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Using the LCU to collect information on global production

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Telling Canada's
story in numbers

**Conference of European
Statisticians – Group of Experts on
National Accounts**

Canada 



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

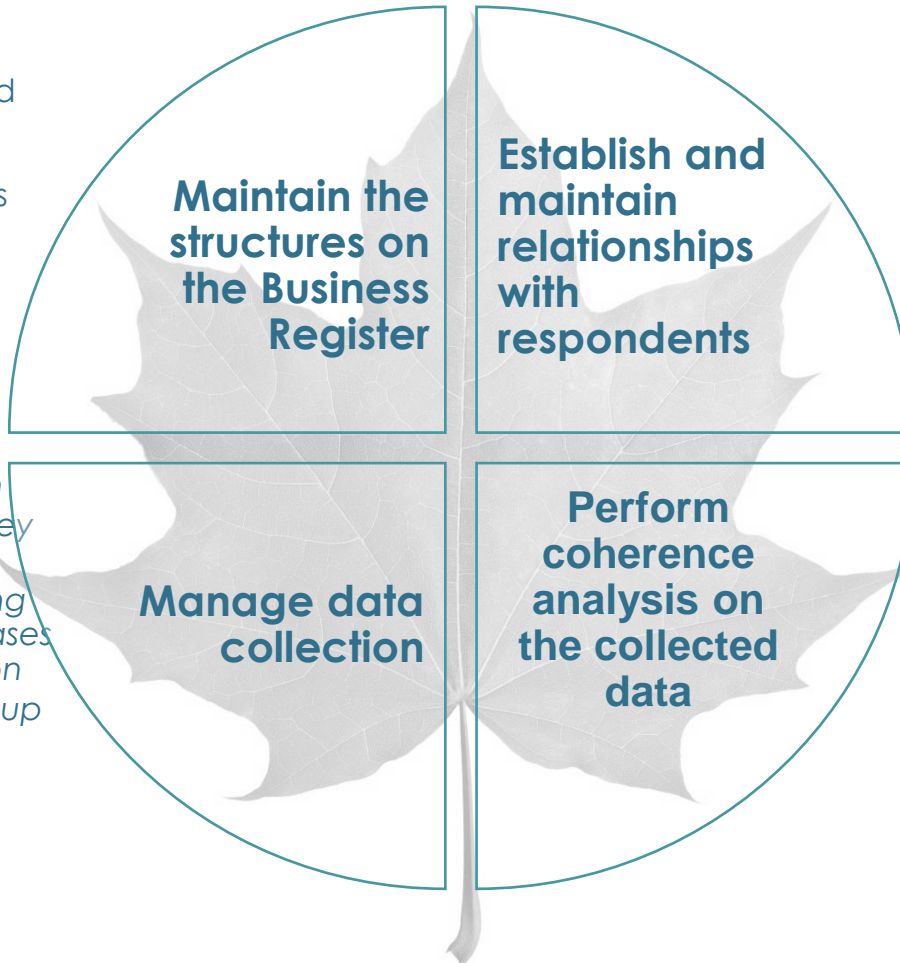




Responsibilities of the LCU

- 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*



Scope of LCU program

- The LCU team is composed of 18 employees and a manager:
 - 2 unit supervisors
 - 10 individual enterprise portfolio managers
 - 2 research analyst team leaders, supervising 4 research analysts
- With research analysts' support, each EPM completes
 - 8 – 10 visits per year, and
 - 8 – 10 full profiles per year



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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