

**Adscam-Driven PQ Victory Will Damage Economy—
Charest Bests Federal/Ontario Leaders in Panel's Eyes**

**Post-Script on Minister of Finance's Economic Statement—
Liberal and Conservative Leaders Earn Bare Passing Grades,
Layton Fails Badly**

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1.0. Introduction

Relative to other federal and provincial leaders, Jean Charest shines in the eyes of the business panel when thinking about the national unity file or his impact on the Quebec economy.

The CEOs and business leaders on the panel nonetheless anticipate his electoral defeat. Adscam is the key issue for Quebecers, not the Charest government's actual performance, say respondents. The survey was conducted at a time of a rejuvenated PQ, which has just elected a new leader.

The panel continues to see the sovereignty agenda as a weight on the Quebec economy and believes that a victory for the PQ and the Yes side in a referendum would damage the Canadian economy; 40% foresee the Quebec economy going into retrenchment. The sovereignty agenda remains at least as heavy a weight on our economies today as it was perceived to be when we last asked the panel about the issue in 2003.

On a separate theme, the panel was asked to grade the performance of federal leaders on the occasion of the Minister of Finance's Economic Statement. Liberal and Conservative leaders eke out a low tie while Layton earns a decidedly failing grade.

These are the key findings from this week's web survey of CEOs and business leaders in the COMPAS panel for *The Financial Post* on behalf of BDO Dunwoody LLP and the Canadian Chamber of Commerce.

2.0. Probable PQ Victory—Driven by Adscam

Despite their esteem for federalist Quebec Premier Jean Charest, discussed below, the COMPAS/FP panel of CEOs and business leaders anticipates his government's defeat by the rejuvenated PQ in the next provincial election, as shown in table 2A. The federal boondoggle, Adscam, is seen as the key driver of Charest's expected misfortune with 85%¹ seeing Adscam as key compared to 49% seeing the Charest government's own performance as key, as shown in table 2B.

¹ 85% score Adscam as 5-7 on the 7 point scale in table 2B.



Table 2A: Probability that PQ Will Win Next Provincial Election²

| | |
|------|-----|
| MEAN | dnk |
| 62 | 1 |

Table 2B: (Q5) Various reasons have been given for the apparent resurgence of the separatist movement in Quebec. Please score each of the following on a 7 point scale where 7 means a major contributing factor and 1, the opposite.

| | MEAN | 7 | 6 | 5 | 4 | 3 | 2 | 1 | dnk |
|--|------|----|----|----|----|----|---|---|-----|
| The Adscam scandal | 5.8 | 35 | 35 | 15 | 6 | 2 | 1 | 4 | 1 |
| The natural cycle of political ups and downs | 4.6 | 7 | 18 | 29 | 28 | 12 | 4 | 2 | 0 |
| The performance of the Charest provincial government | 4.5 | 3 | 18 | 28 | 27 | 13 | 4 | 1 | 5 |

3.0. Charest Held in Comparatively High Esteem

The business panel tends to hold Jean Charest in high esteem relative to other federal and provincial leaders. The panel's evaluation of his contribution to the economic rejuvenation of Montreal is consistent with its high expectations of him in April, 2003, more than two years ago, as shown in table 3A. His performance score on the national unity file puts him decidedly higher than all other federal or Ontario leaders, as shown in table 3B. He is the only one of 7 public figures to earn a decidedly passing grade (grade of 57%). Martin and Chretien scrape by with 50% grades each while Harper, Layton, Jean, and McGuinty all receive failures.

² Table 2A question wording: "(Q3) As you know, the PQ is ahead of the Charest-led Liberal party by about 20 percentage points in Quebec provincial polls but polls on such sensitive issues are not always completely accurate. On a 100 point probability scale, what is the probability that the PQ will win the next provincial election?"



Table 3A: (Q1) As you know, Montreal used to be the business capital of Canada. To what extent has Premier Jean Charest in his first term helped Montreal to recapture its former strength? Please use a 7-point scale where 7 means a great deal and 1, not at all.³

| | MEAN | 7 | 6 | 5 | 4 | 3 | 2 | 1 | dnk |
|-------------------|------|---|----|----|----|----|----|----|-----|
| November 21, 2005 | 3.7 | 2 | 6 | 20 | 20 | 15 | 13 | 5 | 18 |
| April 25, 2003 | 3.6 | 4 | 10 | 19 | 19 | 17 | 12 | 15 | 5 |

Table 3B: (Q8) With respect to National Unity and persuading Quebecers to remain in Canada, what performance score would you give each of the following using a 100 point school report-type scale? [RANDOMIZE]

| | MEAN | dnk |
|--|------|-----|
| Quebec Premier Jean Charest | 57 | 2 |
| Jean Chretien when he was Prime Minister | 50 | 2 |
| Prime Minister Paul Martin | 50 | 1 |
| Governor General Michaëlle Jean | 47 | 2 |
| Ontario Premier Dalton McGuinty | 36 | 2 |
| Conservative Leader Stephen Harper | 36 | 1 |
| NDP Leader Jack Layton | 33 | 1 |

4.0. Sovereignty Agenda Damaging to Our Economies

Both the PQ's sovereignty intentions and the scenarios of PQ and referendum victories would damage Canada's economy and especially Quebec's, say the CEOs and business leaders on the panel. Almost all respondents believe that Quebec's growth rate would slow substantially in the event of a referendum victory for the Yes side with 40% saying that the province's economy would actually retrench, as shown in table 4A.

³ April 2003 question wording: "As you know, Montreal was Canada's business capital until about a generation ago. To what extent has Jean Charest's election as Premier helped Montreal to recapture its former strength? Please use a 7-point scale where 7 means a great deal and 1, not at all."



Even short of PQ and Yes victories, the sovereignty agenda remains a heavy weight on the Quebec economy—more so than language laws or Quebec’s tax levels, as shown in table 4B.

In 2003, the panel was presented with somewhat analogous questions. At that time, COMPAS asked to what extent Montreal would strengthen as an economic magnet if the PQ repudiated its sovereignty agenda, language laws were abolished, or taxes lowered. In the passage of two years, it looks as if the panel is now placing more emphasis on sovereignty as a threat to the Quebec and Montreal economies than it did previously, perhaps because the prospects of both the PQ and BQ have become evidently stronger in the interim.

The responses to still other questions suggest that the sovereignty agenda has impeded Quebec’s economic growth to this point because investors have factored this scenario into their thinking, as shown in table 4D. Meanwhile success for the PQ and Yes would do still more damage, as shown in table 4D.

Table 4A: (Q6/Q7) What impact would it have on the [Canadian/Quebec] economy in the short term if the PQ forms the government, a referendum is held, and the separatists win the referendum?

| | CANADIAN | QUEBEC |
|--|----------|--------|
| An increase in the economic growth rate | 5 | 1 |
| No net impact | 13 | 2 |
| A small drop in the economic growth rate | 46 | 17 |
| A big drop in the economic growth rate | 26 | 40 |
| Negative growth | 9 | 40 |
| Don’t know or no opinion | 1 | 0 |

Table 4B: (Q2) The following is a list of possible barriers to Quebec’s economic growth. Please score each of the following on a 7-point scale where 7 means a major barrier and 1, the opposite. [ROTATE]

| | MEAN | 7 | 6 | 5 | 4 | 3 | 2 | 1 | dnk |
|--|------|----|----|----|----|---|---|---|-----|
| The PQ sovereignty agenda | 6.4 | 59 | 26 | 9 | 3 | 2 | 1 | 0 | 1 |
| The continuing strength of the separatist movement | 6.0 | 43 | 30 | 19 | 2 | 4 | 0 | 1 | 1 |
| Quebec’s language laws | 5.7 | 38 | 22 | 22 | 11 | 4 | 1 | 1 | 1 |
| Quebec’s tax levels | 5.3 | 20 | 17 | 38 | 8 | 4 | 3 | 1 | 10 |





*Table 4C: Analogous Questions in April 2003:
“Using the same 7-point scale [where 7 means a great deal and 1,
not at all], please indicate how much Montreal would become
a magnet for business.”*

| | MEAN | 7 | 6 | 5 | 4 | 3 | 2 | 1 | dnk |
|--|------|----|----|----|----|----|---|---|-----|
| If the PQ formally rejected its sovereignty agenda | 5.4 | 28 | 26 | 24 | 7 | 6 | 4 | 2 | 3 |
| If Quebec’s tax levels were lowered to Alberta’s level | 5.4 | 22 | 29 | 19 | 16 | 6 | 4 | 0 | 4 |
| If Quebec’s language laws were quickly abolished | 4.9 | 16 | 21 | 24 | 19 | 10 | 4 | 4 | 2 |

*Table 4D: (Q4) Thinking of political uncertainty and business investing, to what extent do you agree with each of the following opinions using a 7 point scale where 7 means strongly agree and 1, the opposite?
[RANDOMIZE]*

| | MEAN | 7 | 6 | 5 | 4 | 3 | 2 | 1 | dnk |
|--|------|----|----|----|---|---|---|---|-----|
| The formation of a PQ provincial government would discourage investment in Quebec | 6.1 | 55 | 22 | 11 | 6 | 3 | 2 | 1 | 0 |
| Business has long considered political uncertainty in Quebec when thinking of investing in that province | 6.1 | 41 | 32 | 21 | 5 | 1 | 0 | 1 | 0 |

5.0. Post-Script to Last Week’s Poll on Finance Minister’s Economic Statement— Liberal and Conservative Leaders Tie, Layton Fails Badly

Last week, COMPAS asked panellists to indicate what they hoped for from the anticipated economic statement. In a follow-up, we asked respondents to grade the performances of Martin, Goodale, Harper, and Layton. Liberal and Conservative leaders eke out a low tie while Layton does poorly in the eyes of panellists, as shown in table 5.



Table 5: (Q9) Using a 100 point school report-type scale what performance score would you give each of the following? [RANDOMIZE]

| | MEAN | dnk |
|--|------|-----|
| Finance Minister Ralph Goodale on the economic statement | 55 | 5 |
| Stephen Harper on his response to the economic statement | 53 | 5 |
| Prime Minister Paul Martin on the economic statement | 51 | 5 |
| Jack Layton on his response to the economic statement | 36 | 5 |

6.0. Methodology

The 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 14-18, 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 CEOs 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 149 are deemed accurate to within approximately 8.0 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D and Tamara Gottlieb.

