

***Fiscal Update:***  
**Business Has Large Tax, Debt, and Trade Agenda for Finance  
Minister—Hints of New Ambivalence about PSE Spending**

**BDO Dunwoody/Chamber Weekly CEO/Business Leader Poll  
by COMPAS in the *Financial Post*  
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## 1.0. Introduction

With Finance Minister Ralph Goodale set to release a *Fiscal Update* Monday November 14<sup>th</sup> unless blocked by the Opposition, the *FP/COMPAS* business panel was asked to provide an agenda of what should be in the update. Their expectations for an update are immense.

Respondents embrace almost all 20 items presented to them for consideration. Stopping federal spending growth elicited almost unanimous approbation. The single most supported initiative would be to “evaluate programs every three years to identify where spending can be reduced or eliminated”—embraced unequivocally by 97% of respondents.

Other highly favoured *Fiscal Update* commitments would be to

- Reduce the general corporate income tax rate to 20% in 2006 and by one percentage point in each of the following three years
- Greatly reduce the effective tax on low income families from 60% or higher that they pay when they are able to enter or re-enter the workforce
- Cut debt by allocating each year’s federal surplus to debt reduction
- Reduce inter-provincial trade barriers
- Improve infra-structure at Canada-U.S. borders to improve trade flow
- Speed up recognition of the foreign credentials of immigrants
- Operate EI as an insurance program.

In a departure from past patterns, business panellists are expressing slight ambivalence about post-secondary funding. They do wish governments to harmonize student loan programs, increase transfers to universities, and introduce student vouchers “so that universities receive more revenue while becoming more sensitive to the needs of their student-customers.” But respondents express even more support for objective data on university funding. They want a commitment in the update that “federal and Provincial governments [will] make more transparent the data on how they invest in post secondary education.”

The 20 possible economic update points presented to respondents reflect well the panel’s perspectives with three exceptions. Opinion was volunteered that (a) an update was beside the point given that the Liberals had lost a moral right to govern, (b) economic issues should take second place to security initiatives in an era of terrorism, and (c) health privatization was an urgent priority. “With what is happening in national and international arenas,” observed one respondent, “I would have expected



emergency preparedness to be considered as a priority.” “Health care is a significant area requiring more effort,” observed another respondent. “Privatization is the right answer to manage this more efficiently, but the federal government needs a program requiring funding for low income special needs groups [seniors/disabled] that maintains their rights in the privatization queue.” “None of this matters very much,” volunteered another. “The Liberals have no moral authority to govern. Nothing they promise or say can be believed.”

## 2.0. Productivity and Trade

The panel supports strongly or wholeheartedly a long list of potential productivity and trade initiatives, as shown in table 2. Removing internal and external barriers to trade are at or near the top.

*Table 2: (Q1) As you may know, the Finance Minister will be releasing an economic update next week. To what extent should each of the following situations or priorities be emphasized in his statements? Please use a 7 point scale where 7 means greatly emphasized and 1, the opposite?  
[RANDOMIZE]*

	Mean	7	6	5	4	3	2	1	DNK
Reduce inter-provincial trade barriers so small businesses have the opportunity to grow to a size large enough to compete in foreign markets	5.9	42	28	17	8	3	2	2	0
Help Canadian business catch up to U.S. rates of productivity improvement	5.8	42	25	15	11	3	2	2	0
Work with municipal, provincial, and American governments to improve infrastructure at border crossings	5.8	37	28	21	10	2	1	2	0
Help improve access of Canadian goods and services to world markets	5.7	34	25	25	10	4	0	2	0
Become more welcoming to foreign investment	5.3	20	25	29	16	8	1	1	0
Rectify the 20% income gap of Canadians relative to Americans	5.0	22	24	14	18	12	5	4	2



	Mean	7	6	5	4	3	2	1	DNK
Encourage small and medium sized business in Canada to enter the research and development tax credit program	5.0	19	16	32	18	8	5	2	1
Help Canadian small business catch up to the greater productivity of large companies	5.0	18	22	24	19	11	4	2	0

### 3.0. Education

For the first time, panellists expressed some ambivalence about funding of higher education, expressing strong support for transparency than allocation of more money as well as strong support for vouchers, as shown in table 3. “Before any initiatives are launched to pour money into education,” volunteered one respondent, ‘taxpayers need to see demonstrations of value for money being spent now.’”

*Table 3: (Q2) Given that government funding of universities fell by almost \$ 3,000 per student since the 1990s, to what extent should each of the following situations or priorities be emphasized in the Finance Minister’s statements? Please use a 7 point scale where 7 means greatly emphasized and 1, the opposite? [RANDOMIZE]*

	Mean	7	6	5	4	3	2	1	DNK
Ensure that Federal and Provincial governments make more transparent the data on how they invest in post secondary education	5.7	37	27	19	8	5	3	1	2
Work with provinces to harmonize student loan programs	5.2	28	21	20	14	8	4	5	2
Increase the amount of transfer money going to universities	5.1	26	17	24	15	11	5	2	2
Introduce generous student vouchers so that universities receive more revenue while becoming more sensitive to the needs of their student-customers	5.1	21	19	26	16	5	5	2	6



## 4.0. Immigration

Quick recognition of foreign credential emerged in the scored responses displayed in table 4. Volunteered responses evinced some ambivalence about immigration with respondents torn between a desire for speedy recognition of credentials and a post-9/11 unease about immigration:

Immigrants with special credentials and/or skills must be expedited through the system. Getting a GP today is a joke: I lucked out with a first appointment 100 days from today.

There should be much more emphasis on retraining at home than stealing immigrants from developing countries. Wholesale immigration is becoming a major problem to all Western countries.

*Table 4: (Q3) Using the same scale, to what extent should each of the following situations or priorities concerning immigration be emphasized?  
[RANDOMIZE]*

	Mean	7	6	5	4	3	2	1	DNK
Speed up processes for evaluating and recognizing foreign credentials in professional and trade occupations	6.0	45	32	13	2	5	1	2	1
Reduce the waiting time for skilled immigrants, which can take up to 5 years	6.0	44	31	16	5	2	1	1	0



## 5.0. Government Policy and Taxes

Respondents continue to express deep concern about what they perceive as out of control federal spending, as displayed in table 5.

*Table 5: (Q4) And using the same scale, to what extent should each of the following situations or priorities concerning taxes and spending be emphasized? [RANDOMIZE]*

	Mean	7	6	5	4	3	2	1	DNK
Evaluate programs every three years to identify where spending can be reduced or eliminated	6.5	63	23	12	1	1	0	0	1
Limit the yearly growth in federal program spending	6.4	66	15	7	5	4	0	1	3
Operate EI as a true insurance program	6.2	57	18	11	8	1	2	1	4
Reduce the general corporate income tax rate to 20% in 2006 and by one percentage point in each of the following three years	5.9	47	18	16	11	4	2	1	1
Greatly reduce the effective tax on low income families from 60% or higher that they pay when they are able to enter or re-enter the workforce	5.8	38	20	24	8	2	4	0	5
Cut debt by allocating each year's federal surplus to debt reduction	5.6	35	22	25	6	8	2	0	1

## 6.0. Methodology

The *National Post*/COMPAS web-survey of CEOs and leaders of small, medium, and large corporations and among executives of the local and national Chambers of Commerce was conducted November 9-11, 2005. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.



Because of the small population of CEOss and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 131 are deemed accurate to within approximately 8.6 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D and Tamara Gottlieb.

