

**Seeming Seismic Shift in How to Spend the Federal Surplus:
Jump in Support for Debt Paydown,
Fall in Support for Provincial Transfers in Health/Education;
Among Tax Cuts Benefiting the Economy,
Jump in Support for Across-the-Board Personal Tax Cuts**

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

For five years, COMPAS has been tracking business priorities for allocating surplus monies. A seismic shift seems to be occurring. There is now record support for debt paydown along with collapsing support for provincial transfers.

In the wake of GST cuts, there is likewise a seismic shift in tax cut preferences—a major jump in preference for across-the-board personal income tax cuts.

CEOs and business leaders on the COMPAS panel were also asked about any concerns they might have. No consensus emerged but semi-strong concerns were voiced that not enough commitment may be made to personal tax cuts, the environment, debt paydown, and infra-structure; not much concern was conveyed about health and defence.

These are the principal findings from the weekly business web-survey conducted by COMPAS for the *Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0 Record Support for Debt Paydown, Collapsing Support for Provincial Transfers

The COMPAS panel of CEOs and business leaders displays its strongest support in five years for allocating surplus monies to paying down the debt and its lowest support for provincial transfers, as shown in table 2. Support for post-secondary transfers is at its lowest support; support for health transfers is at a record low.



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Table 2: (Q1) The 2005-6 federal surplus is expected to be over \$10 billion. Approximately what percentage of any NEW money, if any, should go to each of the following? [ROTATE]¹

	Oct 2006	Sept 2005	Feb 2005	Mar 2004	Sept 2002	June 2002	Nov 2001
Paying down the national debt	31	17	17	16	22	30	23
Cutting personal Income taxes	16	12	13	10	12	16	14
Infrastructure	12	11	11	11	12	NA	NA
Military preparedness	11	10	11	10	10	12	14
Health transfer payments to the provinces	10	11	13	16	18	21	20
Cutting corporate taxes	10	7	9	7	8	10	8
Post-secondary education	8	10	8	9	12	NA	NA
Home security including border and immigration controls and domestic preparedness against potential terror	8	7	8	8	8	11	15
Environment	8	6	7	8	NA	NA	NA
Aid for farmers ²	5	3	4	8	NA	NA	NA
Short-term cuts in fuel taxes to help the transport industry and consumers	2	5	NA	NA	NA	NA	NA

¹ Responses before Sept 2005 have been weighted to total 100%.

² Wording in 2005: "Aid for farmers affected by BSE"



3.0. Best Tax Cut for the Economy—Jump in Preference for Across-the-board Personal Tax Cuts

Though panelists evince a strong desire for the surplus to go to debt paydown, COMPAS nonetheless asked which kind of tax cut would be the best for the economy. The view that across-the-board cuts are the best for the economy is at its highest level in the five year period, as shown in table 3.

Table 3: (Q2) If you had to choose, which of the following type of tax cuts would be best for the economy? [ROTATE]

	Oct 2006	Sept 2005	Oct 2003	June 2002	Dec 2001
Personal income tax cuts across the board	52	39	25	38	30
Personal income tax cuts for families earning less than \$65,000 p.a. ³	13	15	13	7	11
Additional GST and sales tax cuts ⁴	10	25	31	28	28
Corporate tax cuts for all types of companies	8	10	17	16	12
Corporate tax cuts for small companies	7	5	5	3	9
Eliminating taxes on investments	7	NA	NA	NA	NA
Eliminating taxes on the purchase of machinery	4	NA	NA	NA	NA
Corporate tax cuts for large companies	0	0	2	2	1
DNK/Refused	1	1	1	1	2

³ Wording in 2005: "Personal income tax cuts for families earning less than \$60,000 p.a."

⁴ Wording in 2005: "GST and sales tax cuts"



4.0. Deepest Concern—No Consensus But Semi-Strong Concerns that Not Enough Commitment May Be Made to Personal Tax Cuts, the Environment, Debt Paydown, and Infra-Structure; Not Much Concern about Health and Defence

As a double check on panelists' opinions, respondents were asked about possible concerns about what the Harper government may overlook or under-emphasize. No consensus emerged. Somewhat greater concerns were expressed about not enough commitment to personal income tax, environmental issues, paying down the debt, and infrastructure, as shown in table 4. Few singled out health or defence.

As in the past, panelists highlighted the general value of tax cuts for the economy. As one senior executive put it, "Ireland's economy has grown 1000%+ in past 20 years, mostly attributed to cutting the corporate income tax rate to 12.5% to stimulate business growth. Canada's current average combined Federal / Provincial general income tax rate is around 35%, with a five year target of approximately 25%. The Federal and Provincial governments should move much faster, and farther, on tax reductions."

Table 4: (Q3) If you were worried that the Harper government might not spend enough in a given area or not cut taxes enough in a given area, what would your concern be?

	%
Worried might not cut enough...	
Personal income tax	20
Taxes in general	8
Social programs	4
Corporate tax	3
Worried might not spend enough in...	



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	%
Environment issues	12
Paying down the national debt	10
Infrastructure	9
Health	6
National Defence/Security	4
Other areas of concern	14
Not worried/none	9

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted October 18 - 20, 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 135 are deemed accurate to within approximately 8.5 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

