percentage of the industry’s total operating revenues. The chart also depicts the extent to which these large enterprises are Canadian or foreign controlled.

These ratios measure domestic concentration on an enterprise by enterprise basis. While they are also indicators of market power in Canada, they should be interpreted according to the following caveats:

- Ratios computed at this high level of aggregation are not representative of true market structures. The manufacturing industry with a concentration ratio of 18.3 would suggest a low level of concentration. As will be seen later in this section, when viewed at a lower level of aggregation, many of the manufacturing industries are highly concentrated.
- Enterprise revenues may cross industrial boundaries but total revenue is allocated to a single NAICS industry based on value-added.
- Ranking using different variables such as assets or value-added, may produce significantly different results.

Chart 4.1
Concentration Ratios - Top 5 Enterprises



- A concentration ratio of 50 may indicate five firms with an equal 10% share, or a dominant firm with a 30% share and four firms with an equal 5% share.
- Domestic concentration ratios are best examined for homogeneous industries and products where the market can be adjusted for exports and imports. Additionally, Canada's economy is relatively small, open and increasingly integrated with the US such that the ratios may be more relevant when viewed within a North American context.

Factors Affecting Industrial Concentration

Barriers to entry are factors, which prevent or make it difficult for new participants to enter a market or industry. Barriers to entry vary from industry to industry and can arise from several sources including:

- Capital costs – high initial capital expenditures
- Sunk costs – once committed are difficult to recover
- Specialized assets – minimal alternate uses
- Economies of scale – high minimum efficient scale
- Patents and proprietary knowledge – significant research and development expenditures
- Government regulations – granting of charters, licenses, trade agreements

For example, barriers to entry are high when entry requires large fixed sunk costs and when there are significant scale economies in production. High initial capital outlays for electrical generation facilities, pipelines, telecommunications networks and specialized equipment, partially explain the relatively high concentration ratios in the utilities (47.5), oil and gas extraction (42.4), information and culture (38.5), mining (32.6) and the transportation and warehousing industries (27.8). (Chart 4.1)

The regulatory authority of the government in restricting competition is historically evident in the Canadian banking industry, therefore, it is not surprising that deposit credit intermediation has the highest level of concentration (62.5). In addition, under current regulations, the 10% limit on individual shareholders effectively prevents control of Canada's chartered banks from being transferred to a foreign corporation. Thus, it is not surprising that these top five enterprises are all Canadian controlled.

Lottery and casino corporations dominate the arts, entertainment and recreation industry. Gaming activities generate significant revenues for and are regulated by provincial governments. The top five enterprises in this sector are all provincially owned corporations and account for 41.3% of the industry's total operating revenues.

Our historical concerns about maintaining a national identity that might be overwhelmed by foreign influences have resulted in various foreign control restrictions in the information and culture industries. The top five enterprises in this industrial sector are all Canadian controlled corporations engaged in the telecommunications, cable and publishing industries.

As shown in Chart 4.1, the foreign controlled share of operating revenue is highest in the manufacturing industry. Of the top 5 enterprises, 92% of manufacturing operating revenues are generated by foreign controlled enterprises.

Manufacturing is the largest non-financial industry, and with \$591.3 billion, represents almost one-third of total non-financial operating revenues. Given the relative size of the manufacturing industry and the high level of foreign participation, it is appropriate to look at the industry in greater detail. The following section examines the manufacturing industry in greater detail.

Corporate Concentration and Foreign Control – Manufacturing Industries

The concentration ratios presented in Chart 4.2 are the aggregate operating revenues of the top 5 enterprises in each of seventeen manufacturing industries, expressed as a percentage of each industry's total operating revenues. The chart also depicts the extent to which these large enterprises are Canadian or foreign controlled.

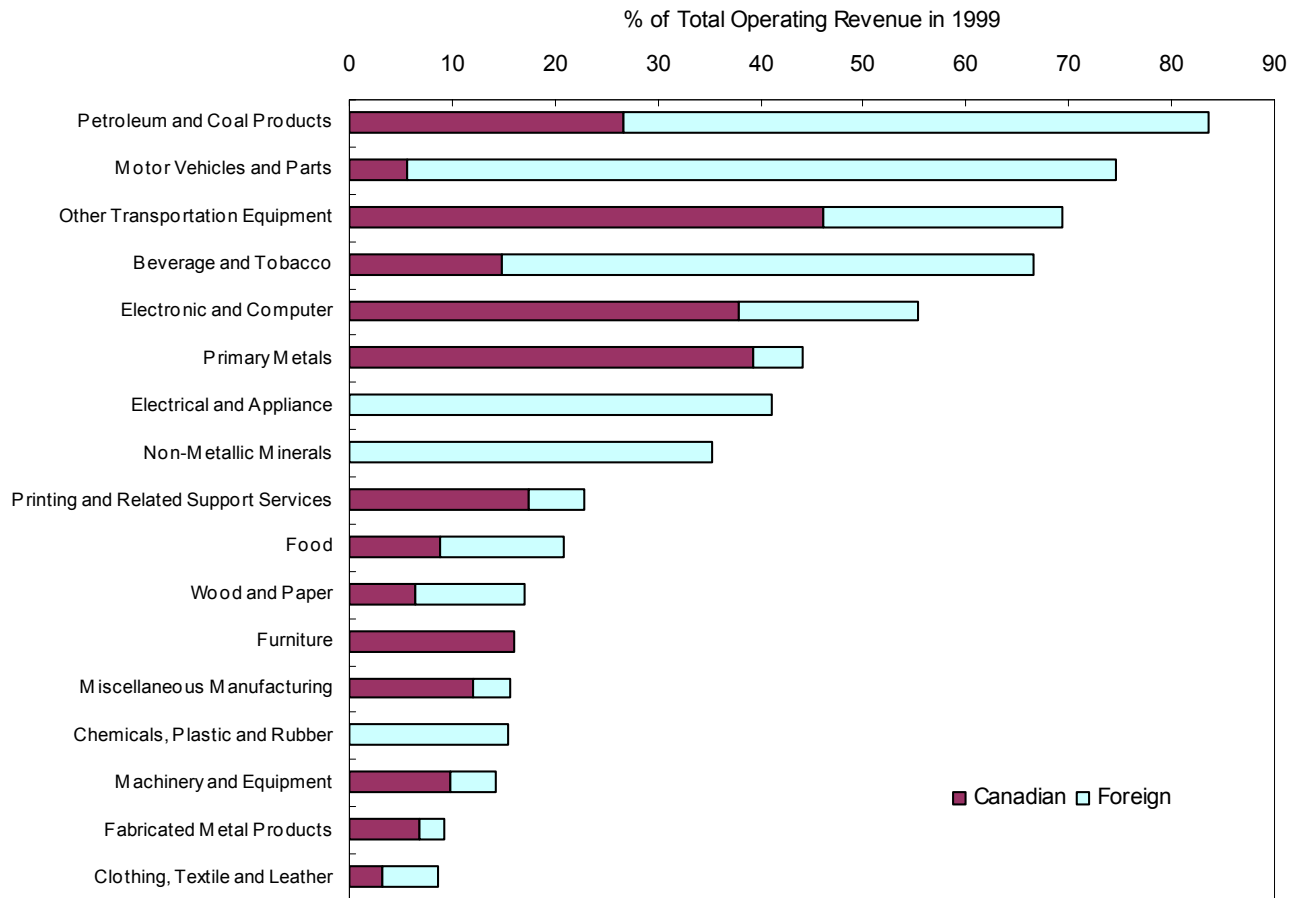
As mentioned previously, caution is required in interpreting concentration ratios; the overall manufacturing industry concentration ratio of 18.3, is a composite of ratios ranging from a high of 83.6 for petroleum and coal products to a low of 8.6 for the clothing, textile and leather industries.

Vertically integrated oil and gas companies that were classified to the energy industry in prior SIC-C based publications, dominate the petroleum and coal products manufacturing industry. The top five enterprises had operating revenues of \$28.1 billion or 83.6% of the \$33.6 billion total subsector revenues. Foreign controlled enterprises accounted for 68.2% of operating revenues for the top five enterprises and 62.1% of total subsector revenues.

Motor vehicles and parts manufacturing is the largest subsector in the manufacturing sector accounting for \$141.2 billion or 23.8% of overall manufacturing industry revenues, with the top five enterprises generating 74.5% of this amount. Terms of the Canada – United States “Auto Pact” were designed to promote the assembly of automobiles within Canada and Canadian controlled corporations are now key suppliers to the automotive industry, accounting for \$16.7 billion or 11.9% of total subsector revenues. However, 68.9% of the revenues generated by the top 5 enterprises are still controlled by foreign interests.

Operating revenues for the top 5 enterprises in the electrical and appliance, non-metallic minerals and the chemical, plastic and rubber manufacturing industries are generated entirely by foreign enterprises. In the aggregate, Canadian controlled enterprises generate 27.0% of the \$12.8 billion electrical and appliance operating revenues, 36.6% of the \$12.3 billion non-metallic mineral operating revenues, and 37.0% of the \$65.9 billion operating revenues recorded by the chemical, plastic and rubber manufacturing industry, even though no Canadian controlled company cracks the top 5 in these industries.

Chart 4.2
Concentration Ratios - Tops 5 Enterprises - Manufacturing Industries



Section V

Size Analysis

Overview

Not only does foreign control vary by industry and financial variable, but it also fluctuates by firm size. Foreign control in Canada tends to be concentrated in the largest enterprises.

For the purposes of this report, small enterprises include those with operating revenues less than \$5 million; medium-sized enterprises refer to those with operating revenues between \$5 million and \$75 million; and large enterprises are those with operating revenues more than \$75 million.

Contribution by Size Group

Where foreign controlled firms dominate the industry, there is a corresponding dominance in the control of assets of the larger enterprises. This is especially notable in the oil and gas extraction and coal mining, manufacturing, non-depository credit intermediation and insurance carriers industries (highlighted in the tables) where foreign control is greater than 40% for both assets and operating revenues in these industries. (See Tables 5.1 and 5.2)

Table 5.1
Canadian and Foreign Firms by Size - Assets - 1999
(Percentage of assets each group controls of the total)

Industry	SMALL		MEDIUM		LARGE		TOTAL	
	Canadian	Foreign	Canadian	Foreign	Canadian	Foreign	Canadian	Foreign
Agriculture, Forestry, Fishing and Hunting	77.8	0.3	13.5	1.1	6.5	0.8	97.7	2.3
Oil and Gas Extraction and Coal Mining	3.4	0.5	5.2	1.9	47.2	41.8	55.8	44.2
Mining, (except Oil, Gas and Coal)	8.4	1.7	9.5	2.6	57.1	20.7	75.0	25.0
Utilities	0.4	0.0	1.9	0.1	95.8	1.7	98.1	1.9
Construction	53.3	0.6	24.4	0.9	18.5	2.2	96.3	3.7
Manufacturing	5.7	0.3	10.7	3.5	36.5	43.3	52.9	47.1
Wholesale Trade	16.9	0.8	23.9	7.4	27.0	24.0	67.8	32.2
Retail Trade	27.5	0.1	27.0	1.1	26.4	17.8	81.0	19.0
Transportation and Warehousing	12.9	0.2	14.1	2.1	58.0	12.7	85.0	15.0
Information and Culture Industries	4.1	0.2	7.3	0.9	84.2	3.4	95.6	4.4
Non-Depository Credit Intermediation	7.1	0.5	3.0	6.3	40.1	42.9	50.2	49.8
Insurance Carriers	0.0	0.1	0.9	1.4	58.0	39.6	58.9	41.1
Other Financial Intermediaries	38.9	2.3	20.6	3.0	28.1	7.1	87.6	12.4
Deposit Credit Intermediation	0.0	0.0	0.8	1.0	88.4	9.8	89.2	10.8
Real Estate and Rental and Leasing Companies	49.5	1.7	16.6	6.5	20.5	5.3	86.6	13.4
Professional, Scientific and Technical Services	49.6	1.1	17.4	5.3	16.2	10.4	83.1	16.9
Administrative and Support, Waste Management and Remediation Services	33.4	0.7	14.0	3.8	21.9	26.2	69.2	30.8
Education Services	63.6	0.6	25.0	7.3	3.5	0.0	92.1	7.9
Health Care and Social Assistance	56.1	0.4	16.5	1.7	25.3	0.0	97.9	2.1
Arts, Entertainment and Recreation	43.5	0.8	24.8	1.6	28.9	0.5	97.2	2.8
Accommodation and Food Services	52.1	1.1	16.1	4.9	16.6	9.2	84.8	15.2
Other Services (Except Public Administration)	53.3	0.6	12.9	2.6	19.4	11.2	85.6	14.4
All Industries	12.3	0.4	8.2	2.4	57.8	18.9	78.3	21.7

Table 5.2
Canadian and Foreign Firms by Size - Operating Revenue - 1999
 (Percentage of operating revenue each group controls of the total)

Industry	SMALL		MEDIUM		LARGE		TOTAL	
	Canadian	Foreign	Canadian	Foreign	Canadian	Foreign	Canadian	Foreign
Agriculture, Forestry, Fishing and Hunting	64.4	0.1	25.6	1.3	6.7	1.7	96.8	3.2
Oil and Gas Extraction and Coal Mining	1.9	0.1	4.7	1.9	40.5	50.9	47.1	52.9
Mining, (except Oil, Gas and Coal)	10.4	0.3	12.9	3.8	43.7	29.0	67.0	33.0
Utilities	0.5	0.0	1.7	0.1	69.2	28.3	71.5	28.5
Construction	48.6	0.1	34.0	1.0	12.9	3.4	95.5	4.5
Manufacturing	7.3	0.1	15.1	3.7	25.4	48.3	47.8	52.2
Wholesale Trade	14.6	0.4	28.7	6.4	24.9	25.1	68.1	31.9
Retail Trade	24.5	0.1	35.7	1.3	23.9	14.6	84.0	16.0
Transportation and Warehousing	20.6	0.2	19.9	2.8	45.7	10.7	86.3	13.7
Information and Culture Industries	10.0	0.2	12.1	2.6	69.7	5.3	91.8	8.2
Non-Depository Credit Intermediation	6.1	0.2	10.1	3.4	30.3	49.9	46.5	53.5
Insurance Carriers	0.0	0.0	0.9	1.1	56.5	41.4	57.5	42.5
Other Financial Intermediaries	31.3	0.7	30.5	4.6	25.9	7.0	87.7	12.3
Deposit Credit Intermediation	0.1	0.0	1.0	0.9	86.2	11.9	87.3	12.7
Real Estate and Rental and Leasing Companies	46.9	1.1	25.0	3.3	16.3	7.4	88.2	11.8
Professional, Scientific and Technical Services	47.8	0.6	23.6	4.9	10.9	12.2	82.3	17.7
Administrative and Support, Waste Management and Remediation Services	41.5	0.4	27.3	4.1	11.7	14.9	80.6	19.4
Education Services	69.0	0.7	23.2	5.0	2.1	0.0	94.3	5.7
Health Care and Social Assistance	65.6	0.2	18.3	1.2	14.7	0.0	98.6	1.4
Arts, Entertainment and Recreation	23.0	0.2	8.7	0.8	66.9	0.4	98.6	1.4
Accommodation and Food Services	67.4	0.3	14.2	2.3	8.7	7.1	90.3	9.7
Other Services (Except Public Administration)	63.2	0.3	15.0	2.2	6.0	13.2	84.2	15.8
All Industries	19.5	0.2	20.5	3.2	30.5	26.2	70.4	29.6

Control within each Size Group

Again, it is the same four industries mentioned earlier (the oil and gas extraction and coal mining, manufacturing, non-depository credit intermediation and insurance carriers industries) in which foreign interests seem to have targeted the large firms. However, there are a few exceptions, including some small enterprises in the insurance industries and some medium sized enterprises in the deposit credit intermediation, non-depository credit intermediation and insurance industries.

It is, however, the Canadian dominance of the small and medium size enterprises in these 4, as well as most of the other industries, which accounts for the overall control of assets by Canadian enterprises. In most other industries, large Canadian firms contribute more to the aggregate assets/operating revenue share for all size groups. (See Tables 5.3 and 5.4)

Table 5.3
Canadian and Foreign Firms by Size - Assets - 1999
 (Share of assets each control group represents within each size group)

Industry	SMALL		MEDIUM		LARGE		TOTAL	
	Canadian	Foreign	Canadian	Foreign	Canadian	Foreign	Canadian	Foreign
Agriculture, Forestry, Fishing and Hunting	99.6	0.4	92.2	7.8	88.9	11.1	97.7	2.3
Oil and Gas Extraction and Coal Mining	87.5	12.5	73.5	26.5	53.0	47.0	55.8	44.2
Mining, (except Oil, Gas and Coal)	82.8	17.2	78.4	21.6	73.4	26.6	75.0	25.0
Utilities	96.5	3.5	93.8	6.2	98.2	1.8	98.1	1.9
Construction	99.0	1.0	96.3	3.7	89.2	10.8	96.3	3.7
Manufacturing	95.7	4.3	75.3	24.7	45.7	54.3	52.9	47.1
Wholesale Trade	95.6	4.4	76.3	23.7	52.9	47.1	67.8	32.2
Retail Trade	99.6	0.4	96.0	4.0	59.7	40.3	81.0	19.0
Transportation and Warehousing	98.2	1.8	87.0	13.0	82.1	17.9	85.0	15.0
Information and Culture Industries	96.1	3.9	89.2	10.8	96.2	3.8	95.6	4.4
Non-Depository Credit Intermediation	92.9	7.1	32.4	67.6	48.3	51.7	50.2	49.8
Insurance Carriers	0.0	100.0	37.5	62.5	59.4	40.6	58.9	41.1
Other Financial Intermediaries	94.4	5.6	87.3	12.7	79.7	20.3	87.6	12.4
Deposit Credit Intermediation	83.0	17.0	45.5	54.5	90.0	10.0	89.2	10.8
Real Estate and Rental and Leasing Companies	96.7	3.3	72.0	28.0	79.5	20.5	86.6	13.4
Professional, Scientific and Technical Services	97.8	2.2	76.5	23.5	60.9	39.1	83.1	16.9
Administrative and Support, Waste Management and Remediation Services	97.9	2.1	78.6	21.4	45.5	54.5	69.2	30.8
Education Services	99.0	1.0	77.4	22.6	100.0	0.0	92.1	7.9
Health Care and Social Assistance	99.3	0.7	90.9	9.1	99.9	0.1	97.9	2.1
Arts, Entertainment and Recreation	98.3	1.7	94.0	6.0	98.4	1.6	97.2	2.8
Accommodation and Food Services	98.0	2.0	76.5	23.5	64.4	35.6	84.8	15.2
Other Services (Except Public Administration)	98.9	1.1	83.1	16.9	63.5	36.5	85.6	14.4
All Industries	96.6	3.4	77.3	22.7	75.4	24.6	78.3	21.7

Table 5.4
Canadian and Foreign Firms by Size - Operating Revenue - 1999
 (Share of operating revenue each control group represents within each size group)

Industry	SMALL		MEDIUM		LARGE		TOTAL	
	Canadian	Foreign	Canadian	Foreign	Canadian	Foreign	Canadian	Foreign
Agriculture, Forestry, Fishing and Hunting	99.8	0.2	95.0	5.0	79.6	20.4	96.8	3.2
Oil and Gas Extraction and Coal Mining	94.3	5.7	71.5	28.5	44.3	55.7	47.1	52.9
Mining, (except Oil, Gas and Coal)	97.4	2.6	77.3	22.7	60.1	39.9	67.0	33.0
Utilities	95.8	4.2	92.2	7.8	71.0	29.0	71.5	28.5
Construction	99.8	0.2	97.2	2.8	79.1	20.9	95.5	4.5
Manufacturing	98.2	1.8	80.3	19.7	34.5	65.5	47.8	52.2
Wholesale Trade	97.5	2.5	81.7	18.3	49.8	50.2	68.1	31.9
Retail Trade	99.8	0.2	96.6	3.4	62.0	38.0	84.0	16.0
Transportation and Warehousing	99.1	0.9	87.6	12.4	81.0	19.0	86.3	13.7
Information and Culture Industries	97.7	2.3	82.2	17.8	92.9	7.1	91.8	8.2
Non-Depository Credit Intermediation	97.2	2.8	74.8	25.2	37.7	62.3	46.5	53.5
Insurance Carriers	0.0	100.0	45.6	54.4	57.8	42.2	57.5	42.5
Other Financial Intermediaries	97.9	2.1	86.8	13.2	78.8	21.2	87.7	12.3
Deposit Credit Intermediation	89.0	11.0	52.3	47.7	87.9	12.1	87.3	12.7
Real Estate and Rental and Leasing Companies	97.7	2.3	88.3	11.7	68.9	31.1	88.2	11.8
Professional, Scientific and Technical Services	98.7	1.3	82.9	17.1	47.3	52.7	82.3	17.7
Administrative and Support, Waste Management and Remediation Services	99.0	1.0	86.9	13.1	44.0	56.0	80.6	19.4
Education Services	98.9	1.1	82.4	17.6	100.0	0.0	94.3	5.7
Health Care and Social Assistance	99.7	0.3	93.8	6.2	100.0	0.0	98.6	1.4
Arts, Entertainment and Recreation	99.2	0.8	91.5	8.5	99.4	0.6	98.6	1.4
Accommodation and Food Services	99.6	0.4	86.0	14.0	55.1	44.9	90.3	9.7
Other Services (Except Public Administration)	99.6	0.4	87.0	13.0	31.3	68.7	84.2	15.8
All Industries	98.9	1.1	86.6	13.4	53.8	46.2	70.4	29.6

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Statistical Notes and Definitions

Statistical Notes and Definitions

Sources of Information

Ownership and control information is obtained primarily through ownership returns filed by corporations liable under the Corporations Returns Act (CRA) for reference period 1999. Additional ownership information is obtained from both Canadian and international publications.

These estimates are derived from the Unified Enterprise Statistics Program (UES) which, in turn, gets its data from 3 primary sources:

- Annualized data from the Quarterly Survey of Financial Statements (QFS) obtained from the Industrial Organization and Finance Division at Statistics Canada.
- A survey of provincial or federal level government business enterprises (GBE) that operated in the business sector, with data obtained from the Public Institutions Division at Statistics Canada.
- Administrative corporate taxation data in the form of the General Index of Financial Information (GIFI) obtained from the Tax Data Division at Statistics Canada.

While QFS and GBE data were collected at the enterprise level, GIFI data, on the other hand, were collected at the non-consolidated single legal entity level. Data for single legal entities belonging to a corporate family (multi-legals) were then rolled up to the enterprise level.

The concepts and definitions for most industries are based on the guidelines of the Canadian Institute of Chartered Accountants (CICA). Regulated industries may follow practices and definitions determined by the regulators. However, these practices are usually similar to the Generally Accepted Accounting Principles (GAAP) of the Canadian Institute of Chartered Accountants.

Edit and Imputation

Several checks are performed on the data to verify internal consistency and identify extreme values. For non-response of administrative corporate taxation units, imputation is performed using a "nearest neighbour" procedure (donor imputation) using available auxiliary information to substitute the data from a company with similar characteristics. For non-response of QFS units,

imputation is performed using historical information where available, otherwise donor imputation is used.

Estimation

Since data are obtained from one of the three data sources for each enterprise in the population of interest, estimates are derived from the simple tabulation of the data.

The combined survey results were analyzed before publication. In general this included a detailed review of the individual responses (especially for the largest enterprises), a review of general economic conditions as well as historic trends and comparisons with tax data information and other data sources.

Due to certain financial reporting constraints, data for enterprises in the insurance industry could not be obtained through the administrative data source. Data for the industry are therefore derived using QFS weighted estimates rather than a census.

Data Quality

While considerable effort was made to ensure high standards throughout all collection and processing operations, the resulting estimates are inevitably subject to a certain degree of error. There are two categories of errors in statistical information – sampling errors and non-sampling errors. Non-sampling errors are the only type that applies to this program, given that there was no sampling process used to produce these estimates¹.

Non-sampling errors can arise from a variety of sources and are difficult to measure and their importance can differ according to the purpose to which the data are being put. Among non-sampling errors are gaps in the information provided by corporations in their tax returns and errors in processing, such as data capture.

Statistical Units

The statistical unit is the unit for which data are obtained for further classification, aggregation and publication. This publication focuses on two units: the statistical enterprise, which is the focus of this report; and the global enterprise, which is the unit of analysis for corporate concentration. The terms "company" and "firm" have been used interchangeably in this report to signify "statistical enterprise."

¹ with the exception of the insurance industry

Enterprise:

An enterprise is a group of corporations under common control. The controlling interest, referred to as the enterprise head, may be an individual, a related group, a corporation or a government. Controlled corporations are called subsidiaries. A multi-corporation enterprise contains one or more subsidiaries. A corporation that is not controlled by another corporation and that does not control another corporation is called a single-corporation enterprise.

Global Enterprise:

A global enterprise is a group of all statistical enterprises under common control. Unlike the statistical enterprise, there is no requirement for industrial homogeneity or integrated business activity. Data for the global enterprise are produced by adding together the financial items of its statistical enterprises. Therefore, global enterprise financial data are not a consolidation but an aggregation. Consequently, items may be double-counted, especially those affecting intra-global enterprise transactions.

Coverage

Corporations included in this report are principally those that are required to file a schedule of ownership information under the Corporations Returns Act. The Act, as amended January 1, 1999, applies to every corporation that carries on business in Canada or that is incorporated under a law of Canada or a province, whose gross revenue for the reporting period exceeded \$15 million, or whose assets exceeded \$10 million. In calculating these amounts, each corporation must include the assets and sales of its affiliates as defined in the Act. In addition, corporations with assets and sales under these amounts but having long-term debt or equity owing directly or indirectly to non-residents exceeding a book value of \$200,000 must also provide ownership information.

International financial and ownership publications have been researched to obtain true beneficial owners rather than nominees. In addition, the data derived solely from the Corporations Returns Act returns has occasionally proved insufficient to bring related corporations in Canada together into one enterprise, because corporations are only required to report their first foreign parent. In many of these cases, the first foreign parent was traced back to an ultimate parent corporation. Sometimes this was one or two countries removed from the one reported. This research has resulted in a more accurate assignment of country of control to the enterprises and provided a better overview of multi-national enterprises.

Under the Act, corporations are not required to report the names of individuals owning shares or the names of corporations holding less than 10% of any share class. In a select number of cases, where such ownership was significant, revealed a larger enterprise structure, or determined the control of a corporation, data on personal share holdings, or corporate holdings of less than 10%, was obtained and integrated with inter-corporate ownership information.

Corporate Control

Corporate control is the potential to affect the corporate strategic decision-making process of the board of directors of a corporation.

Direct control is exercised by a person, group or corporation if more than 50% of the voting equity of a corporation is held, directly or indirectly, other than by way of security only, by or for the benefit of that person, group or corporation. In the case of irrevocable options or the right to acquire shares, the calculation of the voting equity is made as if all options have been exercised.

Effective control of a corporation implies control of the corporation through methods other than ownership of the majority voting equity of the corporation. Effective control is referred to as assigned control in the Inter-Corporate Ownership database and publication. An assessment of effective control may be based on any of the following rules:

- If more than 50% of directors of a corporation are also directors of a trust or an estate, or are also members of a related group, then the corporation is effectively controlled by that trust, estate or related group.
- If more than 50% of the directors of a corporation are also directors of another corporation, and if there is a significant voting ownership relationship between these corporations, then the corporation is effectively controlled by that other corporation.
- If a corporation holds voting equity in another corporation which exceeds 33%, and if that block of equity is larger than the combined percentage of the next two largest blocks, then the corporation is effectively controlled by that corporation.
- If control is acknowledged by a corporation, then the acknowledgement is sufficient to assign effective control.

Finally, care should be taken in using the word "controlled". In many cases where control is said to exist, corporations may still function with considerable autonomy in their financial, marketing, or operational activities. The concept of corporate control should be viewed as a potential that exists and is exercised within the framework of a corporate industrial society with highly varied management practices.

Country of Control

In most cases of foreign control, the country of control classification is the country of residence of the ultimate foreign parent corporation. Each subsidiary within the global enterprise is assigned the same country of control as its parent. A company whose voting rights are owned equally by Canadian and foreign controlled corporations is given the country of control code of the foreign controlled owner. If two foreign controlled corporations jointly own an equal amount of the voting rights of a Canadian resident company, the country of control is assigned according to an order of precedence of the countries of control based on their aggregate level of foreign direct investment in Canada (i.e., United States takes precedence, followed by United Kingdom, etc).

Industrial Classification

Commencing with 1999, Financial & Taxation Statistics for Enterprises are based on the North American Industry Classification System (NAICS). From 1988 to 1998, the Standard Industrial Classification for Companies and Enterprises (SIC-C 1980) was used.

NAICS is a activity-oriented industry classification that was developed by the statistical agencies of Canada, Mexico and the United States to provide a consistent framework for the collection, analysis and dissemination of industrial statistics used by government policy analysts, academics and researchers, the business community and the public. NAICS was primarily designed to classify economic production performed at the establishment level; the activity that contributes the most value-added determines the NAICS code for the establishment.

To determine which NAICS code should be assigned to a statistical enterprise, the NAICS code is determined for each establishment belonging to the statistical enterprise. The NAICS code representing the largest value-added is then assigned to the statistical enterprise. The NAICS Classification System (unlike the 1980 SIC-C) does not provide classifications for integrated activities. For example, a petroleum enterprise may be involved in exploration, mining, refining, shipping and retailing of petroleum products. Whereas the 1980 SIC-C provided a

classification code for integrated petroleum activities, under NAICS such an enterprise is classified to the individual NAICS code that relates to the activity that provides the most value-added.

NAICS is a detailed, hierarchical classification with 920 individual 6-digit industries. These are aggregated into 20 sectors of activity, such as mining, manufacturing, wholesale trade, retail trade and construction.

The CRA covers 22 major industries.

The Exclusion of Management of Companies and Enterprises (NAICS 55)

The Exclusion of Management of Companies and Enterprises (NAICS 55) are excluded from the CRA data for RY 1999. Holding companies have been classified to NAICS 55, "Management of Companies and Enterprises." Investment and Holding Companies (SIC 6216 and 6239) were also excluded in past CRA publications dating back to the mid-eighties.

NAICS 55 does not, however, include all holding company data in the Canadian economy. Many holding companies are consolidated with other components of an enterprise and classified to the dominant NAICS function. Corporate families deemed to be a single statistical enterprise should normally report as one consolidated unit. The enterprise, including a parent holding company, would be classified together into the dominant NAICS classification, and not necessarily into NAICS 55.

When more than one statistical enterprise is determined to exist within a corporate family, the holding company component of this entity maybe classified into NAICS 55, while the remaining operations would be classified to the NAICS of its dominant function.

Availability of Additional Data

Tabulations additional to those published can be developed and made available on a cost-recovery basis. Requests should be directed to Jeannine D'Angelo, Industrial Organization and Finance Division, Statistics Canada, Ottawa (Telephone 613 951-2604, Fax 613 951-0318).

Data available are subject to the confidentiality provisions of CRA and the Statistics Act

ELECTRONIC PUBLICATIONS AVAILABLE AT
www.statcan.ca



Appendix Tables

ELECTRONIC PUBLICATIONS AVAILABLE AT
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APPENDIX TABLE 1**Major financial characteristics, by industry and control****Value and share**

Agriculture, Forestry, Fishing and Hunting

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	285	259	432	976	41,249	561	41,810	42,785
Share	%	0.7	0.6	1.0	2.3	96.4	1.3	97.7	100.0
Operating revenue	\$ 000,000	363	250	369	982	29,428	57	29,484	30,467
Share	%	1.2	0.8	1.2	3.2	96.6	0.2	96.8	100.0

APPENDIX TABLE 2**Major financial characteristics, by industry and control****Value and share**

Oil and Gas Extraction and Coal Mining

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	46,009	444	6,573	53,025	66,525	477	67,002	120,026
Share	%	38.3	0.4	5.5	44.2	55.4	0.4	55.8	100.0
Operating revenue	\$ 000,000	19,566	172	3,351	23,089	20,384	206	20,590	43,679
Share	%	44.8	0.4	7.7	52.9	46.7	0.5	47.1	100.0

APPENDIX TABLE 3**Major financial characteristics, by industry and control****Value and share**

Mining, (except Oil, Gas and Coal)

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	13,663	2,556	3,744	19,963	59,751	18	59,770	79,733
Share	%	17.1	3.2	4.7	25.0	74.9	0.0	75.0	100.0
Operating revenue	\$ 000,000	4,762	873	2,133	7,767	15,754	2	15,756	23,523
Share	%	20.2	3.7	9.1	33.0	67.0	0.0	67.0	100.0

APPENDIX TABLE 4**Major financial characteristics, by industry and control****Value and share**

Utilities

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	2,716	2	3	2,720	32,250	110,482	142,733	145,453
Share	%	1.9	0.0	0.0	1.9	22.2	76.0	98.1	100.0
Operating revenue	\$ 000,000	15,162	3	1	15,166	15,727	22,382	38,109	53,275
Share	%	28.5	0.0	0.0	28.5	29.5	42.0	71.5	100.0

APPENDIX TABLE 5

Major financial characteristics, by industry and control

Value and share

Construction

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	1,383	1,138	698	3,219	83,250	2	83,252	86,472
Share	%	1.6	1.3	0.8	3.7	96.3	0.0	96.3	100.0
Operating revenue	\$ 000,000	2,745	1,539	583	4,867	103,480	0	103,481	108,348
Share	%	2.5	1.4	0.5	4.5	95.5	0.0	95.5	100.0

APPENDIX TABLE 6

Major financial characteristics, by industry and control

Value and share

Manufacturing

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	159,190	56,326	26,294	241,810	270,738	577	271,316	513,125
Share	%	31.0	11.0	5.1	47.1	52.8	0.1	52.9	100.0
Operating revenue	\$ 000,000	223,694	51,228	33,638	308,561	282,049	699	282,748	591,309
Share	%	37.8	8.7	5.7	52.2	47.7	0.1	47.8	100.0

APPENDIX TABLE 7**Major financial characteristics, by industry and control****Value and share**
Wholesale Trade

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	27,232	8,418	10,105	45,755	86,407	9,785	96,192	141,947
Share	%	19.2	5.9	7.1	32.2	60.9	6.9	67.8	100.0
Operating revenue	\$ 000,000	54,810	19,070	24,731	98,611	207,032	3,603	210,635	309,246
Share	%	17.7	6.2	8.0	31.9	66.9	1.2	68.1	100.0

APPENDIX TABLE 8**Major financial characteristics, by industry and control****Value and share**
Retail Trade

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	15,441	3,553	402	19,395	81,034	1,393	82,426	101,822
Share	%	15.2	3.5	0.4	19.0	79.6	1.4	81.0	100.0
Operating revenue	\$ 000,000	34,611	7,663	1,690	43,963	223,158	8,461	231,619	275,582
Share	%	12.6	2.8	0.6	16.0	81.0	3.1	84.0	100.0

APPENDIX TABLE 9

Major financial characteristics, by industry and control

Value and share

Transportation and Warehousing

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	13,988	875	635	15,497	78,460	9,270	87,730	103,227
Share	%	13.6	0.8	0.6	15.0	76.0	9.0	85.0	100.0
Operating revenue	\$ 000,000	8,791	1,260	1,952	12,003	67,398	8,024	75,423	87,425
Share	%	10.1	1.4	2.2	13.7	77.1	9.2	86.3	100.0

APPENDIX TABLE 10

Major financial characteristics, by industry and control

Value and share

Information and Culture Industries

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	4,204	813	439	5,456	116,999	1,486	118,485	123,941
Share	%	3.4	0.7	0.4	4.4	94.4	1.2	95.6	100.0
Operating revenue	\$ 000,000	3,359	1,124	428	4,911	54,479	778	55,257	60,169
Share	%	5.6	1.9	0.7	8.2	90.5	1.3	91.8	100.0

APPENDIX TABLE 11**Major financial characteristics, by industry and control****Value and share**

Non-Depository Credit Intermediation

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	55,282	4,695	11,866	71,843	19,973	52,484	72,457	144,300
Share	%	38.3	3.3	8.2	49.8	13.8	36.4	50.2	100.0
Operating revenue	\$ 000,000	7,970	675	849	9,495	3,539	4,704	8,243	17,737
Share	%	44.9	3.8	4.8	53.5	20.0	26.5	46.5	100.0

APPENDIX TABLE 12**Major financial characteristics, by industry and control****Value and share**

Insurance Carriers

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	54,204	39,054	10,206	103,465	139,992	8,157	148,149	251,614
Share	%	21.5	15.5	4.1	41.1	55.6	3.2	58.9	100.0
Operating revenue	\$ 000,000	12,336	11,810	2,848	26,995	32,573	3,935	36,508	63,503
Share	%	19.4	18.6	4.5	42.5	51.3	6.2	57.5	100.0

APPENDIX TABLE 13

Major financial characteristics, by industry and control

Value and share

Other Financial Intermediaries

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	18,729	2,748	2,714	24,191	151,688	18,945	170,633	194,824
Share	%	9.6	1.4	1.4	12.4	77.9	9.7	87.6	100.0
Operating revenue	\$ 000,000	3,597	723	652	4,972	33,907	1,602	35,509	40,481
Share	%	8.9	1.8	1.6	12.3	83.8	4.0	87.7	100.0

APPENDIX TABLE 14

Major financial characteristics, by industry and control

Value and share

Deposit Credit Intermediation

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	23,813	100,693	10,369	134,876	1,033,759	83,347	1,117,106	1,251,982
Share	%	1.9	8.0	0.8	10.8	82.6	6.7	89.2	100.0
Operating revenue	\$ 000,000	1,541	8,360	1,276	11,177	71,901	4,619	76,520	87,697
Share	%	1.8	9.5	1.5	12.7	82.0	5.3	87.3	100.0

APPENDIX TABLE 15**Major financial characteristics, by industry and control****Value and share**

Real Estate and Rental and Leasing Companies

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	17,948	2,937	3,072	23,957	152,062	2,711	154,773	178,730
Share	%	10.0	1.6	1.7	13.4	85.1	1.5	86.6	100.0
Operating revenue	\$ 000,000	3,472	754	648	4,874	36,061	363	36,424	41,299
Share	%	8.4	1.8	1.6	11.8	87.3	0.9	88.2	100.0

APPENDIX TABLE 16**Major financial characteristics, by industry and control****Value and share**

Professional, Scientific and Technical Services

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	7,374	1,326	616	9,315	45,018	940	45,958	55,273
Share	%	13.3	2.4	1.1	16.9	81.4	1.7	83.1	100.0
Operating revenue	\$ 000,000	8,173	1,863	561	10,598	48,706	726	49,432	60,030
Share	%	13.6	3.1	0.9	17.7	81.1	1.2	82.3	100.0

APPENDIX TABLE 17

Major financial characteristics, by industry and control

Value and share

Administrative and Support, Waste Management and Remediation Services

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	8,044	1,158	298	9,500	21,250	145	21,394	30,895
Share	%	26.0	3.7	1.0	30.8	68.8	0.5	69.2	100.0
Operating revenue	\$ 000,000	5,622	1,450	449	7,521	31,204	23	31,226	38,747
Share	%	14.5	3.7	1.2	19.4	80.5	0.1	80.6	100.0

APPENDIX TABLE 18

Major financial characteristics, by industry and control

Value and share

Education Services

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	117	1	84	202	2,345	0	2,345	2,547
Share	%	4.6	0.0	3.3	7.9	92.1	0.0	92.1	100.0
Operating revenue	\$ 000,000	153	1	72	226	3,738	0	3,738	3,964
Share	%	3.9	0.0	1.8	5.7	94.3	0.0	94.3	100.0

APPENDIX TABLE 19**Major financial characteristics, by industry and control****Value and share**

Health Care and Social Assistance

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	250	39	37	327	15,384	23	15,407	15,734
Share	%	1.6	0.2	0.2	2.1	97.8	0.1	97.9	100.0
Operating revenue	\$ 000,000	135	59	28	222	15,767	42	15,808	16,030
Share	%	0.8	0.4	0.2	1.4	98.4	0.3	98.6	100.0

APPENDIX TABLE 20**Major financial characteristics, by industry and control****Value and share**

Arts, Entertainment and Recreation

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	205	38	155	397	11,136	2,566	13,702	14,099
Share	%	1.5	0.3	1.1	2.8	79.0	18.2	97.2	100.0
Operating revenue	\$ 000,000	211	47	62	320	11,653	10,580	22,233	22,552
Share	%	0.9	0.2	0.3	1.4	51.7	46.9	98.6	100.0

APPENDIX TABLE 21

Major financial characteristics, by industry and control

Value and share

Accommodation and Food Services

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	2,927	448	1,906	5,281	29,383	23	29,406	34,687
Share	%	8.4	1.3	5.5	15.2	84.7	0.1	84.8	100.0
Operating revenue	\$ 000,000	2,744	404	792	3,941	36,810	13	36,823	40,764
Share	%	6.7	1.0	1.9	9.7	90.3	0.0	90.3	100.0

APPENDIX TABLE 22

Major financial characteristics, by industry and control

Value and share

Other Services (Except Public Administration)

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	2,572	480	124	3,176	18,897	4	18,901	22,077
Share	%	11.7	2.2	0.6	14.4	85.6	0.0	85.6	100.0
Operating revenue	\$ 000,000	3,504	945	141	4,591	24,523	7	24,530	29,121
Share	%	12.0	3.2	0.5	15.8	84.2	0.0	84.2	100.0

APPENDIX TABLE 23**Major financial characteristics, by industry and control****Value and share**

Total finance and insurance industries

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	152,029	147,191	35,155	334,374	1,345,412	162,933	1,508,346	1,842,720
Share	%	8.3	8.0	1.9	18.1	73.0	8.8	81.9	100.0
Operating revenue	\$ 000,000	25,444	21,569	5,626	52,639	141,920	14,860	156,780	209,418
Share	%	12.1	10.3	2.7	25.1	67.8	7.1	74.9	100.0

APPENDIX TABLE 24**Major financial characteristics, by industry and control****Value and share**

Total non-financial industries (Excl. Management of companies and enterprises)

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	323,545	80,809	55,617	459,971	1,212,137	140,463	1,352,601	1,812,572
Share	%	17.9	4.5	3.1	25.4	66.9	7.7	74.6	100.0
Operating revenue	\$ 000,000	391,879	88,706	71,629	552,214	1,227,351	55,966	1,283,317	1,835,531
Share	%	21.3	4.8	3.9	30.1	66.9	3.0	69.9	100.0

APPENDIX TABLE 25

Major financial characteristics, by industry and control

Value and share

Total all industries (Excluding Management of companies and enterprises)

1999		FOREIGN				CANADIAN			ALL
		US	EU	Others	Total	Private	GBE	Total	
Assets	\$ 000,000	475,574	228,000	90,772	794,345	2,557,550	303,397	2,860,946	3,655,292
Share	%	13.0	6.2	2.5	21.7	70.0	8.3	78.3	100.0
Operating revenue	\$ 000,000	417,323	110,275	77,255	604,852	1,369,271	70,826	1,440,097	2,044,949
Share	%	20.4	5.4	3.8	29.6	67.0	3.5	70.4	100.0