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# Using the LCU to collect information on global production

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Telling Canada's  
story in numbers

UN Committee of  
Experts on Business  
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# Overview of Large Case Unit

- Complex businesses in Canada represent 1% of all businesses but contribute 52% of total economic activity
- The LCU works collaboratively with the top 300 most complex businesses in Canada to facilitate data collection
- These businesses are selected based on a measure of complexity which takes into account the number of industries and regions in which they operate and their relative importance to these industries and regions in terms of size

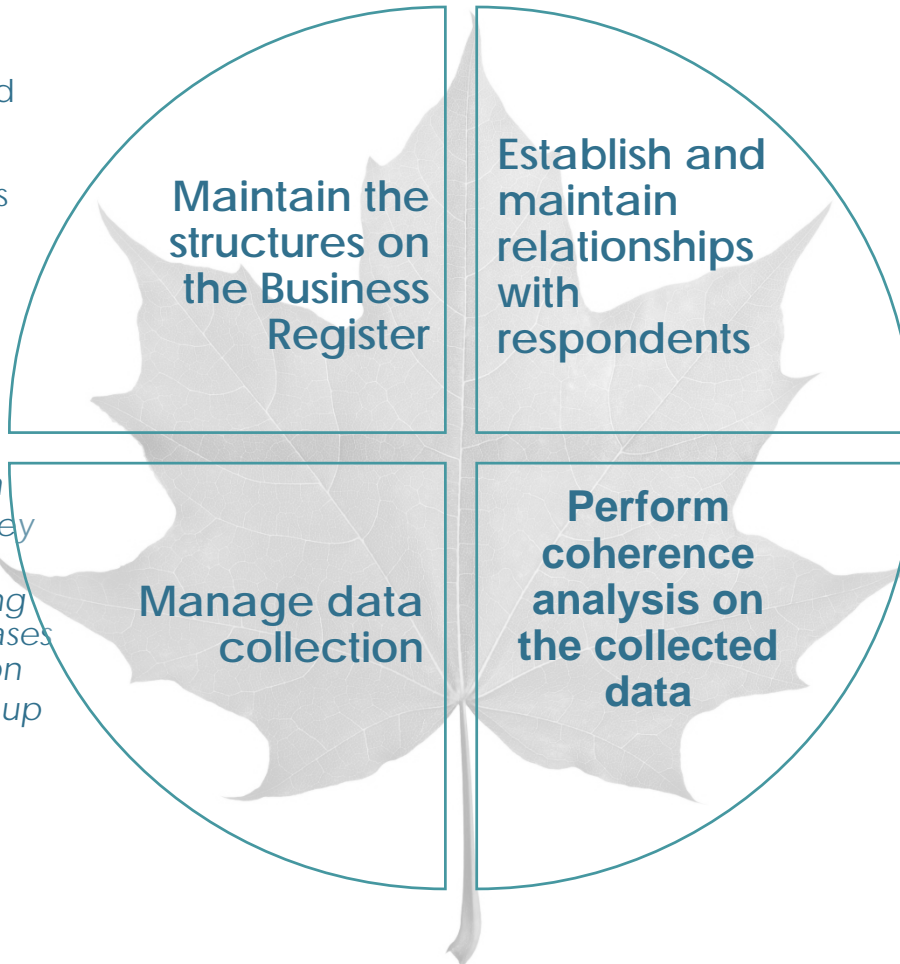




# Responsibilities of the LCU

- Maintain correct legal and operational structures based on administrative information and interviews with company officials
- Assign and maintain industrial classification for each establishment

- *Manage response burden*
- *Create and maintain survey inventories*
- *Negotiate special reporting arrangements: in some cases LCU collect the information*
- *LCU responsible for follow up and requests for data clarification*



- *LCU is the point of contact for respondents*
- *LCU works with respondent to determine best time to contact, the most appropriate collection instrument and other collection arrangements*

- *Compare data obtained through various survey vehicles with administrative information*
- *Prepare company specific reports*
- *Follow up with respondents on incoherence issues*



# Measuring Global Activity of Canadian Businesses

- Statistics Canada initiated work to measure the extent of involvement of Canadian businesses in global value chains
- What production processes and services are located abroad and how much do they contribute to total value added
- Before deciding on whether to launch a survey we needed a basic understanding of the extent of these activities
- The LCU was used to test a number of “filter questions”





# Activities Measured

- Performing processing or manufacturing services for clients outside of Canada, using the client-supplied raw materials or intermediate goods
- Paying foreign entities to perform processing services outside of Canada
- Purchasing goods outside of Canada and selling them in foreign markets, without having the goods physically enter the economic territory of Canada (merchanting).
- Selling finished goods that were manufactured outside of Canada on their behalf without supplying raw materials
- Holding inventory (including in-transit) abroad



# LCU conducted two rounds of testing

- 75 LCU respondents were contacted
- They belonged to the manufacturing and wholesale industries
- 47 respondents indicated participation in global activities

**Round 1:** Tested questions via interviews; revised questions

- The objective was to determine ability of respondents to understand the concepts/questions and to provide the information.
- Identify appropriate respondent
- Only qualitative information was collected
- Only a handful of respondents were contacted

**Round 2:** Sent revised questions via e-mail and used responses to devise a longer term approach

Implemented some questions into existing surveys and used others to launch a new survey;

- Indicators of global activity were added to the BR
- Added filter questions on merchanting and goods sent for processing to Annual survey of manufacturing

# Results – questionnaire testing

## Round 1

- Difficulty in initially identifying the appropriate person to respond
  - No consistency in position
  - In some cases more than one person was required to provide the information
- Question formulation
  - It was clear that respondents were not familiar with these concepts
  - All questions were adjusted to a great extent based on testing results

## Round 2

- questions were easily understood once appropriate respondent was identified
- Varied terminology was provided to ease comprehension of questions (e.g. custom work, custom manufacturing, tolling, consignment)

# Results - data

## 1) *Ownership adjustment on Customs data*

- **44%** did manufacturing/ processing work for foreign clients
- **9%** received foreign-owned raw materials
- **55%** hired foreign entities to do manufacturing/ processing work
- **29%** sent raw materials abroad for processing

## 2) *Data gap adjustment for future survey collection*

- **18%** engaged in Merchanting
  - bought goods abroad and sold them “as is” outside of Canada without going through Canada
- **18%** engaged in FGP type of activities
  - made goods abroad and sold them outside of Canada without going through Canada
- **51%** held inventories outside of Canada



## Follow – up work on data collection

Questions were added to on-going annual surveys for RY 2016:

### 1. Annual Survey of Manufacturing

- Value of sales revenue for performing services for foreign clients
- Indication of merchanting activity
- Value of inventories held abroad

### 2. Annual Wholesale Trade Survey

- Indication of merchanting activity
- Value of inventories held abroad



## Follow – up work on frame

- Identification of global activities on the Business Register
  - store four auxiliary variables on global activities
  - Development ongoing with projected implementation in 2017
- Several sources being assessed to identify and maintain information on units which are globally active
  - Administrative sources
  - Additional questions on current surveys
  - Profiling Activities
- Implementation Strategy is in development



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