

The Apprehensions of CEOs and Business Leaders

**Deep Concern about the Decline of Manufacturing in Canada;
Less Concern than Usual about Fallout from U.S. Recession**

**BDO Dunwoody Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
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1.0. Introduction

The CEOs and business leaders on the COMPAS panel seem more intensely concerned about the decline of manufacturing in the country than in the risk of serious fallout from U.S. economic troubles. A near majority (46%) believe that our country is more immune to the U.S. downturn than we have been in the past. This compares to 22% who believe that we are less immune than in the past and 33% who believe that we will be as affected as always. Thus, the burden of opinion is in the direction of less impact than normal but opinion is nonetheless divided.

Opinion is not divided about the harm to Canada resulting from the decline of manufacturing. Almost four-fifths (79%) perceive harm. Only 13% see no harm, believing implicitly that Canada's loss of manufacturing and increased reliance on the sale of appreciating resources represents a gain rather than a loss for the country.

Panelists have historically been anti-interventionist, disinclined to see merit in government efforts to manage or micro-manage economies. But panelists' concerns about the decline of manufacturing are so profound that the panel as a whole does not oppose government intervention. Panelists are essentially divided equally on the matter of whether "the federal government should step in to help the manufacturing sector because of the dangers of letting manufacturing decline any further." A slim majority (51%) actually opposes the idea that "The federal government should not intervene to help the manufacturing sector because of the costs of doing so."

In the eyes of the panel, by far the most effective action by government would be to reduce taxes affecting manufacturing processes and companies.

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. U.S. Fallout—On Balance the Fallout for Canada’s Economy May Be Milder than Historically True in Such Situations

A near majority (46%) believe that our country is more immune to the U.S. downturn than we have been in the past, as shown in table 2. This compares to 22% who believe that we are less immune than in the past and 33% who believe that we will be as affected as always. Thus, the burden of opinion is in the direction of less impact than normal but opinion is nonetheless divided.

Table 2: (Q1) Both the Prime Minister and the IMF have said recently that Canada is positioned to be more immune than in the past to the effects of the U.S. recession. The IMF attributed the resilience of the Canadian economy to lower Bank of Canada rates, the federal government’s tax cuts, and the strength of our resource or commodity exports. Not everyone agrees with the IMF’s assessment. In your view, will the Canadian economy be...

	%
A lot more immune to the U.S. downturn than we have been in the past	8
Somewhat more immune	38
About as affected as always by U.S. downturns	33
Less immune than in the past	21
A lot less immune than in the past	1
Don’t know or no opinion	0



3.0. Deep Concern about the Decline of Manufacturing— Large Support for Tax Cuts Targeting Manufacturing Companies

Concern is deep and almost consensual. Almost four-fifths (79%) of panelists perceive harm to the country resulting from the decline of manufacturing, as shown in table 3a. Only 13% see no harm, believing implicitly that Canada’s loss of manufacturing and increased reliance on the sale of appreciating resources represents a gain rather than a loss for the country.

Table 3a: (Q2) Using a 7 point scale where 1 means disagree strongly and 7, agree strongly, please indicate your agreement with the following opinions. RANDOMIZE

	Mean	7	6	5	4	3	2	1	DNK
The decline of manufacturing harms Canada	5.6	34	30	15	9	8	4	1	0
The increasing dependence on resource exports places Canada in a future position of economic vulnerability	4.8	18	18	25	16	9	9	3	2
The federal government should step in to help the manufacturing sector because of the dangers of letting manufacturing decline any further	4.1	9	21	15	12	20	15	8	1
The federal government should not intervene to help the manufacturing sector because of the costs of doing so	3.6	4	12	22	12	17	25	9	2

Panelists have historically been anti-interventionist, disinclined to see merit in government efforts to manage or micro-manage economies. But panelists’



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In the eyes of the panel, by far the most effective action by government would be to reduce taxes affecting manufacturing processes and companies, as shown in table 3b.

*Table 3b: (Q3) What should governments do, if anything, to help
the manufacturing sector? OPEN-ENDED (N=98)*

	%
Reduce Taxes	48
Innovation—invest in, encourage	18
Do Nothing	12
Reduce Trade Barriers	9
Other	11
Don't Know	1

The following verbatims provide a nuanced sense of panelist opinion:

We need to be more self sufficient and not rely on other countries.

The job losses that we are seeing in the manufacturing sector are the direct result of our manufacturers having become complacent and failing to invest in technologies that would make them competitive on the world stage, compounded by their overpaying the labour component due



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to union pressure. It is interesting that despite the losses in the manufacturing sector, overall employment has been unaffected. Hopefully, those who deem to enter the manufacturing sector in the future will work a 'little smarter' and avoid complacency.

Let's get those Zenn cars going. The government looks stupid when they can be exporting to 44 U.S. States. Scooters and bikes are slow and have no comparable safety issues.

Harper's doing the right thing by staying out of this. The auto sector as an example needs to adjust to longer term operating conditions within North America. If the government bails out industry every time we have an economic downturn, we put increased pressure on government spending and potentially get back into deficits, which create many other issues for all Canadians.

Government should facilitate the solutions, they are not the solution. The hype on greening the economy has the look and smell of the dot.com bust of the 90's. Billions will be made by a select few, and millions will be screwed.

Cut taxes.

Canada has been protected despite the blow up in the USA. Under Paul Martin's fiscal restraint programs, Canada was finally put on a sound footing. However, our government's debt levels are too high and absorb valuable tax dollars. There is a solution to this but the government does not listen as it would be "too difficult" to implement.

Any down turn in U.S. economy will have a tremendous effect on Canadian economy as well specially in manufacturing and non-energy exports. May be this time we are lucky due to the high price of energy and be able to



manage better. However, the amount of damage in eastern provinces could be irreparable.

4.0. Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted May 1 - 5, 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 132 are deemed accurate to within approximate 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.

