

**Former Ontario Liberal Finance Minister on the Economy:
Sorbara's Cry of Warning Resonates with Business Panel**

**BDO Dunwoody Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
For Publication August 3, 2009**



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1.0 Overview

Ontario's former Liberal finance minister Greg Sorbara sounded a warning about the state of the finances of governments worldwide, the future of the global economy, and the ability of Canadian governments to provide services at the level to which Canadians have become accustomed. Sounding a note that might be considered to the right of the Harper government, Sorbara warned that the current quantity and quality of health services are unsustainable and called on governments to speak frankly to the public about financial limits on government services.

CEOs and business leaders on the COMPAS business panel embrace with vigour all of Sorbara's warnings with a single exception. They are not agreed that taxes must rise.

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 Much Enthusiasm for Sorbara's *Crie de Coeur*

Table 2 displays quantitative evidence of widespread enthusiasm for Greg Sorbara's expression of concern. The great volume of verbatim comment on his observations, reproduced below the table, provides qualitative evidence of how strongly he resonated with the panel.



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Table 2: (Q1) Bank of Canada Governor Mark Carney is optimistic that “the rate of growth will pick up to the end of the year and into 2010.” Finance Minister Flaherty expressed a word of caution, as did former Liberal Ontario Finance Minister Greg Sorbara. On a 7 point agreement scale where 1 means disagree strongly and 7, agree strongly, how much do you agree with each of the following opinions of Greg Sorbara. RANDOMIZE

| | Mean | 7 | 6 | 5 | 4 | 3 | 2 | 1 | DNK |
|--|------|----|----|----|---|---|---|---|-----|
| Governments need to speak candidly about their ability to satisfy every expectation with respect to health care services in particular because health services account for 45% of Ontario’s spending and the population of seniors is growing. | 6.1 | 42 | 37 | 15 | 3 | 0 | 1 | 2 | 1 |
| Governments will need to revisit what they can provide in terms of public services. | 5.9 | 37 | 41 | 9 | 4 | 6 | 3 | 0 | 0 |
| To counteract the recession, North America has gone into great debt, which may have serious repercussions in the future for governments’ abilities to reduce debt without cutting public services or increasing taxes. | 5.9 | 34 | 39 | 18 | 4 | 2 | 2 | 1 | 1 |



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| | Mean | 7 | 6 | 5 | 4 | 3 | 2 | 1 | DNK |
|--|------|----|----|----|---|----|----|----|-----|
| Canadians may see further defaults on private sector pension commitments, where beneficiaries will receive 70 or 80 percent promised pension payments. | 5.6 | 22 | 38 | 20 | 8 | 3 | 3 | 0 | 6 |
| Taxes will need to be increased. | 4.2 | 12 | 20 | 19 | 8 | 14 | 11 | 14 | 3 |

The following verbatims provide a nuanced sense of panel opinion:

I think there are many areas where government can cut costs without cutting back on public services.

Why reflect on a past 'provincial' minister. Canada has many provinces and current finance ministers should be more relevant.

I think the days of our public health care system funded from government to the degree it currently is, are numbered. Firstly, the system can't sustain the current levels, and secondly, I don't see how the current ban on a citizen's right to pay directly for insured services (the "two-tiered system") can possibly survive the charter challenge that is currently under way in BC. This must change.

Everyone seemed to understand that going into a recession that the government should spend money and stimulate the economy but what people seem to have trouble with is that as we start to come out of the recession we need to reduce government spending so as not to trigger over inflation. Any action proposed by the government will take time to implement so, this is probably a good time to start talking about government cut backs, increasing taxes and increasing the money supply. Politically, these are all dangerous topics but if we get started quickly perhaps the impact can be softened a bit.



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We need to get back to the basics that government services are for emergency need and disabled (unable to work due to actual (not self inflicted) sickness or missing body parts. We need to have welfare for those that temporarily have no job or lost theirs, but they need to work for the public, cleaning or doing garbage or whatever for their cheque. Governments need to return to the concept of spend during recessions and save (pay back) during good economic times.

When you are talking politics "They say a lot of what you want to hear and then do exactly what they said they wouldn't." Reality is they will increase taxes and cut back on services to get themselves out of the hole they are in now. But that hole is never fully filled as they never seem to get out of the ground. They just create another debt in some other area, and each time someone new comes in they just make it that much worse. I bet they don't take care of their own personal affairs the way they do with ours. Maybe if they treated the money as their own then it might get to a better state. Then in saying that if they treat it as their own we might not have anything left. A no win situation for us "The Tax Payer".

There is a day of reckoning coming with the level of debt being incurred.

Governments should find ways to deliver services in a cost effective way. Increasing funding is in all likelihood throwing good money after bad.

Guaranteed value for every public tax dollar is essential, as is a culture within governments to create and innovate.

Healthcare spending will spiral out of control if something is not done soon.

Don't raise taxes...reduce the size of government.

The recession may be over, but the recovery might be long in coming. Canadians need to understand the difference. So



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when do politicians start talking candidly about the tradeoffs between public services and taxes AND these services and public sector pensions - which face none of the risks and actual losses of the private sector.

By and large politicians are short term thinkers that react to the current state of affairs and how close they are to an election. Some, like in Ontario, promise to not increase taxes and they find a round about way to do so and then say that memories are short and that they will be re-elected.

The reality of public service is that it is over employed and under performs with guarantees that are way out of line with workers in the private arena.

When will that be recognized by politicians and when will they cut the ties and support with unions. When they do so, perhaps they can act in the best interests of all and not the special interest groups or those that hold the rest of the population hostage. When will governments realize that the debt they are building is going to have a deep detrimental effect on our future generations. We are moving back to the days of large deficits and higher taxes when the recent past has shown that debt reduction and lower taxes builds countries.

I am so sick and tired of all of the government employees getting all of these high priced pension and all the perks that go along with them. Just because we elected them they think they are entitled to keep stealing from us tax payers.

Both Ontario and BC are already increasing taxes by moving to Harmonized taxation. Most services (professional and other) were PST exempt. With HST, practically everything is going to be taxed at the provincial level and the provincial governments are going to gain both coming and going as they are going to be able to cut the considerable 'overhead' of auditing and collecting. Importers are going to be hit with a higher outlay of capital by paying HST instead of only GST



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when product enters Canada. One could go on and on. Fact is the move to HST is an underhanded way of increasing these provincial governments' tax base, reducing overhead costs and nailing certain business communities and consumers, all the while believing that they are 'fooling' the ignorant public with their 'con'. It is a disgrace. Canadians are already having to deal with 'cutting their cloth' under these trying global economic tough times and these provincial governments have the gall to insult our intelligence for extra measure.

This is not the first time that governor of Bank of Canada (Mark Carney) makes such an irresponsible and baseless comment. As a result commodity prices went unrealistically high and so Canadian dollar. God help Canadians with so inexperienced officials!

Governments keep trying to be all things to all people - they have got to start being honest with the people - their current spending levels are not sustainable in the long run.

Governments need to start rolling back their own wages and benefits in order to help keep costs in line and keep our country competitive. The higher their wages the greater expectation of others. They need to set the example. Unions must also bring their expectations down.

Like it or not governments are constrained to the same economic realities as everyone else, when you spend more than you have it will need to be made up in the future. This will take the form of higher taxes or less services. I vote less services!

Governments have to look at cutting their expenditures where possible. There is much government waste that could be cleaned up without the need to reduce services. The bureaucracy needs a good house cleaning first. Most of the public are fed up with having to bear the brunt of every economic down turn. The political cartoon from a few years



ago are showing the change in federal government as the movement of one set of pigs out of the trough and the ushering in of a new set is most disturbing to the public. Maybe that is why the public has become indifferent to voting at election time. I.e. What difference is it going to make? None, we are going to get screwed anyways.

There is undoubtedly a place for significant government involvement in the welfare of citizens but governments can only do so much and, amid huge and mostly justifiable demands, it is essential to make choices. These choices must be adequately explained to all citizens so that, even if there is disagreement as to the choices made, at least citizens will know why they were made. The private sector also has responsibilities but even they can go only as far as the buyers of their products and services are willing to pay. Lastly, we must lower our expectations of what others can supply and take responsibility for our own futures. I could go on all day.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted July 29 - 31, 2009. 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 n=121 are deemed accurate to within approximate 8.9 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

