

**Takeovers:
Investment Reviews a Blow Against
Both Business and Taxpayers;
Building Global Business Players in Canada Requires
Better Tax Policy and Better *Non-Business* Policies**

**BDO Dunwoody Weekly CEO/Business Leader Poll
By COMPAS in the *Financial Post*
For Publication June 4, 2007**



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1.0. Introduction

The CEOs and business leaders on the COMPAS business panel were asked for their views about the best ways for Canadian governments to protect and foster Canadian-owned and Canadian resident players in Global markets. The survey was conducted followed a spate of foreign takeovers of Canadian global players and during a period of uncertainty about the role of ALCAN.

The panel sees government investment reviews and ownership control as a blow against both business and taxpayers. Investment controls would depress investment in Canada and ill-informed investment review-related decisions by government could end up cost taxpayers millions, according to the overwhelming view among panelists.

For Canada to protect, encourage, and foster global players, our governments need transparent and predictable tax regimes along with wise investments in support of physical and social infrastructures, not investment controls. That is the overwhelming view of the panel.

These are the key findings from the past week's web survey of the COMPAS CEO and business leader panel undertaken for *The Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0. Overwhelming Opposition to Government Investment Reviews and Controls

By an overwhelming margin, CEOs and business leaders on the business panel oppose investment controls. The overwhelming majority (77%) see such controls as doing nothing to help Canadian firms become strong global players, as shown in table 2. Among those with strong views, scoring 7 or 1 on the 7 point scale, opponents of investment controls outnumber 8:1 supporters. Large majorities see investment controls as costly to taxpayers and as dampening investment in the Canadian economy. Approximately two-thirds believe that "in the long-run investment controls will reduce investment in the Canadian economy because entrepreneurs will fear being unable to reap the full rewards of their efforts."



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Table 2: (Q2) With respect to government regulation of ownership, to what extent do you agree with the following opinions on a 7 point agreement scale where 1 means strongly disagree and 7, strongly agree?

RANDOMIZE

Controls alone will do nothing to help Canadian firms become strong global players								
Mean	7	6	5	4	3	2	1	DNK
5.6	40	30	7	7	1	8	5	3
Investment reviews by regulators with limited business experience will lead to bad government decisions, costing taxpayers hundreds of millions of dollars or more								
Mean	7	6	5	4	3	2	1	DNK
5.4	36	23	9	6	6	7	5	8
In the long-run investment controls will reduce investment in the Canadian economy because entrepreneurs will fear being unable to reap the full rewards of their efforts								
Mean	7	6	5	4	3	2	1	DNK
5.0	23	24	19	9	11	7	5	3
Government investment controls are precisely the tool that Canada needs to protect Canadian ownership								
Mean	7	6	5	4	3	2	1	DNK
3.0	7	7	12	10	10	27	26	2

3.0. How to Help Canadian Business—Predictable, Transparent Tax Policy and Wise Investments in Physical and Social Infrastructure

Far from introducing investment controls, Canadian governments can help business best by adopting predictable and transparent tax policies and by wise investments in support of physical and social (educational) infrastructure, as evident in the responses displayed in table 3.



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Table 3: (Q3) On a 7 point scale where 1 means strongly disagree and 7 strongly agree, to what extent do you agree with the following opinions about what government should do to help sustain major Canadian-owned companies: RANDOMIZE

Make predictable and transparent decisions about taxes and other matters that affect business								
Mean	7	6	5	4	3	2	1	DNK
6.1	54	26	5	4	0	2	4	5
Invest heavily and wisely in social infrastructure such as education								
Mean	7	6	5	4	3	2	1	DNK
5.7	33	33	12	8	4	2	3	5
Invest heavily and wisely in physical infrastructure such as roads and transportation								
Mean	7	6	5	4	3	2	1	DNK
5.7	38	29	14	7	6	2	3	2
Encourage thinktanks and educators to encourage an entrepreneurial spirit and teach Canadians about how business works								
Mean	7	6	5	4	3	2	1	DNK
5.7	34	31	11	8	4	4	2	6
Create a low tax regime								
Mean	7	6	5	4	3	2	1	DNK
5.7	43	25	9	9	3	3	6	3
Invest heavily and wisely in the arts, the urban environment, and in other ways that contribute to an appealing lifestyle for the executives of large Canadian-owned flag ship companies								
Mean	7	6	5	4	3	2	1	DNK
4.2	9	14	20	24	13	14	6	1

4.0. Mixed Views about the Threat Posed by Foreign Takeovers of Canadian Flagships

While largely of one mind on the importance of fostering a climate conducive to business, respondents are not entirely of one mind on the issue of ownership. Members of the panel have mixed views about the threat to the Canadian economy resulting from foreign acquisitions of Canadian-owned global players, as shown in table 4. For some



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panelists, ownership is less of an issue than the degree to which Canadian-resident firms provide value-added. “The issue we are facing is not ownership per se,” volunteers one CEO, “it is our lack of government policies which encourage the value added upgrading of our resources and our competitiveness. Government continually makes it harder for companies in Canada to compete globally. Ownership needs to be dissected to categories.”

According to another CEO, “what should be kept in mind is that, generally, Canadians built those businesses and are selling them at great prices. That talent is also what buyers are seeking for their global businesses. Those talents will encourage further investments in Canada, or will buy or start new businesses should they move onto other options.”

Most respondents would likely share the volunteered view of a CFO:

You can't promote free trade on the one hand and impose restrictions on foreign takeovers ... on the other hand. Officials must have solid and transparent monetary and fiscal policies in order to deal with volatilities in global and domestic economic issues. The best protection for business environment is to minimize the role of government and...not flip flop politicians.

Table 4: (Q1) In the wake of some high profile takeovers of large Canadian firms, Liberal leader Stéphane Dion called for a freeze on foreign takeovers and quick changes to the Canada Investment Act. On a 7 point agreement scale where 1 means strongly disagree and 7, strongly agree, how much do you agree with the following opinions: RANDOMIZE

Takeovers by foreign buyers are a natural part of the cycle in business and should be of no special concern								
Mean	7	6	5	4	3	2	1	DNK
4.5	16	24	14	11	14	13	8	1
Sellouts are desirable because the Canadian owners can take out cash from established businesses and invest seriously in businesses and industries of the future								
Mean	7	6	5	4	3	2	1	DNK
4.2	8	20	20	19	12	13	8	3
Takeovers of Canadian flagship companies will ultimately harm our economy and spur an exodus of our best talent								
Mean	7	6	5	4	3	2	1	DNK
4.0	9	15	19	11	15	15	9	5



50. Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted May 30 – June 1, 2007. 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 119 are deemed accurate to within approximate 9.0 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.



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