

Income trusts are efficient at investing, growing, PwC survey shows

A review of Canada's more than 250 income trusts indicates that trusts have been making an important contribution to the economy, investing their capital and growing their businesses at impressive rates, a survey by PricewaterhouseCoopers (PwC) shows.

A study of the five-year performance of income trusts reveals that sales, net income and capital expenditure grew significantly during the period 2000-2005 even as the trusts were returning cash to their investors.

The combined population of trusts reported an accumulated increase in sales of more than 600% during the period, with net income increasing 62% in 2005 and 22% in 2004. Significantly, a total of more than \$20 billion went to capital spending during each of 2004 and 2005, representing a net income reinvestment rate of more than 200% in 2005 and almost 400% in 2004, the report showed.

In 2005, trusts enjoyed sales growth of 54% to \$74.3 billion while net income improved 62% to \$10.6 billion. Capital investment totaled \$26.5 billion in 2005 or 230% of net income.

Results for 2004 exhibited similar growth: Sales of \$51.7 billion were ahead 39% over 2003 results. Net income grew 22% to \$6.3 billion during the year. Capital spending in 2004 hit \$21.8 billion.

These facts represent an important contribution to the debate over income trusts — a debate that has been lacking factual context.

The data confirm that, contrary to opinions expressed elsewhere, trusts are continuing to reinvest in productivity-enhancing projects and technologies. They raised cash for capital expenditures and new acquisitions. They are companies with demonstrated growth. The data clearly refutes the notion that the income trust structure is best suited to mature, low-growth companies in stable industries.

The findings of the survey are counter to the contention of the federal government that income trusts do not reinvest in their business and amount to a long-term dead end for Canadian businesses. Income trusts from sectors as disparate as food products, telecommunications and finance as well as traditional oil and gas royalty trusts and real estate income trusts (REITs) were included in the survey.

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 130,000 people in 148 countries work collaboratively using connected thinking to develop fresh perspectives and practical advice. In Canada, PricewaterhouseCoopers LLP (www.pwc.com/ca) and its related entities have more than 4,300 partners and staff in offices across the country.

Income trust comparative statistics for 2004 and 2005

All industries

Year	Sales Growth ⁽¹⁾ %	Accumulated Sales Growth ⁽²⁾ %	Sales ⁽³⁾ \$ Billions	Net Income Growth ⁽¹⁾ %	Net Income \$ Billions	Capital Spending/ Net Income ⁽¹⁾ %	Capital Spending ⁽³⁾ \$ Billions
2005	54	605	74.3	62	10.6	230	26.5
2004	39	577	51.7	22	6.3	376	21.8

⁽¹⁾ For trusts in existence for the current and previous period

⁽²⁾ Accumulated growth since 2000 or the inception of the trust

⁽³⁾ Sales net income and capital of all trusts in existence during the period

Income trust comparative statistics 2005

Industry	Sales Growth ⁽¹⁾ %	Accumulated Sales Growth ⁽²⁾ %	Sales ⁽³⁾ \$ Billions	Net Income Growth ⁽¹⁾ %	Net Income \$ Millions	Capital Spending/ Net Income ⁽¹⁾ %	Capital Spending ⁽³⁾ \$ Millions
Food Products	9	62	3.9	ND	(204)	ND	343
Cons. Products	28	40	9.0	(50)	276	717	861
Mktg. Dist.	24	127	7.1	(67)	177	1,383	828
Oil & Gas Services	83	373	22.3	120	6,456	158	12,707
Real Estate	55	153	5.5	(11)	463	768	4,354
Resource/Ind.	23	2,746	11.2	98	1,290	58	833
Restaurants	ND	ND	ND	3	44	ND	ND
Media, Telecom & Entertainment	9	17	3.7	(21)	423	820	3,240
Transp./Storage	32	99	5.4	58	491	239	1,097
Financing	18	33	.3	41	71	ND	2
Energy	88	212	4.9	31	1,075	212	2,219

⁽¹⁾ For trusts in existence for the current and previous period

⁽²⁾ Accumulated growth since 2000 or the inception of the trust

⁽³⁾ Sales net income and capital of all trusts in existence during the period

ND Not determined

Income trust comparative statistics 2004

Industry	Sales Growth ⁽¹⁾ %	Accumulated Sales Growth ⁽²⁾ %	Sales ⁽³⁾ \$ Billions	Net Income Growth ⁽¹⁾ %	Net Income \$ Millions	Capital Spending/ Net Income ⁽¹⁾ %	Capital Spending ⁽³⁾ \$ Millions
Food Products	56	51	2.9	(4)	97	263	360
Cons. Products	8	21	5.6	(8)	316	244	474
Mktg. Dist.	18	64	4.9	ND	285	47	308
Oil & Gas Services	68	135	15.0	28	2,892	410	13,331
Real Estate	53	96	4.6	(8)	551	679	3,665
Resource/Ind.	25	3,681	8.1	49	655	179	805
Restaurants	ND	ND	ND	12	39	ND	ND
Media, Telecom & Entertainment	5	8	3.1	(3)	520	99	142
Transp./Storage	19	78	3.5	47	291	138	374
Financing	31	31	.2	151	51	ND	18
Energy	51	173	3.1	(1)	650	335	2,363

⁽¹⁾ For trusts in existence for the current and previous period

⁽²⁾ Accumulated growth since 2000 or the inception of the trust

⁽³⁾ Sales net income and capital of all trusts in existence during the period

ND Not determined