

**Battle over Potash Corporation—Ideal Solution is for  
Our Tax Climate to Favour Our Own Company  
Becoming a Larger Global Player**



**COMPAS Inc.  
Public Opinion and Customer Research  
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## **1.0 Overview**

CEOs and business leaders on the COMPAS business panel were asked for their thoughts about the future of Potash Corp of Saskatchewan, the world's largest producer of the fertilizer and the subject of a hostile takeover bid by the world's largest mining company, based in Australia.

The sale should not be thwarted because Potash Corporation was once a crown company, and shareholders should be allowed to sell to whomever they wish. But the ideal solution is for Canada's tax regime to favour the growth of Potash Corporation as truly a giant, global, Canadian owned company.

More generally, Canada should be embracing the entrepreneurial educational and cultural agenda put forth three years ago by the then head of the CEO Council, Thomas d'Aquino, as detailed below.

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 The D'Aquino Agenda and Potash Corporation**

In 2007 Tom d'Aquino called for our educational system, our cultural values, and our securities laws to favour creation of a host climate favourable to giant, Canadian-owned, multinational corporations. Three years later, the CEOs and business leaders on the COMPAS panel are as supportive of the d'Aquino goals as they were then, as shown in table 2a.

Panelists' enthusiasm for the d'Aquino goals jibe with their views about the future of Potash Corporation. Shareholders should be able to sell to whom they wish, as shown in table 2b. But the ideal solution is for the tax climate to be conducive to Potash Corporation's becoming an very large global player while retaining its Canadian base and ownership.



Table 2a: (Q1-6) Canada produces more than half of the world's potash, a key fertilizer ingredient. Potash Corp of Saskatchewan, the world's largest producer, is the subject of a hostile takeover bid by the world's largest mining company, based in Australia. The situation has prompted some talk about foreign takeovers and the importance of global corporations operating from Canada. Using a 7 point scale, please indicate to what extent you agree with the following general opinions.

		Mean	7	6	5	4	3	2	1	DNK
We need a society in which Canadians aspire to be active owners and entrepreneurs, not just passive investors.	Aug 2010	6.2	54	26	12	5	1	1	1	0
	Dec 2007 <sup>1</sup>	6.2	52	31	10	1	0	3	2	1
We need more Canadian global business players	Aug 2010	6.0	50	23	14	9	1	2	2	0
	Dec 2007	5.9	41	32	16	3	1	3	1	2
Our educational system needs to teach more about entrepreneurial-type risk taking	Aug 2010	5.9	45	21	24	3	4	1	2	1
	Dec 2007	6.0	47	28	14	5	2	1	3	1
Our regulatory and tax systems should help encourage our companies to go global.	Aug 2010	5.9	42	31	14	8	3	0	3	0
	Dec 2007	5.9	48	27	10	6	3	3	3	1
We should aspire to be a preferred location for head-offices, even for companies whose important shareholders are not necessarily Canadian.	Aug 2010	5.8	40	24	26	7	3	1	1	0
	Dec 2007	5.9	40	34	12	7	1	3	2	1

<sup>1</sup> Data from COMPAS CEO Poll published December 5, 2007



*Potash Corp Takeover - BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication August 30, 2010*

		Mean	7	6	5	4	3	2	1	DNK
We need securities laws and practices that attract shareholders from around the world	Aug 2010	5.8	32	30	23	10	3	0	1	1
	Dec 2007	6.0	44	27	15	4	1	2	3	3

*Table 2b: (Q7-9) In the specific case of Potash Corporation, please indicate to what extent you agree with the following opinions, using a 7 point scale.*

	Mean	7	6	5	4	3	2	1	DNK
Given the future importance of potash, our governments must do what they can to create a tax climate favourable to Potash Corporation's own growth as a global company.	5.5	31	21	23	12	3	5	1	4
Potash Corporation shareholders have every right to make their decisions to sell or not to sell without government interference.	5.2	28	22	23	10	7	9	3	0
Given that the company was once a crown corporation, our governments must do what they can to prevent the takeover.	3.9	14	10	18	11	16	17	13	1

The following verbatim comments provide a nuanced sense of respondent opinion:

While I believe the government generally should not interfere in corporate transactions, Canada should evaluate whether



this is a strategic resource for the country. If it determines that it is such a resource then, imposing legitimate conditions on any foreign purchaser may be warranted, much as is done on purchases of military equipment (so much employment in Canada or purchases of Canadian materials). Plus, contrary to previous acquisitions that have been allowed by the Canadian government, this deal must only be allowed in so far as any conditions imposed must be adhered to. Far greater care must be taken by the federal government to ensure that these conditions are met. Failure to comply with such agreements should result in some encumbrance by Canada on the asset or forfeiture of the holding.

While I believe in letting business operate with the least amount of government intervention possible, I can see a requirement for some government oversight on activities relating to critical commodities and technology. Also with regard to providing some entrepreneurial education for students I'd like to see a mandatory course for all high school students that covered, writing a resume, interview skills, job hunting strategies, insurance, wills, mortgages, personal tax planning, managing credit, retirement savings and the basics for starting and running a business...the stuff we hope they'll do well after they graduate.

We are missing the boat by not equipping ourselves for enabling more exports. The tar sands project is backfiring in Europe after raising the CDN dollar to new heights, with incoming investment in oil destroying our manufacturing competitiveness. This happened along with the double whammy of the financial meltdown and the incursion of low cost Chinese and other low cost manufactured goods, displacing home industries. Meanwhile new idea ventures capable of seeding global markets are underfunded and are not even recognized by the financial community. The latter does not recognize true opportunity - there are too many scams- and our governments mean well but lack the drive to protect and back up promising startups. Meanwhile we raise



interest rates at the critical point of partial recovery, putting homes out of reach of the young, and further reducing the needs for durables. We lack perception and planning. There are too many negative convergent factors, and the future is increasingly bleak as we revert to a nation of foreign owned resources. We are back to the future, after destroying 100 years of hard work.

There has always been much talk about selling out to foreign investors. However we should also keep in mind that Canada is an investor in many countries as well. The biggest problem I see is the potential to bleed away profits from a Canadian subsidiary into more favourable tax jurisdictions, reducing the taxes the Canadian owned companies used to pay. It is a credit to Canada and Canadians that powerhouse businesses are built, attracting good selling prices. We should also not forget that proceeds from a sale flow back into the markets, encouraging new growth businesses to enter the public markets.

Once we give away ownership of our resources, what do we have? Globalization seems to be decimating what were once great economies

It is an interesting aside that some companies who look at expanding globally and set their sights on the U.S. as the first step, then forestall because they would attract a horrendous increase in their insurance premiums. Perhaps the best move the government could make would be to underwrite some of the costs of professional and product liability when Canadian companies enter the global market.

Industries such as the Potash Industry must remain at least 51% Canadian. The foreign investment must also be encouraged and made attractive to interested parties.

Canada is being gutted and sold off to global companies based in other areas of the world, if this continues to be allowed soon we will look back and remember the good old days when we had a say in what happens to our own futures.



### **3.0 Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted August 24-27, 2010. 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=106 are deemed accurate to within approximately 9.6 percentage points 19 times out of 20. The principal investigator on this study is Conrad Winn, Ph.D.

