

## 17.2 The importance of large enterprises

Large businesses play an important role in the economy of a modern industrial state. Just how important a role this is may be measured by specially compiled statistics. Figures from Statistics Canada's first official report *Industrial organization and concentration in the manufacturing, mining and logging industries, 1968* are presented in this Chapter. The report contains other concentration measures for 1968 and comparable statistics for the 1965 data year of the Census of Industry. Concentration measures were published for 1965 by the Department of Consumer and Corporate Affairs, based on compilations prepared by Statistics Canada, covering 154 industries. A slightly different type of concentration study for 1948, also based upon Census of Industry data, was published by Princeton University in 1957. The 1968 report is, however, the first to cover all Canadian manufacturing industries with the exception of one small miscellaneous classification.

This method of organizing statistics of "industrial concentration" consists of expressing the share of the shipments of an industry accounted for by the largest four, eight and twelve, etc., enterprises as a percentage of the total for the industry, with further similar measures for other numbers of leading enterprises.

Compiled for all Canadian manufacturing for 1968, figures show that the largest four enterprises within the manufacturing industries (ranked by manufacturing value added) accounted for 7.7% of all manufacturing value added and 10.0% of all manufacturing shipments. The largest eight enterprises accounted for 12.1% and 14.0%, respectively.

Similar comparisons are available for individual industries on the basis of various numbers of leading enterprises as defined by their shipments. The most commonly cited statistic is the percentage of the industry's shipments accounted for by the four largest enterprises. For example, in Canada's largest manufacturing industry measured by shipments, motor vehicle manufacturers, the four largest enterprises accounted for 94.6% of all manufacturing shipments in 1968. This share of industry shipments, commonly referred to as a "concentration ratio" even though expressed as a percentage, shows motor vehicle manufacturing to be highly concentrated. An example of an industry with low concentration would be women's clothing factories, where the largest four enterprises accounted for only 7.7% of shipments in 1968. A weighted average of the concentration ratios for the top four enterprises in all manufacturing industries was 47.8%.

Some concentration ratios for the 40 leading industries of Canada — defined as those having the largest manufacturing shipments — are given in Table 17.17. The degree of concentration in industries in various industry groups is shown in Table 17.18, while in Table 17.19 some data are presented for the largest four, and succeeding groups of four enterprises operating in all manufacturing industries considered together. An enterprise consists of companies under common ownership or control. In this study, one company is treated as being controlled by another if the parent firm owns more than 50% of the voting stock. Most enterprises in fact consist of only one company and most of these have only one establishment, but some enterprises, especially in certain industries, have many companies and establishments.

As an example, the Aluminum Company of Canada (Alcan) had 22 establishments in nine industries of the 1968 Census of Industry, operated through nine companies or corporate entities. Two of these establishments were in the mining industry and are not included in any tables presented with this article. Table 17.19, showing aggregate concentration in the manufacturing industries, includes the 20 manufacturing establishments of the Aluminum Company of Canada added together and treated as one enterprise, and ranked according to the aggregate value added of these 20 establishments. In the data for the smelting and refining industry, only the five Alcan establishments in that industry are included before ranking enterprises by their shipments (in this industry production rather than shipments is used and integrated smelters' output is measured as an imputed custom charge to the mining industry). In the aluminum rolling, casting and extruding industry, six establishments or plants owned by four Alcan companies in that industry are treated as the operations of one enterprise.

**Purpose of concentration statistics.** Concentration in industry is generally acknowledged to be a most important economic phenomenon, although the precise significance of high concentration for various aspects of the behaviour of enterprises is still to some extent a matter of difference of opinion among specialists in this field. Economists use concentration measures for studying the competitiveness of industries and the effect of industry concentration on