

Service bulletin

Commercial and Industrial Machinery and Equipment Rental and Leasing



2006

Highlights

- Total operating revenues for the commercial and industrial machinery and equipment rental and leasing industry rose 6.7% from 2005 to \$6.0 billion in 2006.
- Rising prices for crude petroleum and metals provided incentive for expanding mining activity and continued construction in the Alberta oil sands. In turn, this has stimulated continuing demand for the rental and leasing of heavy equipment, such as bulldozers, earthmoving equipment, mining machinery and oil field equipment.
- About 72% of the operating revenues of this industry are derived from the rental and leasing of heavy equipment.
- In terms of operating expenses, labour costs represented 24% of the total, or the largest share, followed by cost of goods (21%) and depreciation (17%).
- Operating profit margins remained strong at 14.6%, up from 13.1% in 2005.
- Businesses account for about 90% of the client base. This industry is dominated by large firms. The 20 largest firms generated 60% of the operating profits and just over 40 % of the revenues.



Statistical tables

Table 1

Summary statistics for the commercial and industrial machinery rental and leasing industry, Canada

	Operating revenue	Operating expenses	Operating profit margin	Salaries, wages and benefits	Statistical establishments
	millions of dollars		percent	millions of dollars	number
2004 r	5,334.1	4,679.3	12.3	1,120.5	5,671
2005 r	5,634.9	4,895.4	13.1	1,263.1	5,608
2006	6,013.2	5,134.5	14.6	1,224.4	5,619

Note(s): According to the North American Industry Classification System (NAICS 5324). See "Data source, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total.

Table 2

Operating expenses for the commercial and industrial machinery rental and leasing industry, Canada, 2006

	Operating expenses
	percent
Salaries and wages of employees who have been issued a T4 statement	21
Employer portion of employee benefits	3
Commissions paid to non-employees	0
Professional and business services fees	2
Subcontract expenses	3
Charges for services provided by your head office	1
Cost of goods sold	21
Office supplies	1
Rental and leasing	8
Repair and maintenance	7
Insurance	1
Advertising, marketing and promotions	1
Travel, meals and entertainment	1
Utilities and telecommunications	2
Property and business taxes, licenses and permits	1
Royalties, rights, licensing and franchise fees	0
Delivery, warehousing, postage and courier	1
Financial service fees	0
Amortization and depreciation of tangible and intangible assets	17
Bad debts	1
All other expenses	8
Total operating expenses	100

Note(s): According to the North American Industry Classification System (NAICS 5324). Surveyed portion only. See "Data source, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total.

Table 3

Sales by type of client for the commercial and industrial machinery rental and leasing industry, Canada, 2006

	Sales
	percent
Sales to businesses	91
Sales to individuals	3
Sales to governments, not-for-profit organizations and public institutions	4
Sales outside Canada (exports)	2
Total sales to all clients	100

Note(s): According to the North American Industry Classification System (NAICS 5324). Surveyed portion only. Due to rounding, components may not add to total.

Data sources, definitions and methodology

Description

This annual sample survey collects the financial and operating data needed to produce statistics on the Commercial and Industrial Machinery and Equipment Rental and Leasing industry in Canada. Commencing with reference year 2005, the survey also collects detailed information on the characteristics of the businesses, such as type of revenue and type of client.

These data are aggregated with information from other sources to produce official estimates of the national and provincial economic production of the Commercial and Industrial Machinery and Equipment Rental and Leasing industry in Canada. The results from this survey provide data to businesses, governments, investors and associations. These data allow these groups to monitor the growth of the industry, measure performance, allow comparison across similar businesses and to better understand this industry to react to trends and patterns.

The new 2005 survey covers a somewhat different set of businesses than in previous years so that data generally cannot be expected to be comparable. The list of names and addresses of businesses is now drawn from a central Statistics Canada data base. Also, a much more rigorous delineation of those companies that are considered part of the culture sector has been applied through the implementation of the North American Industry Classification System (NAICS). This industry-based classification is a departure from the activity-based classification that was used previously. In addition to these changes in coverage, commencing with 2005, the data are based on a sample of businesses.

Despite these changes, several data points for two earlier survey years have been produced so that key trends can still be determined. These data represent estimates of historical data that would have been produced using this new coverage and methodology for those years. This information is included in the 2005 data release.

Target population

The target population consists of all statistical establishments (sometimes referred to as firms or units) classified as Commercial and Industrial Machinery and Equipment Rental and Leasing (NAICS 5324) according to the North American Industry Classification System 2002 (NAICS 2002) during the reference year. The Commercial and Industrial Machinery Equipment and Rental sector covers three NAICS 2002: Construction, Transportation, Mining and Forestry Equipment Rental and Leasing Rental (NAICS 53241), Office Machinery and Equipment Rental and Leasing (NAICS 53242) and Other Commercial and Industrial Machinery and Equipment Rental and Leasing (NAICS 53249).

The Commercial and Industrial Machinery and Equipment Rental and Leasing survey covers establishments primarily engaged in renting or leasing commercial and industrial machinery and equipment, without operator. The types of establishments included in this industry group are generally involved in providing capital/investment-type equipment that clients use in their business operations. These establishments typically serve businesses and do not generally operate a retail-like or store-front facility.

The financing arm of the commercial and industrial machinery and equipment rental and leasing industry is excluded from this survey. Data for these companies are found in NAICS 52222 because of their sales financing activities.

Sampling

This is a sample survey with a cross-sectional design.

The survey design was based on probability sampling and only covered the portion of the frame subject to direct data collection.

The basic objective of the survey is to produce estimates for the whole industry—incorporated and unincorporated businesses. The data come from two different sources: a sample of all businesses with revenue above or equal

to a certain threshold (Note: the threshold varies between surveys and sometimes between provinces in the same survey) and administrative data for businesses with revenue below the specified threshold. It should be noted that only financial information is obtained from administrative sources; e.g., revenue, expenses such as depreciation and salaries, wages and benefits. Characteristics such as client base and revenue by type of service are collected only for surveyed establishments.

The frame is the list of establishments from which the portion eligible for sampling is determined and the sample is taken. The frame provides basic information about each firm including: address, industry classification and information from administrative data sources. The frame is maintained by Statistics Canada's Business Register and is updated using administrative data.

Finally the sample size is increased, mostly to compensate for firms that no longer belong in the industry: i.e., they have gone out of business, changed their primary business activity, they are inactive or are duplicates on the frame. After removing such firms, the sample size for 2006 was 506 collection entities.

Of the units contributing to the estimate, the weighted response rate was 95%. The coefficients of variation (CVs) were calculated for each estimate. The CVs are available upon request.

Definition

- **Operating revenue** excludes investment income, capital gains, extraordinary gains and other non-recurring items.
- **Operating expenses** exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items
- **Operating profit margin** is derived as follows: operating revenue minus operating expenses, expressed as a percentage of operating revenue. The derived figure excludes corporation income tax paid by incorporated businesses and individual income tax paid by unincorporated businesses. For unincorporated businesses, operating profit margin includes unpaid remuneration to partners and proprietors, which is not recorded as salaries, wages and benefits. Therefore the profit estimate will be higher in industries where unincorporated proprietorships and partnerships are significant contributors.
- **Salaries, wages and benefits** include vacation pay and commissions for all employees for whom a T4 slip was completed. This category also includes the employer portion of employee benefits for items such as Canada/Quebec Pension Plan or Employment Insurance premiums. Salaries and wages do not include working owners' dividends nor do they include the remuneration of owners of unincorporated business. Therefore the relative level of salaries, wages and benefits will be lower in industries where unincorporated businesses are significant contributors.
- An active **statistical establishment** is one production entity or the smallest grouping of production entities which produces as homogeneous a set of goods and/or services as possible; which does not cross provincial boundaries; and for which records provide data on the value of output together with the cost of principal intermediate inputs used and cost and quantity of labour resources used to produce the output.

Quality evaluation

Prior to dissemination, combined survey results are analyzed for overall quality; in general, this includes a detailed review of individual responses (especially for the largest companies), an assessment of the general economic conditions portrayed by the data, historic trends, and comparisons with other data sources.

Even though the basic objective of the survey is to produce estimates for the whole industry—all incorporated and unincorporated businesses—not all businesses are surveyed. Rather, a sample is surveyed and the portion eligible for sampling is defined as all statistical establishments with revenue above a certain threshold. (Note: the threshold varies between surveys and sometimes between provinces in the same survey). The excluded portion represents a

substantial proportion of the industry in terms of number of establishments (73%), but its contribution to the overall industry revenue is only about 12%. These excluded establishments are accounted for in the final estimates through the use of administrative data. However, only basic information is obtained from administrative sources; i.e., total revenue, expenses, depreciation and salaries, wages and benefits. Detailed characteristics such as client base, revenue by type of service, and detailed expense items are collected only for surveyed establishments.

Disclosure control

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Related products

CANSIM

Available on CANSIM: table 352-0009 - Summary statistics for commercial and industrial machinery and equipment rental and leasing (all establishments), by North American Industry Classification System (NAICS), annual (5 series)

Survey(s)

Definitions, data sources and methods: survey number 2441 - Annual Survey of Service Industries: Commercial and Industrial Machinery Equipment Rental and Leasing

Publications

Service Industries Newsletter, Catalogue no. 63-018-X.

Analytical paper series - Service Industries Division, Catalogue no. 63F0002X.

Release date: June 2008

Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0 ^s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>
E	use with caution
F	too unreliable to be published

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