

Survey on Capital Expenditures

Preliminary Estimate for 2008 and Intentions for 2009



Reporting Guide

General Instructions

1. Reports Required

- Reports should be completed for Canadian operations and locations as described on the pre-printed label

2. Dollar Amounts and Percentages

- All dollar amounts reported should be rounded to THOUSANDS OF CANADIAN DOLLARS (e.g., \$6,555,444.00 should be rounded to \$6,555)
- Percentages should be rounded (e.g., 37%, 76%, 94%)
- Your best estimates are acceptable when precise figures are not available
- Pre-printed cell numbers 055 to 872 are for identification purposes

3. Return of Questionnaire

By Mail to: Investment and Capital Stock Division,
 Statistics Canada,
 Ottawa, Ontario K1A 0T6

By Fax at: (613) 951-0196 or toll free at 1 800 606-5393

Statistics Canada advises you that there could be a risk of disclosure during the facsimile or other electronic transmission. However, upon receipt of your information, Statistics Canada will provide the guaranteed level of protection afforded all information collected under the authority of the *Statistics Act*.

4. Questions?

If you have any questions, please call us at (613) 951-9815, toll free at 1 800 345-2294 or by e-mail at Invest@statcan.ca.

Data sharing Agreements

To avoid duplicating survey activity, Statistics Canada has entered into the following data sharing agreements concerning this Survey.

Under section 11 of the *Statistics Act*, Statistics Canada has entered into data sharing agreements with the statistical bureaus of Newfoundland and Labrador, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia and Yukon. Statistics Canada only enters into section 11 agreements with provincial statistical agencies which have statistic acts similar to the federal act. These agencies have the authority to collect this information and the same provisions for confidentiality and penalties for disclosure of information as the federal *Statistics Act*.

Under section 12 of the *Statistics Act*, Statistics Canada has entered into data sharing agreements with Energy, Mines and Resources Canada, Industry, Science and Technology Canada, Canada Mortgage and Housing Corporation, Environment Canada, Newfoundland Department of Mines and Energy, the Prince Edward Island Department of the Provincial Treasury, Nova Scotia Department of Mines and Energy, New Brunswick Department of Natural Resources, Ontario Ministry of Northern Development and Mines, Manitoba Department of Energy and Mines, Saskatchewan Department of Energy and Mines, British Columbia Ministry of Energy, Mines and Petroleum Resources, the Northwest Territories Bureau of Statistics and the Nunavut Bureau of Statistics. The agreements we have with these agencies require that they keep the information confidential and use it only for statistical and research purposes. Under section 12, respondents may object to the sharing of their information with any of these agencies by giving notice in writing to the Chief Statistician and by returning their letter of objection along with the completed questionnaire in the enclosed envelope.

To reduce response burden and to ensure more uniform statistics, Statistics Canada has entered into an agreement under section 12 of the *Statistics Act* with the Canadian Radio Television and Telecommunications Commission (the CRTC) for the sharing of information from this survey pertaining to the telecommunications services industry (NAICS 517). Subsection 12(2) of the *Statistics Act* provides that where a respondent gives notice in writing to the Chief Statistician that the respondent objects to the sharing of the information by Statistics Canada, the information not be shared with the department or corporation unless the department or corporation is authorized by law to require the respondent to provide the information. The CRTC is authorized by law to require the respondent to provide the information under section 37 of the *Telecommunications Act*. Information provided to the CRTC will be treated in accordance with the requirements of section 39 of the *Telecommunications Act*.

Pre-Printed Label

Type of Ownership

- Private** – less than 50% of the voting rights are controlled by the government
- Public** – more than 50% of the voting rights are controlled by the government
- specify Federal, Provincial or Municipal

Fiscal Year End

For the purpose of this survey, please report information for your **12 month fiscal period** for which the **FINAL DAY** occurs on or between April 1, 2008 - March 31, 2009 for 2008 and April 1, 2009 - March 31, 2010 for 2009.

The following are acceptable report periods for **2008**:

| | | | | | |
|-------|------|---|-------|------|---------|
| May | 2007 | - | April | 2008 | (04/08) |
| June | 2007 | - | May | 2008 | (05/08) |
| July | 2007 | - | June | 2008 | (06/08) |
| Aug. | 2007 | - | July | 2008 | (07/08) |
| Sept. | 2007 | - | Aug. | 2008 | (08/08) |
| Oct. | 2007 | - | Sept. | 2008 | (09/08) |
| Nov. | 2007 | - | Oct. | 2008 | (10/08) |
| Dec. | 2007 | - | Nov. | 2008 | (11/08) |
| Jan. | 2008 | - | Dec. | 2008 | (12/08) |
| Feb. | 2008 | - | Jan. | 2009 | (01/09) |
| March | 2008 | - | Feb. | 2009 | (02/09) |
| April | 2008 | - | March | 2009 | (03/09) |

The following are acceptable report periods for **2009**:

| | | | | | |
|-------|------|---|-------|------|---------|
| May | 2008 | - | April | 2009 | (04/09) |
| June | 2008 | - | May | 2009 | (05/09) |
| July | 2008 | - | June | 2009 | (06/09) |
| Aug. | 2008 | - | July | 2009 | (07/09) |
| Sept. | 2008 | - | Aug. | 2009 | (08/09) |
| Oct. | 2008 | - | Sept. | 2009 | (09/09) |
| Nov. | 2008 | - | Oct. | 2009 | (10/09) |
| Dec. | 2008 | - | Nov. | 2009 | (11/09) |
| Jan. | 2009 | - | Dec. | 2009 | (12/09) |
| Feb. | 2009 | - | Jan. | 2010 | (01/10) |
| March | 2009 | - | Feb. | 2010 | (02/10) |
| April | 2009 | - | March | 2010 | (03/10) |

Definitions

What are Capital Expenditures?

Capital Expenditures are the **gross expenditures** on fixed assets for use in the operations of your organization or for lease or rent to others.

Include:

- cost of all new buildings, engineering, machinery and equipment which normally have a life of more than one year and are charged to fixed asset accounts
- modifications, additions and major renovations
- capital costs such as feasibility studies, architectural, legal, installation and engineering fees
- subsidies
- capitalized interest charges on loans with which capital projects are financed
- work done by own labour force
- additions to work in progress

How to Treat Leases

- **include** assets acquired for lease to others, either as a capital, financial or as an operating lease
- **exclude** assets acquired as a lessee through either a capital, financial or an operating lease from others

Information for Government Departments

The following applies to government departments **only**:

- **include** all capital expenditures without taking into account the capitalization threshold of your department
- grants and/or subsidies to outside entities (*e.g., municipalities, agencies, institutions or businesses*) are **not** to be **included**
- departments are requested to **exclude** from reported figures budgetary items pertaining to any departmental agency and proprietary crown corporation as they are surveyed separately
- federal departments are to report expenditures paid for by the department, regardless of which department awarded the contract
- provincial departments are to **include** any capital expenditures on construction (**exclude outlays for land**) and/or machinery and equipment, for use in Canada, financed from revolving funds, loans attached to revolving funds, other loans, the Consolidated Revenue Fund or special accounts

Sections A and C: Capital Expenditures

Report the value of the projects expected to be put in place during the year. **Include** the **gross expenditures** (*including subsidies*) on fixed assets for use in the operations of your organization or for lease or rent to others. **Include** all capital costs such as feasibility studies, architectural, legal, installation and engineering fees as well as work done by your own labour force.

New Assets, Renovation, Retrofit (Column 1), includes both existing assets being upgraded and acquisitions of new assets

The following explanations are NOT applicable to government departments:

- **include** - Capitalized interest charges on loans with which capital projects are financed
- **exclude** - If you are capitalizing your leased fixed assets as a lessee in accordance with the Canadian Institute of Chartered Accountants' recommendations, please **exclude** the total of the capitalization of such leases during the year from capital expenditures

Leases

In accordance with the recommendations of the Canadian Institute of Chartered Accountants, leases are divided into two types, operating and capital. **For the present, purchases of all capital assets whether for own use or for lease to others, either as a capital lease or as an operating lease should be reported in the appropriate place in Columns 1 or 2 Sections A and C. Assets acquired as a lessee through either a capital lease or operating lease from others should not be reported in these columns.**

New assets acquired by means of a capital lease **from others** should **not** be **included** in Section A and C Columns 1 or 2.

The following applies to government departments **only**:

- grants and/or subsidies: to outside entities (*e.g., municipalities, agencies, institutions or businesses*), are **not** to be **included**
- departments are requested to **exclude** from reported figures budgetary items pertaining to any departmental agency and proprietary crown corporation as they are surveyed separately
- federal departments are to report expenditures paid for by their department, regardless of which department awarded the contract
- provincial departments are to **include** any capital expenditures on construction (**exclude outlays for land**) and/or machinery and equipment, for use in Canada, financed from revolving funds, loans attached to revolving funds, other loans, the Consolidated Revenue Fund or special accounts

Purchase of Used Canadian Assets (Column 2)

Definition: Used fixed assets may be defined as existing buildings, structures or machinery and equipment which have been previously used by another organization in Canada that you have acquired during the time period being reported on this questionnaire.

Explanation: The objective of our survey is to measure gross annual new acquisitions to fixed assets separately from the acquisition of gross annual used fixed assets in the Canadian economy as a whole.

Hence, the acquisition of a used **fixed Canadian asset** should be reported separately since such acquisitions would not change the aggregates of our domestic inventory of fixed assets, it would simply mean a transfer of assets within Canada from one organization to another.

Imports of used assets, on the other hand, should be **included** with the new assets (*Column 1*) because they are newly acquired for the Canadian economy.

Work in Progress:

Work in progress represents accumulated costs since the start of capital projects which are intended to be capitalized upon completion.

Typically capital investment includes any expenditure on an asset in which its' life is greater than one year. Capital items charged to operating expenses are defined as expenditures which could have been capitalized as part of the fixed assets, but for various reasons, have been charged to current expenses.

Definitions

Land (Row 1)

Capital expenditures for land should **include** all costs associated with the purchase of the land that are not amortized or depreciated.

Residential Construction (Row 2)

Report the value of residential structures **including** the housing portion of multi-purpose projects and of townsites with the following EXCEPTIONS:

- buildings that have accommodation units without self-contained or exclusive use of bathroom and kitchen facilities (e.g., some student and senior citizen residences)
- the non-residential portion of multi-purpose projects and of townsites
- associated expenditures on services

The exceptions should be **included** in the appropriate construction (e.g., non-residential) asset.

Non-Residential Construction (Row 3) (excluding land purchase and residential construction)

Report the total cost incurred during the year of building and engineering construction (contract and by own employees) whether for your own use or rent to others. **Include** also:

- the cost of demolition of buildings, land servicing and of site-preparation
- leasehold and land improvements
- townsite facilities, such as streets, sewers, stores, schools
- oil or gas pipelines, **including** pipe and installation costs
- all preconstruction planning and design costs such as engineering and consulting fees and any materials supplied to construction contractors for installation

Machinery and Equipment (Row 4)

Report total cost incurred during the year of all new machinery, whether for your own use or for lease or rent to others. Any capitalized tooling should also be included. **Include** progress payments paid out before delivery in the year in which such payments are made. Receipts from the sale of your own fixed assets or allowance for scrap or trade-in should not be deducted from your total capital expenditures. Any balance owing or holdbacks should be reported in the year the cost is incurred.

Include:

- automobiles, trucks, professional and scientific equipment, office and store furniture and appliances
- computers (hardware and software), broadcasting, telecommunication and other information and communication technology equipment
- motors, generators, transformers
- any capitalized tooling expenses
- progress payments paid out before delivery in the year in which such payments are made
- any balance owing or holdbacks should be reported in the year the cost is incurred

Section B: Capacity Utilization (Manufacturing Companies only)

Capacity use (*utilization*) is calculated by taking the actual production level for an establishment (*production can be measured in dollars or units*) and dividing it by the establishment's capacity production level.

Capacity production is defined as maximum production attainable under normal conditions.

To calculate capacity production, follow the establishment's operating practices with respect to the use of productive facilities, overtime, workshifts, holidays, etc. For example, if your plant normally operates with one shift of eight hours a day five days a week then capacity will be calculated subject to these conditions and not on the hypothetical case of three shifts a day, seven days a week.

Example

Plant "A" normally operates one shift a day, five days a week and given this operating pattern, capacity production is 150 units of product "A" for the month. In that month, actual production of product "A" was 125 units. The capacity use for plant "A" is $(125/150) * 100 = 83\%$.

Now suppose that Plant "A" had to open for a shift on Saturdays to satisfy an abnormal surge in demand for product "A". Given this plant's normal operating schedule, capacity production remains at 150 units. Actual production has grown to 160 units, so capacity use would be $(160/150) * 100 = 107\%$.

Section D: Changes in Capital Expenditures Plans

Complete this section only if this report shows significant changes from the capital expenditures reported previously on the Intentions 2008. The intent of this section is to clarify the reason(s) for major changes in the capital expenditures reported and thereby reduce possible further inquiries.