

**New Parliamentary Budget Office Earns Middling Grades:
Business Leaders Want Research on
Cap-and-Trade Effects on the Economy
More than General Economic Forecasts or
Financial Requirements for First Nations Schools**

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

In the wake of criticism of the new Parliamentary Budget Office (PBO) from strange bedfellows on Parliament hill, business leaders and CEOs on the COMPAS business panel were asked for their views. The Parliamentary Budget Officer earns a performance score of 57%, a typical score received by middling politicians who are neither abhorred nor esteemed.

The PBO has been criticized for devoting significant resources to making overall economic forecasts. On balance, members of the COMPAS business panel do not see immense value in general economic forecasts given the independent forecasts of the C.D. Howe Institute and various financial institutions even while panelists do tend to agree that the Department of Finance's predictions cannot always be trusted.

Among the various actual or potential sector studies, panelists are most keen for an independent opinion on the effects on the Canadian economy of either Canadian or U.S. cap-and-trade policies. They see much less value in a study of the financial requirements of Canada's First Nations schools. In practice, the PBO has undertaken such a study while it does appear to have invested in analysis of the economic effects of cap-and-trade policies.

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 Findings

Parliamentary Budget Officer Kevin Page earns a middling or mediocre performance score of 57%, as shown in table 2a. This is a score that Jean Chretien, Paul Martin, and Stephen Harper would typically earn in general or for one of their policies though Harper has also earned some far higher scores as well.

As shown in tables 2b and 2c, panelists tend on margin to prefer the PBO to undertake sectoral or special purpose studies such as the economic effects of cap-and-trade rather than do what the Office has actually been doing. Panelists would be substantially more appreciative of a study of the economic effects of cap-and-trade than of, for example, PBO's actual project on the financial requirements for Canada's First Nations schools.

Table 2a: (Q6) All things considered, on a 100 point performance scale, what score would you give Parliamentary Budget Officer Kevin Page?

Mean	DNK
57	15



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Table 2b: (Q1-4) The new Parliamentary Budget Office (PBO) came out with an overall economic forecast, and there is debate about whether overall economic forecasts should be a focus of the Parliamentary Budget Office. On a 7 point scale where 1 means disagree strongly and 7, agree strongly, how much do you agree with each of the following opinions about what the Parliamentary Budget Office should focus on.

	Mean	7	6	5	4	3	2	1	DNK
The Parliamentary Budget Office should devote its scarce resources to other matters because the C.D. Howe Institute and many private sector organizations already provide independent forecasts for the economy.	4.6	14	25	17	12	11	11	8	4
The PBO should focus on almost anything other than overall forecasts because organizations are almost never good at this—no institution seemed able to forecast the current recession even 12 months ahead of time.	4.3	16	16	12	16	11	15	9	6
The Parliamentary Budget Office should indeed focus on overall economic forecasts because the forecasts supplied by the Department of Finance have a history of being misleading and politically motivated.	4.2	12	17	17	11	11	14	10	9
The PBO should indeed focus on overall economic forecasts because such forecasts are an activity of the U.S. Congressional Budget Office, on which the PBO was modeled.	3.7	4	14	15	18	14	13	14	8



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Table 2c: (Q5) The following is a list of topics on which the Parliamentary Budget Office has done work or could conceivably do work if it fully followed the experience of the U.S. Congressional Budget Office. Please score the value of each on a 7 point scale where 1 means not at all valuable and 7, very valuable. RANDOMIZE.

	Mean	7	6	5	4	3	2	1	DNK
The economic effects on Canada of potential Canadian cap and trade, carbon emissions policy	5.4	22	29	29	6	5	4	3	3
The economic effects on Canada of U.S. cap and trade, carbon emissions policy	5.3	24	21	31	10	6	3	4	2
The cost of Canada's involvement in Afghanistan	4.9	19	19	27	14	6	8	5	2
Proposed Canadian financial support for the auto companies	4.8	20	17	29	12	4	11	6	2
Fuel economy tax vs. fuel economy standards in Canada	4.8	14	18	32	15	8	5	5	4
The overall outlook for the Canadian economy	4.7	18	25	16	12	11	7	9	2
The role of nuclear energy in Canada	4.5	15	23	22	8	8	8	14	3
The financial requirements for Canada's First Nations schools	4.2	14	14	18	16	10	15	9	4

The following verbatims provide a nuanced sense of panel opinion:

Why do we need them---we have lots of alternatives.

I think that the Office should be more concerned with the variances from the budget and qualifying them.



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Page is blowing a major opportunity to create a viable Parliamentary Budget Office. This is not the United States and Parliament is not Congress. He should stick to a modest role and build his capacity and credibility before starting fights with the Chief Librarian and Government.

Another government body parking lot to be ignored as is CBO in the U.S. by the politicians. This will be duplicated here! Its contribution is of doubtful value.

The Budget Office needs to keep track of the economy so that it can anticipate revenues.

Go back and look at his forecasts, they are no better than any other guesser.

Politicians lead the country the way they think it should be directed in a self serving manner. We do need an independent body that can deliver the proper state of fiscal affairs untainted by political considerations, but we also need a body that can take budgets and relate that against actual performance, no different than corporations do. There is no reason that government should not do so, especially when they have the power to borrow beyond their capability to comply with sound repayment policies or to raise taxes to dig themselves out of problems.

In a parliamentary democracy, it is essential that we have as many counter balancing viewpoints as possible.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted July 14 – 16, 2009. Respondents constitute



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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 n=117 are deemed accurate to within approximate 9.1 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

