



The Daily

Statistics Canada

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For release at 8:30 a.m.

MAJOR RELEASES

- **Industrial capacity utilization rates, third quarter 1997**

Industries operated at 86.2% of capacity in the third quarter of 1997. Propelled by high foreign demand, strong business spending on plant and equipment and increased consumer spending, industries churned out goods at an operating level just shy of the peak level recorded in the 1988 economic expansion.

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- **Preparedness of firms for the Year 2000, 1997**

Less than half of all Canadian firms have taken action to prepare for anticipated computer problems when the calendar hits January 1, 2000, according to a new survey conducted this fall.

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Geographic products

1996

The *Postal code conversion file (PCCF)*, which reflects 1996 Census geographic areas, is now available. This digital file links the six-character postal code with 1996 Census geographic areas (such as enumeration areas, census tracts and census subdivisions). It also locates each postal code by longitude and latitude co-ordinates to support mapping applications. This version of the PCCF contains 733,981 postal codes, active and retired, as of June 1997.

The June 1997 version of the *Postal codes by federal riding (1996 Representation Order) file* is also available. This product is a subset of the PCCF. It provides a link between the six-character postal code and Canada's federal electoral districts (commonly known as federal ridings). By using the postal code as a link, data from administrative files may be organized and/or tabulated by federal riding.

The *Postal code conversion file (92F0027XDB)* and the *Postal codes/federal riding file (92F0028XDB)* are available in ASCII format on diskette or CD-ROM.

For further information on this release, or to order these files, contact the Statistics Canada Regional Reference Centre nearest you.



MAJOR RELEASES

Industrial capacity utilization rates

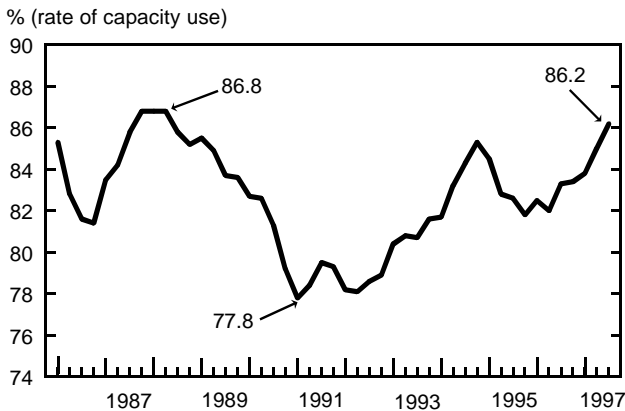
Third quarter 1997

Industries operated at 86.2% of capacity in the third quarter of 1997. Propelled by high foreign demand, strong business spending on plant and equipment and increased consumer spending, industries churned out goods at an operating level just shy of the peak level recorded in the 1988 economic expansion. The rate of capacity use is approaching its peak because the growth rate of production capacity has not kept pace with the strong growth in output.

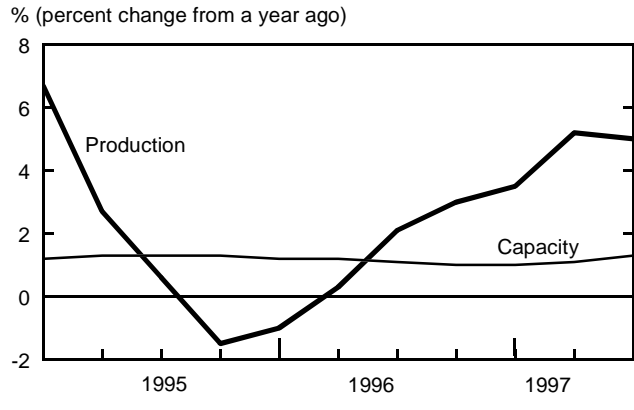
Note to readers

An industry's capacity use is the ratio of its actual output to its estimated potential output. Statistics Canada derives estimates of an industry's potential output from measures of its capital stock. Since 1987, Statistics Canada has been surveying companies for their estimates of annual capacity use, in order to produce survey-based industry measures. A company's measure of its level of operation, as a percentage of potential, takes into account changes in the obsolescence of facilities, capital-to-labour ratios and other characteristics of production techniques. The surveyed rates anchor the calculated quarterly series and ensure they reflect such changes.

Capacity use nears 1988 peak



Growth in industrial production outpacing growth in capacity



Business spending on plant and equipment has been booming in 1997. Increased capital spending has a dual effect on rates of capacity use. Even though much of the machinery and equipment purchased is imported, domestic industries are also called upon to supply the needs of the businesses that are renewing or expanding production facilities. This means that the surge in spending has, in the short run, contributed to increased production and hence to higher rates of capacity use. But, in the longer term, this new capital will add to production capacity and will help absorb future increases in output.

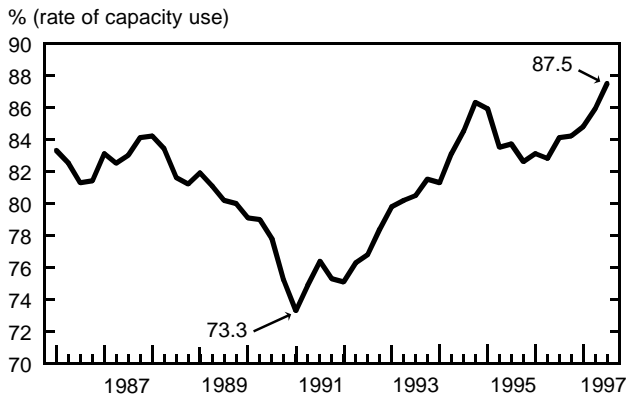
In the meantime, however, several industries recorded rates of capacity use that indicate they are approaching production limits when compared with past peak periods. Mining and quarrying industries, for example, and 8 of the 22 industry groups in the manufacturing sector posted rates over 90%.

Although rates of capacity use have been rising for over a year and are now at or near record levels, there is still no evidence of inflation in the economy. Industrial prices have remained stable for the past two years and labour cost, one of the major components of firms' total costs, have also been little changed over that period. Furthermore, the Consumer Price Index for October showed only a 1.5% increase over 1996.

Manufacturing in high gear

For the fifth straight quarter, manufacturers posted an increase in their rate of capacity use. The third quarter advance of 1.6 percentage points brought the level to 87.5%, a new peak for manufacturing. Fourteen of the 22 industry groups raised their rates of capacity use, and 8 of the 22 recorded rates over 90%.

Manufacturing industries reach a new peak



In the electrical and electronic group of industries, producers continued to benefit from strong export demand for office machinery in the third quarter. Production increased sharply, with producers of electronic equipment and office machinery accounting for 61% of the overall third-quarter advance in manufacturing. As a result, the rate of capacity use rose 10.7 percentage points to 92.3%.

Producers of machinery boosted output as a result of increased business investment in machinery and equipment and to replenish inventories. Capacity use rose 4.7 percentage points to 89.9%, the highest level in over 15 years.

In the primary metals industry, output rose in July following a strike in June in non-ferrous metal smelting and refining. Output continued to rise during the rest of the quarter with some of the output going into

inventories. The resulting rise in the rate of capacity use was 4.2 percentage points to 94.4%.

The rate of capacity use in refined petroleum and coal products industries reached a new high in the third quarter as a modest increase in production was accompanied by a marked decrease in production capacity in the industry. The rate rose 3.4 percentage points to 98.5%.

The substantial advance in the chemical and chemical products industry during the third quarter was due to the production of a new pharmaceutical destined for the U.S. market in July and August. As a result capacity use rose 2.1 percentage points to a new high of 96.4%.

Mining the bright spot in non-manufacturing

In mining and quarrying industries, non-ferrous metal extraction, oil and gas drilling and gold mining activities all increased during the third quarter. In addition, production capacity has been declining for several years. The resulting rate of capacity use, 96.1%, was a new high for this group of industries.

Growth in the rate of capacity use in construction lost some momentum in the third quarter. The increase in residential construction was less than half of what it was in the second quarter and non-residential construction also slowed.

Available on CANSIM: matrix 3140.

For further information on this release, contact Susanna Wood (613-951-0655) or Richard Landry (613-951-2579), Investment and Capital Stock Division. □

Industrial capacity utilization rates

	Third quarter 1996	Second quarter 1997	Third quarter 1997	Third quarter 1996 to third quarter 1997	Second quarter to third quarter 1997
	percentage point change				
Total non-farm goods-producing industries	83.3	85.0	86.2	2.9	1.2
Logging and forestry	80.1	78.5	79.2	-0.9	0.7
Mining (including milling), quarrying and oil wells	85.9	86.7	88.7	2.8	2.0
Mining (including milling) and quarrying	89.2	93.8	96.1	6.9	2.3
Crude petroleum and natural gas	84.0	82.6	84.5	0.5	1.9
Manufacturing	84.1	85.9	87.5	3.4	1.6
Durable goods	84.0	85.5	88.2	4.2	2.7
Wood	87.5	89.6	88.8	1.3	-0.8
Furniture and fixtures	89.1	93.4	94.2	5.1	0.8
Primary metal	92.1	90.2	94.4	2.3	4.2
Fabricated metal products	83.3	85.1	85.7	2.4	0.6
Machinery	82.5	85.2	89.9	7.4	4.7
Transportation equipment	84.6	85.6	84.3	-0.3	-1.3
Electrical and electronic products	78.3	81.6	92.3	14.0	10.7
Non-metallic mineral products	81.7	82.3	81.3	-0.4	-1.0
Other manufacturing	81.6	81.8	83.6	2.0	1.8
Non-durable goods	84.4	86.4	86.5	2.1	0.1
Food	83.7	82.1	81.9	-1.8	-0.2
Beverage	82.5	86.9	86.5	4.0	-0.4
Tobacco products	73.2	62.7	56.8	-16.4	-5.9
Rubber products	91.9	94.5	96.8	4.9	2.3
Plastic products	81.4	81.8	81.1	-0.3	-0.7
Leather and allied products	69.4	74.4	77.6	8.2	3.2
Primary textiles	89.6	90.6	92.0	2.4	1.4
Textile products	73.3	84.9	86.4	13.1	1.5
Clothing	74.6	78.8	82.0	7.4	3.2
Paper and allied products	90.2	93.1	90.1	-0.1	-3.0
Printing, publishing and allied products	76.6	77.7	77.9	1.3	0.2
Refined petroleum and coal products	90.3	95.1	98.5	8.2	3.4
Chemicals and chemical products	88.7	94.3	96.4	7.7	2.1
Construction	77.9	81.8	82.3	4.4	0.5
Electric power and gas distribution systems	84.0	83.2	82.6	-1.4	-0.6
Electric power	85.1	84.1	83.8	-1.3	-0.3
Gas distribution	77.3	78.0	75.7	-1.6	-2.3

Preparedness of firms for the Year 2000

1997 (initial findings)

Less than half of all Canadian firms have taken action to prepare for anticipated computer problems when the calendar hits January 1, 2000, according to a new survey conducted this fall.

Less than 10% of all companies were not aware that there is a Year 2000 problem. A further 46% of all firms said they were aware of the issue, but had not done anything about it.

This survey, conducted in October and November, covered 2,000 Canadian companies. It is representative of all businesses with more than five employees, excluding public sector offices, schools and hospitals. It was conducted for Task Force Year 2000, whose members are Canadian business executives who responded to Industry Minister John Manley's invitation to assess and report on the Year 2000 problem.

The Year 2000 issue refers to the need to fix computers whose programming assumes that every year begins with "19." Most of the world's existing computers are programmed to identify years by their last two digits only, using "97," for example, to mean 1997.

Unless they are updated, in most cases a time-consuming process, they will assume that the day following December 31, 1999, is actually January 1, 2000. This has been identified as having tremendous implications. It can affect the hardware and software companies use to process everyday business information, as well as the embedded computers that control plant machinery, robotics, office equipment, elevators, building climate and security systems.

Cost of Year 2000 problem roughly \$12 billion

The economic implications of this problem are not fully understood. The survey estimated (in very rough terms) that the problem could cost the Canadian economy a minimum of \$12 billion in direct costs to fix. This total excludes the unidentified costs of the many businesses that have not begun to address the problem. Even among firms already taking action, about 40% were not able to report the direct costs.

Additional costs may be incurred if workers with systems-oriented skills must be shifted from regular business activity to fix the problem. Preliminary survey results estimate that, to convert and test systems for the year 2000, businesses have so far identified a need for some 7,000 project managers, systems analysts, programmers and testers not currently available from internal ranks.

Note to readers

The Survey on Preparedness of Canadian Business for the Year 2000 was completed in the fall of 1997. Initial findings are presented here, and analysis of more detailed information from the survey is ongoing. Release of additional information is planned for January 1998.

With the Labour Force Survey reporting a 2.5% unemployment rate for systems analysts and programmers, human resources in this field are already hard to find. However, the Year 2000 survey suggests the labour shortage has not been a serious problem for employers to date. Businesses tended to report only moderate levels of difficulty in finding outside workers with the skills required to fix the Year 2000 problem.

Many small- and medium-sized firms not taking action

Businesses taking no action tended to be small- (between 6 and 50 employees) and medium-sized (between 51 and 250 employees) firms. Among small firms, 61% were taking no action, while among medium-sized firms, a full 30% had not begun to address the problem.

Among large companies (those with more than 250 employees) less than half (48%) had made formal plans to tackle the problem, though most (92%) were addressing the problem in some way.

To be considered formal, a plan should include a complete assessment of all systems used by a business, followed by conversion and testing of those systems requiring modification. This method is the most consistent approach to avoiding costly business disruptions after 2000 arrives, particularly for firms relying extensively on high-level technologies.

Steps considered informal include consultations with information technology suppliers and software vendors, informal discussions with in-house systems staff, and contracts with external experts. About 7% of all businesses taking informal steps said they had already bought, or were intending to buy, new computer systems.

Finance and insurance sector leads in tackling problem

Firms in the finance and insurance sector have led the way in tackling the Year 2000 issue, with 65% taking formal or informal steps. This compares with between 42% and 50% for firms in manufacturing, transportation, communication, utilities, wholesaling, retailing and other service industries.

Companies in the primary industries have been slowest to take action. Only 35% had taken either formal or informal action.

Most firms not investigating preparedness of business partners

About 13% of those firms aware of the problem reported that they were investigating the preparedness of their business partners, including customers, suppliers or service providers such as banks or intermediaries.

Most firms (82% of those aware of the problem) do not believe there is potential for litigation if a lack of preparedness on their own part should disrupt the business of partners. Again, large companies are more likely to be concerned about inter-business linkages or litigation than are small- and medium-sized firms.

Slightly more than one-quarter of businesses not taking action were not worried yet

Companies indicating they were not taking either formal or informal actions provided a variety of

responses when asked why this was the case. Slightly more than one-quarter of the firms not taking action (27%) said that they were not worried about the problem yet because there would be enough time to fix it later.

Some 23% said that it was not an important issue for their company, usually because they use computer systems only minimally. About 14% of firms said they had no time, money or staff to devote to the problem, while another 10% expected their information technology suppliers to deal with it.

Some 7% were expecting software developers to come up with a solution that would solve the problem with a mere software installation or upgrade. However, no generally accepted magic-bullet solution yet exists.

For further information on this release, contact Jamie Brunet (613-951-6684; Internet: brunjam@statcan.ca), Small Business and Special Surveys Division.

How businesses are approaching the Year 2000 computer problem

	Having formal plans	Taking informal steps	Aware of problem but not taking action	Not aware of problem	Total
	% of businesses				
All businesses	9	36	46	9	100
Small firms	6	33	51	10	100
Medium firms	20	50	29	1	100
Large firms	48	44	8	0	100
Primary industries	3	32	57	8	100
Manufacturing	10	40	43	7	100
Transportation and communications	7	42	44	7	100
Finance and insurance	15	50	34	1	100
Wholesale, retail and other services	8	34	48	10	100

Level of difficulty businesses are having hiring outside workers to address Year 2000 computer problem

	Mean score ¹
Project managers	2.8
Testers	2.4
Programmers and systems analysts	2.3

¹ On a scale of 1 to 5 where 1 is no difficulty and 5 is extreme difficulty.
Note: Applies only to businesses currently hiring (5.3% of all businesses).

Examples of informal actions being taken

	% of businesses ¹
Consulted/consulting with information technology suppliers or software vendors	58
Ad hoc internal discussions with systems staff	24
Contracted/contracting external expertise	21
Informal in-house conversion of systems	8
Have bought/will buy all new systems (at least in part because of Year 2000 problem)	7

¹ As a percentage of businesses taking informal action.

Note: Applies only to businesses taking informal action (36% of all businesses).

Inter-business linkages and litigation

	Investigating partners ¹	Concerned about ² litigation
	% of businesses ³	
All businesses	13	18
Small firms	11	17
Medium firms	17	21
Large firms	32	39
Primary industries	6	15
Manufacturing	6	17
Transportation and communications	8	19
Finance and insurance	20	25
Wholesale, retail and other services	14	18

¹ Investigating preparedness of partners. Partners can include suppliers, customers and service providers such as banks and intermediaries.

² Believing there is potential for litigation if their own unpreparedness disrupts partners. Partners can include suppliers, customers and service providers such as banks and intermediaries

³ As a percentage of businesses that are aware of the year 2000 computer problem.

Note: Applies only to businesses aware of Year 2000 computer problem (91% of all businesses).



OTHER RELEASES

Road motor vehicles: Fuel sales 1996

In 1996, net fuel sales were 45.7 billion litres, up 1.9% from 1995. Approximately three-quarters of the sales came from net gasoline, with the remainder coming from diesel fuel and liquefied petroleum gas sales.

Net sales of gasoline increased by 1.0% to 33.8 billion litres in 1996, with Prince Edward Island, Saskatchewan and Alberta showing above average increases.

Gross sales of gasoline in 1996 increased 1.7% from 1995 to 35.4 billion litres, keeping pace with gross domestic product growth (+1.7%).

The 1996 issue of *Road motor vehicles: Fuel sales, 1996* (53-218-XPB, \$28) will be available shortly. See *How to order publications*.

For further information on this release, contact J.R. Larocque (613-951-2486; fax: 613-951-0009; Internet: larocque@statcan.ca), Transportation Division. ■

PUBLICATIONS RELEASED

Cement, October 1997
Catalogue number 44-001-XPB
(Canada: \$7/\$62; outside Canada: US\$7/US\$62).

Exports by commodity, September 1997 (microfiche version)
Catalogue number 65-004-XMB
(Canada: \$37/\$361; outside Canada: US\$37/US\$361).

Exports by commodity, September 1997 (paper version)
Catalogue number 65-004-XPB
(Canada: \$78/\$773; outside Canada: US\$78/US\$773).

Employment, earnings and hours, September 1997
Catalogue number 72-002-XPB
(Canada: \$32/\$320; outside Canada: US\$32/US\$320).

All prices exclude sales tax.

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