

**Building and Verification of CSBFA
Capital Leasing Company Database**

Report to Industry Canada

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Multi-Audience Research
Ottawa and Toronto

Introduction

Industry Canada commissioned COMPAS to assist in the building and verification of a database of firms that are directly involved in capital leasing (i.e. firms that provide capital leasing financing directly to customers). The work is in support of a five-year pilot project to assess the guarantee of capital leases under the Capital Small Business Financing Act (CSBFA) and determine whether it would be viable as a permanent addition to the core CSBFA program.

Background and Project Design

The CSBFA (formerly the Small Business Loans Act or SBLA) is a loan-loss sharing program between the government and participating lenders that facilitates access to financing for small businesses. The goal of the capital leasing pilot project is to facilitate access to financing for small businesses while covering costs and providing incremental financing. To ensure that all potential participants have knowledge of this pilot project, Industry Canada wants to send information to all capital leasing companies in Canada. Because no comprehensive list of these companies exists, the purpose of this project is to create a database of companies in Canada that do capital leasing, confirming contacts and key information about the firms and their activities.

The following specifications applied to this project:

- ❑ Industry Canada purchased a list of companies from Dun and Bradstreet as the framework for creating the database of companies involved in capital leasing.
- ❑ After review by Industry Canada staff to remove obvious non-leasing companies, the list was divided into two electronic databases, which were then provided to COMPAS:
 - **List A:** This was the list of companies assumed to be involved in capital leasing (N=726).
 - **List B:** This was the list of companies where there was more doubt about their involvement in capital leasing (N=1,969).
- ❑ The final 'A' list given back to Industry Canada at the conclusion of this project would consist of all the companies that are involved in capital leasing. The final 'B' list would consist of firms that are not involved in capital leasing. Where there was still some doubt, the firm was left or placed on the A list.
- ❑ Attempts were made to contact all companies on List A.



- ❑ Criteria were developed to 'cull' the B list and remove companies that were very likely not involved in capital leasing. Ten percent of firms in each line-of-business category were contacted. If no capital leasing was done by any firm in the group, that category was closed and the remaining firms stayed in the 'Do not do capital leasing' final B List.
- ❑ A separate list of firms that had participated in Industry Canada consultations on capital leasing was provided by the department. This list was cross-referenced with Lists A & B to ensure that all the companies were included in List A (if found on List B, the company would be moved to List A). Businesses not on either list were added to List A.
- ❑ Respondents who indicated that they did capital leasing but were not interested in the pilot project were put in a separate List C.
- ❑ Only basic contact information was verified for businesses not engaged in capital leasing. This included company name, contact name, position, and phone number. More information was collected for firms involved in capital leasing since they were the target audience for this project.
- ❑ COMPAS developed the survey instrument to be used for the verification calls. This included an introduction, screening criteria, appropriate termination points, a clear definition and explanation of capital leasing, and questions to collect the required information.
- ❑ A detailed interviewer training session was held. This provided an explanation of capital leasing, instructions on how to obtain the information required to complete the databases and correctly place the company in the appropriate list, a review and explanation of appropriate termination points, and identification of manager positions/titles that would be in a position to answer the questions. Interviewers were also provided with background information for possible use if respondents requested additional information about the capital leasing pilot project.
- ❑ The individual respondent that was interviewed was the contact person on the list (as provided by Dunn and Bradstreet) or someone better able to provide the needed information (i.e. a manager or senior officer, not a receptionist or other administrative staff).
- ❑ The existence and purpose of the pilot project was identified to respondents during the interview process. Considerable care was taken to positively and accurately position the study to allay concerns and maximize buy-in.
- ❑ If the verification calls to a company yielded additional names/firms that might be involved in capital leasing, the new leads were explored.



Project Results

In total, 1,498 interviews (358 from list A, and 1,140 from list B) were undertaken, by phone, between March 15-31.

The following table provides the disposition of the various lists at the beginning and the end of the study.

Disposition of Lists			
	List A	List B	List C
Start	726	1969	-
Finish	260	1221	17

As the table shows, list A originally included 726 firms. A total of 358 interviews were completed with contacts from this list. Interviews could not be completed with the remaining firms for a variety of reasons (see appended call disposition sheet). At the end of the project, list A contained a total of 260 firms. All of these firms were known to be directly involved in capital leasing. Of these, 114 were originally on list A, and 146 were transferred from list B.

Conversely,

- 240 firms originally on list A were transferred to list B because they were not directly involved in capital leasing.
- 4 firms were transferred from list A to list C because while they were involved in capital leasing, they were not interested in the pilot project.

List B initially included 1969 firms. In total, 1,140 interviews were conducted with contacts from this list. At the end of the study, list B contained 1,221 firms. Of these, 981 were originally on list B, and 240 were transferred from list A. In total, 13 firms on list B were transferred to list C. This means that there were 13 firms on list B that were directly involved in capital leasing but who were not interested in the pilot project.

When asked if their company extended capital leases to their customers, a total of 514 respondents (34% of the total sample) said yes. Asked more specifically about whether



their company provides the financing directly or through a third party, 273 respondents said their firm extends the financing directly (53% of those who said their firm extends capital leases). Conversely, 237 said they extend financing through a third party (4 were unsure).

Managers who said their firm does not extend capital leases to customers were asked if there was another company through which their business provides access to capital leasing. In response, 147 respondents indicated that they did provide leases through a third party (15% of firms who said they did not extend capital leases).

In total, therefore, 661 firms are at least somewhat involved in capital leasing. Of these, 277 are directly involved, and 384 operate through a third party.



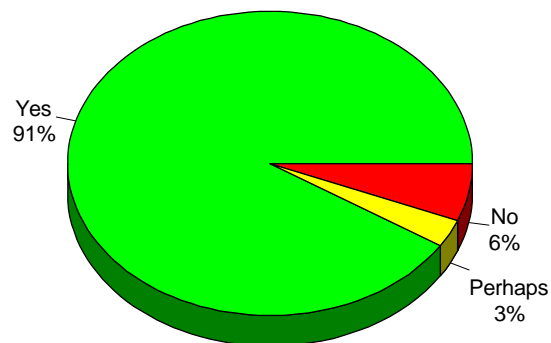
Profile of Firms Directly Involved in Capital Leasing

The following graphs present the characteristics of firms that are directly involved in capital leasing and who expressed interest in receiving information about Industry Canada's pilot project (i.e. List A, N= 260).

Virtually all the firms involved in capital leasing were interested in receiving information about the pilot project.

This is the only question that included firms from List C. All other results are for List A businesses only.

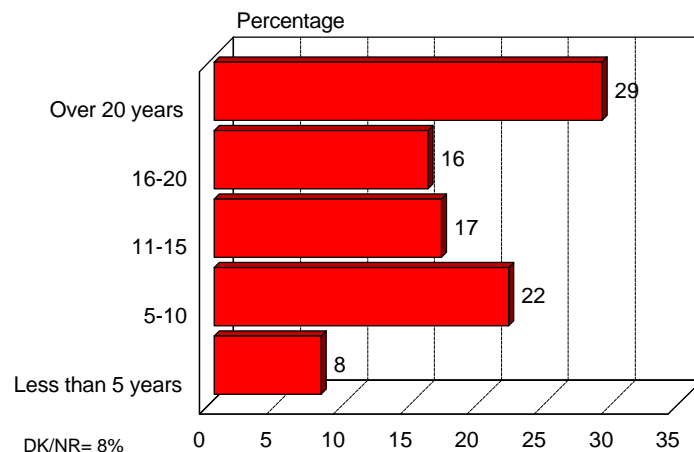
Willing to Receive Information on Project?



COMPAS for Industry Canada; March 2001

Firms involved in capital leasing have been doing so for various lengths of time, although many have considerable experience. Nearly one-third (29%) have been involved in capital leasing for over 20 years, while another third have been doing so for between 11-20 years. Just under one quarter have been doing it for 5-10 years. The smallest number (8%) have been doing so for less than five years. In all, 8% indicated that they did not know how long they had been involved.

Number of Years Involved in Capital Leasing



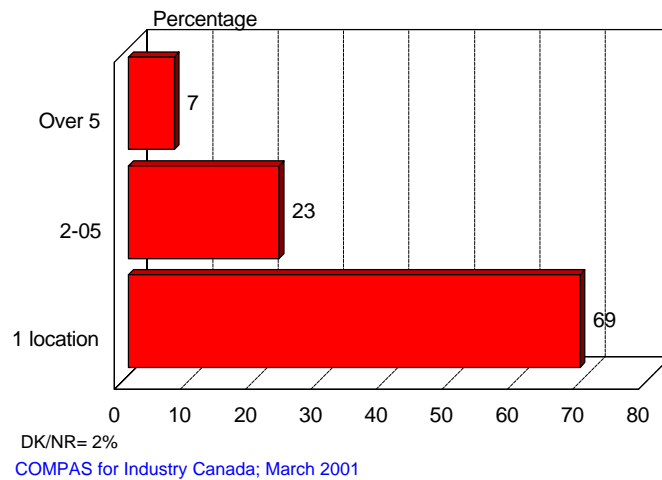
DK/NR= 8%

COMPAS for Industry Canada; March 2001



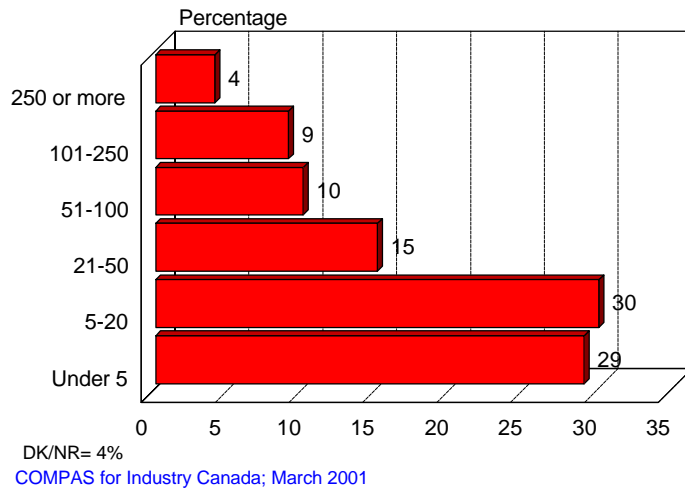
Most capital leasing firms (69%) have only one branch or location in Canada. People were asked to count the number of physical branches or locations, not different divisions or sub-groups within the firm. Just under one-quarter (23%) have two to five locations. Few (7%) have more than five locations.

Number of Separate Branches/Locations in Canada



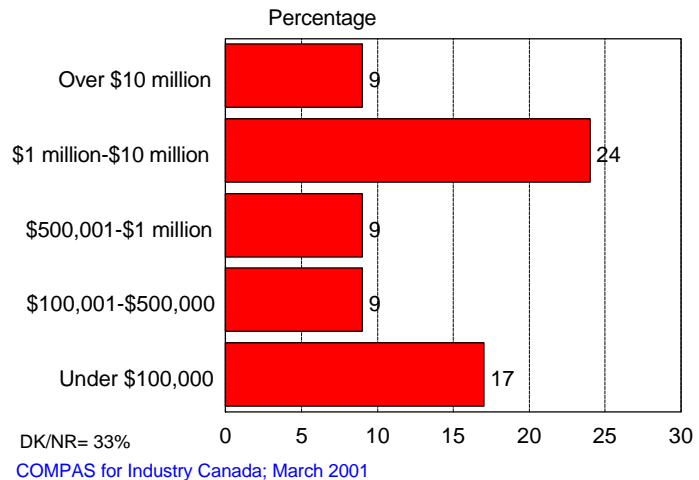
Firms involved in capital leasing span all size ranges in terms of number of employees. Similar numbers of firms have less than five employees (29%), 5-20 employees (30%), and 21-100 employees (25%). A smaller, yet significant number of firms have over 100 employees (13%).

Number of Employees in Canada



When asked to identify their company's total volume of capital leasing business for the last calendar year, businesses divided almost equally between those who made \$1 million dollars or more (33%), those who earned under \$1 million dollars, and those who did not provide an answer (33%). As the graph shows, there was some variety within each of the groups who identified the total volume of capital leasing. Among

Volume of Capital Leasing in Last Calendar Year

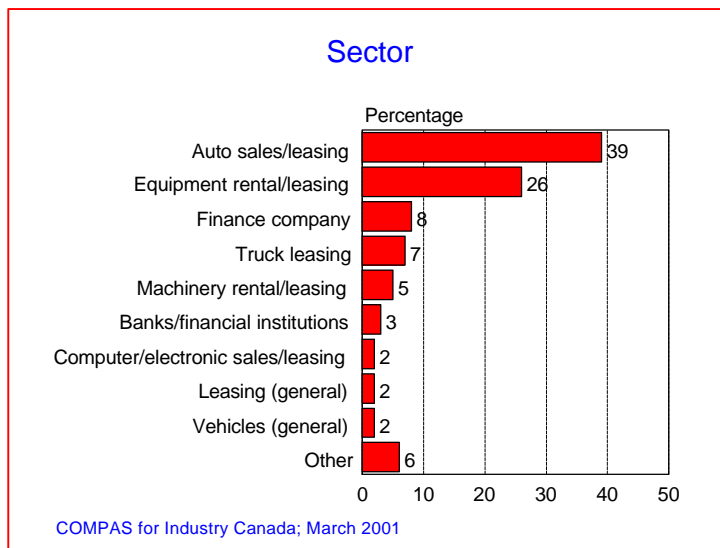
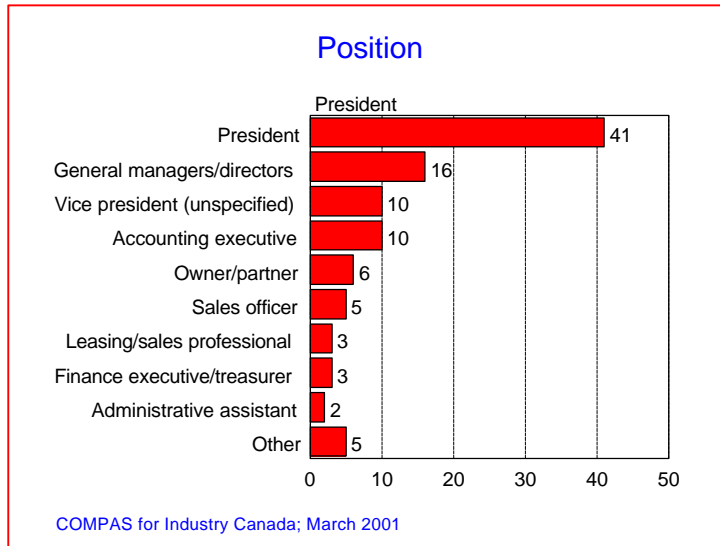


those who earned less than \$1 million, half (17%) made less than \$100,000, while equal proportions made between \$100,000-\$500,000 and \$500,000 to \$1 million (9% each). Among those making over \$1 million or more, most (24%) made between \$1 million and \$10 million, while 9% made over \$10 million.



*Building and Verification of CSBFA Capital Leasing Company Database:
A COMPAS Report to Industry Canada*

The following graphs present a breakdown of these same firms by position of respondent, sector, and region.



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