

Harper's Spending Cuts:
**Widespread Applause,
Highest Scores for Clean Auditor-General Report,
Cuts in Cabinet Spending, and Ultra-Low Debt/GDP Ratio**

**BDO Dunwoody CEO/Business Leader Poll
by COMPAS for publication in
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1.0 Introduction

The federal government just announced \$ 1 billion in cuts with another billion to follow. The response of the COMPAS panel of CEOs and business leaders is one of widespread applause. Particularly high performance scores are given to the Harper government for a clean Auditor-General Report, cuts in cabinet spending, and achieving the lowest debt/gdp ratio in 24 years.

These are the major findings from this past week's web-survey of CEOs and business leaders undertaken for *The Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0 General Findings—Clean Bill from A-G Tops the Plaudits

The Harper government earns very strong performance scores for all general aspects of its recently announced cuts, as shown in table 2. The highest single score is for a clean opinion from the Auditor-General. The high score (82%), one of the highest ever in the COMPAS databank of performance scores, may underestimate the good feeling generated by the report given the verbatims provided by respondents. "I feel a 50% grade is suitable for a clean audit," observed the head of a firm in the construction sector, "because I think that should be an expectation not an unusual incident."

While giving the Harper government plaudits for its budget and its cuts in general, the panel gives the preceding government some credit. "Most of the credit for the 2005-06 financial report," said an industry leader, "has to go to the Martin government, which instituted many of the reforms in their brief term, and were the government for most of the last fiscal year." Some others also volunteered plaudits for Martin even while continuing to disparage the period of Liberal rule for corruption. "The Harper government has benefited from the



prudent fiscal approach to finance Paul Martin implemented,” asserted an industry association leader. “We do not give enough credit to Mr. Martin for the superior job as Finance Minister...Canadians should realise and appreciate that fact.”

A desire to show respect for Finance Minister Martin was not universal. Several noted that the trend toward reduced spending was achieved less by making careful choices than by offloading to the provinces. As one panellist pointed out, “we should not forget that he reduced the deficit by downloading to the provinces.”

Irrespective of their feeling about Martin, panellists were nearly universal in their enthusiasm for Harper, especially for investing the savings in debt reduction:

It's nice to see some cuts, however minimal. Contrast this to the out-of-control Ontario spending.

Of more importance to me than the spending reductions you cited is the fact that the Harper government has seen fit to put the entire \$13 billion surplus into debt reduction, and resist the temptation (which the Liberals could not) to spend like drunken sailors on unplanned and politically motivated programs that often proved of little value and unsustainable.

I applaud the government for applying all the surplus to the debt. There is a positive compounding effect in eliminating \$13 billion of debt to service. They should continue with an aggressive debt reduction program and the commensurate tax reductions it can bring.

At last a government that thinks the way I do!

Give credit where credit is due; Harper has done a great job with the federal budget and paying down the nation debt with surplus funds is greatly preferable to a spending spree.

Waste removal via reductions in program spending has been a long time coming and much overdue. Clearly continuance will prove politically arduous



The Harper government did exactly the right thing making the cuts. Governments have to review activities and change priorities or there is never enough money to tackle new priorities without raising taxes or going into deficit. The critics should eat their words.

Table 2: (Q1) As you know, the federal government announced a \$1.1 billion cut in spending and the intention to make a further \$1 billion in cuts. Using a 100 point school report card-type scale, what score would you give each of the following players?

	Mean	DNK
The Harper government for receiving a clean opinion on its 2005-06 financial statements from the Auditor-General	82	0
The Harper government for the first reduction in program spending in 9 years	76	0
The Harper government for reducing the federal debt /GDP ratio to its lowest level in 24 years	76	0
Previous Chrétien-Martin governments for helping to reduce federal debt from its peak in 1996-97	68	0

3.0. Details—Cabinet-Related Savings Top the List

Panelists are enthusiastic about all the cuts about which they were asked—most of all about cabinet-related savings, as shown in table 3. Members of the panel also volunteered enthusiasm for ending the GST rebate for visitors and cutting R&D grants to industry. But not everyone was enthusiastic about ending the GST rebate. As one CEO pointed out, security concerns have made the Canada-U.S. border more of a problem. For that reason we should be doing our best to attract Americans through GST rebates and other means.



Table 3: (Q2) On a 100 point scale, please score the Harper government's performance on each of the following cuts over the next two years.

	Mean	DNK
\$47 million for a smaller cabinet	82	4
\$20 million for efficiencies in regional Ministers' activities	78	4
\$45 million for efficiencies at CMHC	74	5
\$30 million for efficiencies in Foreign Affairs and International Trade	71	5
\$79 million for elimination of the GST rebate program for visitors to Canada	71	4
\$10 million for elimination of the Canadian Volunteerism Initiative to encourage Canadians to volunteer	65	4
\$36 million for efficiencies in Health Policy Research and other Health Portfolio areas	63	4
\$39 million for elimination of social economy spending in various regional development and academic-research areas	63	5

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted September 27 - 29, 2006. 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 136 are deemed accurate to within approximately 8.4 percentage



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points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

