

~~553.28071~~

~~CT67~~

67-D-55

C.3



53.28071

C167

# D.B.S. REFERENCE PAPER

*Canada*  
Dominion Bureau of Statistics, Ottawa, Canada

ISSUED BY AUTHORITY OF THE RT. HON. C. D. HOWE, MINISTER OF TRADE AND COMMERCE



No. 37



November, 1952

## INTERNATIONAL DISTRIBUTION OF OWNERSHIP OF THE PETROLEUM INDUSTRY IN CANADA

7503-507  
12-11-52

Price 25 cents

D.B.S. REFERENCE PAPER

Division Bureau of Statistics, Ottawa, Canada

THE NATIONAL BUREAU OF STATISTICS OF CANADA AND THE NATIONAL BUREAU OF STATISTICS OF THE UNITED STATES OF AMERICA

MAY 1955



INTERNATIONAL DISTRIBUTION OF  
OWNERSHIP OF THE PETROLEUM

The Bank of Canada  
LIBRARY  
Montreal, P. Q. Canada

553.28071

c16f

## International Distribution of Ownership of the Petroleum Industry in Canada

At the end of 1951 United States investment in all branches of the petroleum industry in Canada represented about 52% or some \$636 million of the \$1,225 million aggregate book value (1) of the industry. The very heavy expansion and development programme which has taken place in the six year post-war period is reflected in increases of \$406 million in the investment of Canadians, \$521 million in that of United States residents, and \$2 million in that of residents of the United Kingdom and other countries. The industry investment as a whole, as measured by book values, more than quadrupled in the six year period. About 54% of the investment in companies engaged principally in exploration and development is estimated to have been owned by Canadians.

### Ownership of the Petroleum Industry in Canada

	<u>1945</u>		<u>1951</u>	
	Book Value (millions)	%	Book Value (millions)	%
Canada	172	58	578	47
United States	115	39	636	52
United Kingdom and Other Countries	<u>9</u>	<u>3</u>	<u>11</u>	<u>1</u>
	296	100	1,225	100

While the largest company represented about one-third of the total investment, there were many hundreds of companies engaged in the industry.

United States direct investment(1) in the industry, i.e. the United States investment in companies controlled in that country, amounted at the end of 1951 to \$556 million or 45% of the industry investment, compared with 36% at the end of 1945.

Details of the investment classified by country of ownership, by country of control, and by principal activity of the companies concerned will be found in Tables I, II and III.

Contributing to the change in the value of United States investment was the capital inflow(1) from the United States to Canada in connection with petroleum investment. This inflow totalled \$532 million in the six year period, of which \$221 million occurred in 1951. (Details will be found in Table IV). From 1946 to 1951 capital inflow for petroleum investment amounted to nearly 35% of the net capital movement from the United States to Canada. But not all this inflow represented new financing of the industry, for some funds covered the purchase of outstanding securities from holders in Canada. Nor is all of the inflow reflected in increases of the book value of United States investment, for some outstanding security transactions took place at prices greatly in excess of the book values. Also included in book value is the interest of United States shareholders in earnings retained in the industry.

Over the six year period the petroleum industry is reported to have spent about \$1,000 million in its search for oil and in construction of transportation and refining facilities; slightly more than half this sum covered current physical investment in new capital assets. In addition there was a substantial increase in net working capital amounting to perhaps \$200 million. This programme was financed in

(1) Terms defined in Statistical Notes.

part by raising new capital and by retaining net earnings, both sources being reflected in the growth of \$929 million in book values; charges for depreciation, depletion, and amortization of exploration and development expense would also provide financing for the expansion and development programme.

TABLE 1

Estimated Book Value of Investment in the Petroleum Industry in Canada  
Classification by Country of Ownership and Principal Activity of Company

31 December 1951

Investment in	Canada	United States	United Kingdom and Other Countries	Total
	(millions of dollars)			
<b>Exploration and Development Companies</b>				
Controlled in Canada	197	15	-	212
Controlled in United States	21	164	1	186
Controlled in United Kingdom and Other Countries	-	-	2	2
Sub-total	218	179	3	400
<b>Refining Companies</b>				
Controlled in Canada	117	26	-	143
Controlled in United States	169	372	5	546
Controlled in United Kingdom and Other Countries	-	-	-(1)	-
Sub-total	286	398	5	689
<b>Merchandising Companies</b>				
Controlled in Canada	43	-	-	43
Controlled in United States	-	9	-	9
Controlled in United Kingdom and Other Countries	-	-	3	3
Sub-total	43	9	3	55
<b>Transportation Companies</b>				
Controlled in Canada	24	39	-	63
Controlled in United States	7	11	-	18
Sub-total	31	50	-	81
<b>All Petroleum Companies</b>				
Controlled in Canada	381	80	-	461
Controlled in United States	197	556	6	759
Controlled in United Kingdom and Other Countries	-	-	5	5
Total	578	636	11	1,225

Percentage Distribution of Ownership

<b>All Petroleum Companies</b>				
Controlled in Canada	31.1	6.5	-	37.6
Controlled in United States	16.1	45.4	0.5	62.0
Controlled in United Kingdom and Other Countries	-	-	0.4	0.4
Total	47.2	51.9	0.9	100.0

(1) Included in merchandising companies

TABLE II

Estimated Book Value of Investment in the Petroleum Industry in Canada<sup>(1)</sup>  
 Classification by Country of Ownership and Principal Activity of Company

31 December 1945

Investment in	Canada	United States	United Kingdom and Other Countries	Total
(millions of dollars)				
<b>Exploration and Development Companies</b>				
Controlled in Canada	48	1	1	50
Controlled in United States	4	4	-	8
Sub-total	52	5	1	58
<b>Refining Companies</b>				
Controlled in Canada	48	6	-	54
Controlled in United States	53	98	6	157
Sub-total	101	104	6	211
<b>Merchandising Companies</b>				
Controlled in Canada	19	-	-	19
Controlled in United States	-	6	-	6
Controlled in United Kingdom and Other Countries	-	-	2	2
Sub-total	19	6	2	27
<b>All Petroleum Companies</b>				
Controlled in Canada	115	7	1	123
Controlled in United States	57	108	6	171
Controlled in United Kingdom and Other Countries	-	-	2	2
Total	172	115	9	296

Percentage Distribution of Ownership

<b>All Petroleum Companies</b>				
Controlled in Canada	38.8	2.4	0.3	41.5
Controlled in United States	19.3	36.5	2.0	57.8
Controlled in United Kingdom and Other Countries	-	-	0.7	0.7
Total	58.1	38.9	3.0	100.0

(1) Newfoundland is included with Canada to preserve comparability with later series.

TABLE III

Change in Estimated Book Value of Investment in the Petroleum Industry in Canada<sup>(1)</sup>  
 Classification by Country of Ownership and Principal Activity of Company

1946 - 1951

Investment in	Canada	United States	United Kingdom and Other Countries	Total
	(millions of dollars)			
<b>Exploration and Development Companies</b>				
Controlled in Canada	†149	† 14	- 1	†162
Controlled in United States	† 17	†160	† 1	†178
Controlled in United Kingdom and Other Countries	-	-	† 2	† 2
Sub-total	†166	†174	† 2	†342
<b>Refining Companies</b>				
Controlled in Canada	† 69	† 20	-	† 89
Controlled in United States	†116	†274	- 1	†389
Sub-total	†185	†294	- 1	†478
<b>Merchandising Companies</b>				
Controlled in Canada	† 24	-	-	† 24
Controlled in United States	-	† 3	-	† 3
Controlled in United Kingdom and Other Countries	-	-	† 1	† 1
Sub-total	† 24	† 3	† 1	† 28
<b>Transportation Companies</b>				
Controlled in Canada	† 24	† 39	-	† 63
Controlled in United States	† 7	† 11	-	† 18
Sub-total	† 31	† 50	-	† 81
<b>All Petroleum Companies</b>				
Controlled in Canada	†266	† 73	- 1	†338
Controlled in United States	†140	†448	-	†588
Controlled in United Kingdom and Other Countries	-	-	† 3	† 3
Total	†406	†521	† 2	†929

(1) Newfoundland is included with Canada at the end of 1945 to preserve comparability.



TABLE IV

Estimates of Factors Contributing to the Book Value of United States Investment in the Petroleum Industry in Canada<sup>(1)</sup>  
(direct and portfolio investment in petroleum exploration, development, refining, transportation and merchandising)

1946 - 1951

	1946-1950	1951	1946-1951
	(millions of dollars)		
Book Value of United States Investment at beginning of period shown	115	446	115
Additions			
Capital Inflow to Canada from the United States (net)			
Direct investment in Canada in petroleum exploration, development, and refining	194	140	334
Direct investment abroad liquidated <sup>(2)</sup>	83	-	83
Other capital inflows affecting total United States investment in controlled companies <sup>(3)</sup>	2	41	43
Other capital inflows <sup>(4)</sup>	32	40	72
Sub-total	311	221	532
All other factors (net) <sup>(5)</sup>	20	-31	-11
Book Value of United States Investment at end of period shown	446	636	636

(1) Newfoundland is included with Canada throughout the period to preserve comparability.

(2) Gross proceeds of sale by Imperial Oil Limited of interest in International Petroleum Co. Ltd. Only the net movement is included in the category Direct Investment Abroad in the balance of payments, but in this table stock purchased by residents of Canada is deducted in the next entry. Liquidations of other minor direct investments abroad are also included in the next entry.

(3) Direct investment in pipelines, and transactions of unrelated parties recorded as security or other capital movements in the balance of payments. See also note 2.

(4) Transactions recorded as security or other capital movements in the balance of payments.

(5) This residual item reflects among other factors the adjustments arising from market transactions at prices differing from book values, and United States shareholders' interest in net earnings retained in the industry after charges for depreciation, depletion, and amortization of exploration and development expense.

## Statistical Note

### Sources

The Balance of Payments Section of the Bureau has maintained for many years an extensive set of records in connection with its estimates of the Canadian balance of international indebtedness. These records cover all companies in which there is a significant ownership by non-residents. When allowance is made for other companies, the records are a source of useful information concerning the book value of aggregate investment in various industries and the proportions held by Canadians and by non-residents.

### Definitions

Book Values measure the net assets reflecting both long-term indebtedness and shareholders' equity as valued in the accounts of the companies concerned. They are the sum of funded debt and other long-term indebtedness outstanding for a year or longer, share capital and surplus accounts.

Direct Investment is, in general, applied to holdings of funded debt and other long-term indebtedness, and of equity capital, by residents of a country other than Canada in which 50% or more of the voting stock is owned. Where important minority holdings are known to constitute control, the enterprise is similarly treated. Other holdings are regarded as portfolio investments. The most typical instances of United States direct investments in Canada are the branches and subsidiaries of United States companies operating in this country.

Capital inflow measures actual transfers from abroad in cash, merchandise or services which increase Canadian liabilities to foreigners or reduce Canadian assets abroad.

### Coverage

As has been noted above, the Bureau's records cover all companies in which there is a significant international ownership, to which there has been added for the purposes of these tables an estimate of the book value of companies owned by Canadians. From these figures there has been deducted the proportionate interest of the shareholders in operations outside Canada of these companies and appropriate adjustments for identified inter-company investments. Dead, dormant, and inactive companies have been excluded.

Included in the series are investments in petroleum exploration and development, refining, transportation and merchandising, based upon the principal activity of the company concerned. Thus, for example, figures covering investment in exploration and development companies do not reflect exploration and development by companies whose principal activity is refining. Similarly figures of the investment in transportation companies exclude investment in pipe lines and tankers by refining companies (which is included under refining), and investment by the railways and similar companies in such associated facilities as tank cars (which is omitted). Investments in the merchandising of petroleum products are limited to those of companies engaged principally in the petroleum business.

### Valuation

The book value series, on which these tables are based, is generally indicative of the capital invested and the retention of net earnings by the industry.

The latter element is greatly influenced by the industry practice of writing off substantial proportions of exploration and development expense. Funded debt and other contractual obligations have been recorded at nominal values (converted into Canadian dollars, where necessary, at the pre-war par of exchange). Investments in equity securities have been recorded at the values appearing in the balance sheets of the companies concerned. The distinction between this method of valuation and alternative approaches should be noted. A valuation series based on the nominal value of issued capital would, for example, be misleading owing to the practice followed by many exploration and development companies of issuing stock to realize only a very small fraction of the nominal or par value. A series based on market quotations would present difficulties because of private or closely held companies for which quotations are not available and would in any event fluctuate violently with investors' expectations. A value calculated on a capitalized yield basis would not reflect currently the great part of the development programme.

#### Comparison with other data

Changes in the book value of investment in the industry cannot be related directly to statistical series on current physical investment in the industry. Book values reflect all assets represented by long-term indebtedness and the shareholders' equity (as valued in the accounts of the companies concerned). They consequently reflect holdings of mineral rights and lands, and of working capital. With the exception of net inventory accumulation these particular assets do not represent gross capital formation in the Canadian economy. On the other hand physical investment in the industry may be financed through reserves for depreciation, depletion, or amortization, or through other charges against income, and may not be reflected in book values. As it is the practice of the petroleum industry to write off substantial proportions of exploration and development expenditures, there are serious difficulties in relating changes in book value to current physical investment in the industry.<sup>(1)</sup>

(1) As an example, it may be noted that capital expenditures of Imperial Oil Limited for the five years and eight months ended August 31, 1951 totalled \$195 million, while expenditures incurred for exploration work and in drilling which resulted in dry holes were charged to operating expenses in the amount of nearly \$55 million.

(Source: Prospectus of Imperial Oil Limited, November 1951)

#### International Distribution of Ownership of Petroleum Reserves in Canada

While data have been published in this Paper showing the book value of ownership by principal activity of the companies concerned, it has not been possible to establish separate investment series by activity of the industry as a whole. Because of this, and because the accounting policies and the stage of development of Canadian and foreign companies may, on balance, be dissimilar, figures published in this Paper cannot be used as a guide to the international distribution of ownership of petroleum reserves in Canada.

STATISTICS CANADA LIBRARY  
BIBLIOTHEQUE STATISTIQUE CANADA



1010435164





