

**Flaherty's Budget Earns High Grades
But Seen as Sparse Effort**

**BDO Dunwoody Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
For Publication March 6, 2008**



**COMPAS Inc.
Public Opinion and Customer Research
March 6, 2008**

Budget

A BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication March 6, 2008

1.0. Introduction

Finance Minister Flaherty earns a high grade of 69% for his budget even while more than one panelist calls it a thin or sparse effort. Most appreciated are provisions for further debt reduction and removal of disincentives against working for seniors. Other highly approved provisions are a one-year extension for the 50% write off of the value of new machinery in the first year and making permanent the \$ 2 billion Gas Tax Fund for infrastructure planning.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.

2.0. Very Good, If "Thin," Budget

Finance Minister Flaherty earns a high grade of 69% for his budget even while more than one panelist calls it a thin or sparse effort. Most appreciated are provisions for further debt reduction and removal of disincentives against working for seniors, as shown in table 2b. Other highly approved provisions are a one-year extension for the 50% write off of the value of new machinery in the first year and making permanent the \$ 2 billion Gas Tax Fund for infrastructure planning.

Panelists were least enthusiastic about the provision for changing the Immigration and Refugee Protection Act to improve and speed up the application process. But even this provision earned majority support.

Table 2a: (Q1) On a 100 point school report type scale, what grade would you give for Jim Flaherty's recent budget?



Budget

A BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication March 6, 2008

Mean	DNK
69	0

Table 2b: (Q2) Using a 7 point scale where 1 means you disagree strongly and 7 agree strongly, how much do you agree with each of these provisions in the budget... RANDOMIZE

	Mean	7	6	5	4	3	2	1	DNK
\$10 billion debt reduction during the current year	5.8	43	25	16	8	4	2	3	0
For seniors--removing disincentives to work by raising the current Guaranteed Income Supplement earned income exemption to \$3,500 from \$500	5.8	40	27	16	9	2	3	3	2
For manufacturing--a one-year extension for the 50% write off of the value of new machinery in the first year	5.7	39	27	20	6	2	4	3	1
For municipalities--making permanent the \$ 2 billion Gas Tax Fund for infrastructure planning	5.7	33	34	15	9	4	2	3	1
Protecting EI--creating the Canada Employment Insurance Financing Board to ensure that EI premiums are dedicated exclusively to the EI program	5.5	34	27	14	12	3	4	4	2
\$12 billion in incremental tax savings during the current year	5.5	28	28	19	14	3	3	3	3
For transit--setting aside up to \$500 million in support of capital investments to improve public transit	5.4	24	28	26	12	5	2	3	0
The Tax-Free Savings Account allowing people to save interest and dividend income and capitals gains tax-free	5.2	38	17	12	11	8	8	5	1
Strengthening the border--more	5.2	23	23	25	16	4	5	4	0



Budget

A BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication March 6, 2008

than \$ 100 million to strengthen Canada Border Services, introduce a higher security passport, facilitate cross-border travel for low risk frequent travellers and use biometric data on visas to foreign nationals coming to Canada									
Changing the Immigration and Refugee Protection Act to improve and speed up the application process	4.8	19	21	20	18	6	6	7	4

The following verbatims provide a nuanced sense of panelist opinion:

Where is the money needed to protect the Arctic from the Americans and the Russians, eh?

There wasn't enough in this budget.

There are considerable opportunities for cost reduction with improvement in services in the federal government and its Crowns. These should be pursued aggressively. Surpluses should be used to reduce debt and taxes (corporate and individual) to make Canada stronger economically.

Directionally, the budget is positive but the government has the opportunity to be more aggressive in the future.

The EI resting home for future conservation bag men or woman. The most politically abused social program in the country. The disparity of the rules and access [is] a joke. Special and geographical interest[s] have been well served. This will be a growth crown corporation...They will have more money than they know what to with except return it to those that hit a Mexican pothole when in need.

Given the economic uncertainty, my take is too little too late. Infrastructure needed to see 15 billion over 5 years, or we do become third world. Rail is joke, highways are choking, and Canadians are choking. So much for getting people onto



Budget

A BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication March 6, 2008

public transit, and freight onto the rails and off the roads. Everything else, window dressing. Improved productivity will die on the roads and fall off the bridges on their way to their global markets and customers. A day late and pound short! My grand kids have a large bill waiting for them! Sorry - no vision expressed here.

The PM's political quacks and hacks win again.

The Canadian economy would be better served with a reduction in personal and corporate taxes.

The budget did not contain anything to get excited about. All the goodies had been given out last fall. The tax free savings account was a disappointment. It does nothing for the low to middle income Canadians who are living from pay cheque to pay cheque, have no pensions and can't afford to make the max payment into their RRSPs - they sure as heck are not going to come up with \$5000 - it will however reward the public service and union fat cats with their nice pension plans.

The 1 year extension to the accelerated CCA for new capital investment in manufacturing was inadequate as it does not recognize the reality that it takes 4 to 5 years to plan and implement major capital investments. Other than [or] the very positive reduction in corporate taxes, which was announced last fall. The government has done nothing to foster new investment which would protect jobs and enhance productivity for long term competitiveness of the economy.

My main disagreement with the budget was the amounts given to some items: \$500 M for infrastructure is a drop in the bucket. For most provinces it might amount to highway overpass - it's a sad situation. - It's about optics for the average voter, not about what's really needed.

Manufacturing [is] not supported enough. The currency value is not recognized as a significant issue.



Budget

A BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication March 6, 2008

It is unfortunate that the Minister of Finance did not see fit to implement the recommendation from the HOC Industry Committee, strongly supported by a wide coalition of manufacturers, to extend by 5 years the Accelerated Capital Cost Allowance which is a key fiscal incentive for manufacturers to re-invest in the equipment and machinery. That was a major disappointment in this Budget.

It's about time on EI reform. The federal government should have corrected the over charging of EI premiums long ago.

I doubt if many budget elements (such as easier border access) will ever become a noticeable reality, just as similar initiatives in past budgets never seem to make it to the implementation stage.

Flaherty was a bit obvious putting a transit line through his riding when the last one was removed due to low usage!

Budget does not seem to acknowledge the depth and breadth of the current crisis in manufacturing which is undergoing the "Perfect Storm" at the moment - as goes manufacturing, so goes our whole economy.

Border services etc. The USA and Canadian border systems should be harmonized. The cost to both countries protecting themselves from each other is enormous and the threats are from outside both. Harmonize international travel (from outside Canada and U.S.) and minimize or eliminate the Canada-U.S. border mess.

As expected, the surplus is now thin, even though governments usually underestimate that number.

The best part of the budget is debt reduction and if more could be done, it should be. Every \$15 billion in debt reduction reduces interest expense by about one billion, a very important number for any government.



Budget

A BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication March 6, 2008

The GST cut has cost the country much and although there are side benefits, 1% reduction in the price of goods is not meaningful when inflation takes twice that.

Another disappointing budget! Wow, 5 years in a row we saw budgets without any clear visions and where we [are] supposed to head in a long run.

Unfortunately, both Tories and Liberals failed to prepare a reasonable budget that could address the global economic challenges and clear directions [on] how to cope with these challenges.

A reasonable budget and not likely to get the opposition's hackles up too high.

3.0. Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted February 28 – March 3, 2008. 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 117 are deemed accurate to within approximate 9.1 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

