

**Canada—Rosy Prospects;  
Education and Skills Key to Our Competitiveness;  
U.S. and Democracy Key to Our Century of  
Outperforming Argentina**

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## **1.0 Introduction**

In anticipation of Canada Day 2006, the COMPAS panel of CEOs and business leaders was asked to assess Canada's economy. They were also asked to identify where Canada is competitive and to account for its historic success relative to Argentina, with whose prospects Canada was compared most unfavourably a century ago.

Canada is seen as performing very well with very strong prospects for the decade. We are seen as competitive in higher education and workforce skills, but not in apprenticeship programs, corporate tax burden, and regulatory burden. Our century long success vis-à-vis Argentina is attributed to natural resources, proximity to U.S. markets, democracy, educational systems, and legal system. Our habit of hard work is assigned least importance as an explanation of our success.

These are the key findings from the current web-survey of the COMPAS panel of CEOs and business leaders undertaken for the *Financial Post* under sponsorship of BDO Dunwoody LLP.

## **2.0 Rosy Performance and Prospects for Canada**

Panelists are far rosier in their assessments today than in past years. The proportion characterizing our economy as "excellent" has more than doubled since 2002, as shown in table 2A. Meanwhile the proportion who foresee Canada outpacing others has more than doubled in the past year, as shown in table 2B. Panelists give Canada a very strong performance score as a place to do business, as shown in table 2C.

Not all panelists are equally optimistic:

I am completing this survey from China. After my fourth trip over here, I just wish more Canadians and all Canadian MPs could spend some serious time over here. Maybe then, they could wake up and smell the coffee. One day we are in for one hell of a wake up call.



Overall economy is good, but Canada is hollowing out our manufacturing sector due to high taxes, high energy costs, the dollar and neglect by governments. We will pay a huge price for this in the future because we will not recover unless governments wake up and address this quickly.

Our competitiveness in the future depends largely on whom we elect. If we continue to elect Conservative governments, we will do far better than if we revert to the tax and spend habits of the Liberals.

*Table 2A: (Q1) Generally speaking, how would you describe  
Canada's economy today? Would you say it is...  
[ROTATE POLLS]<sup>1</sup>*

	June 2006	June 2002
	%	%
Excellent	21	8
Good	64	65
Only fair	14	23
Poor	1	3
DNK/Refused	0	1

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<sup>1</sup> Question wording in June 2002: "Generally speaking, how would you describe Canada's economy today? Would you say it is excellent, good, only fair or poor at this time?"



Table 2B: (Q2) As you know, some business groups have expressed concern about Canada's falling behind economically. Thinking of Canada's international position over the next decade, do you think that our economic performance...

[ROTATES POLES]<sup>2</sup>

	June 2006	July 2005
	%	%
Greatly outpace the countries with whom we usually compare ourselves	4	1
Somewhat outpace them	28	12
Remain about the same	39	28
Fall somewhat behind	26	49
Fall greatly behind the countries with whom we usually compare ourselves	2	9
Don't know/Refused	0	1

Table 2C: (Q4) On a 100 point, school-report-card like scale, how would you rate Canada as a place to do business?

Mean	DNK
74	2

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<sup>2</sup> Question wording in July 2005: "As you know, some business groups, most recently the CEO Council, have expressed concern about Canada's falling behind economically. Thinking of Canada's international position over the next decade, do you think that our economic performance will..."



### 3.0 Where is Canada Competitive—Education and Skill, Not Apprenticeship Programs, Tax Burden, or Regulatory Burden

Asked to score in which respects Canada is globally competitive and where not, panelists tend to give strong scores to education and a skilled workforce but poor scores for apprenticeship programs, regulatory burden, and corporate tax burden, as shown in table 3.

While responses tended to be homogeneous, some respondents volunteered that regional differences are vital to pay to attention to. According to one CEO, “The questions relating to how Canada is doing in questions which have a nation wide context does not take into account the specific situation of business in Quebec, where regulation, taxation, language laws, constant threat of separation, and lack of skilled labour coupled with an unwillingness for Canadians or others to migrate to Quebec yields the most onerous business conditions in the country.”

*Table 3: (Q3) Thinking of Canadian industry’s position in world markets, please use a 7 point scale where 7 means very competitive and 1, the opposite to score how competitive Canadian Industry is in respect of each of the following...*

	Mean	7	6	5	4	3	2	1	DNK
College and university preparatory programs									
June 2006	4.6	3	18	37	23	13	5	1	0
December 2003	4.9	5	25	36	19	9	2	2	2
Skilled workforce									
June 2006	4.4	6	18	26	22	16	10	0	1
December 2003	4.9	7	18	40	27	6	1	1	1
Developing new technology									
June 2006	4.2	2	10	35	22	20	8	2	0
December 2003	4.5	3	23	28	20	18	5	2	2
Manufacturing									
June 2006	3.7	1	5	22	23	32	11	3	3



	Mean	7	6	5	4	3	2	1	DNK
December 2003	4.2	2	11	30	27	19	8	2	2
Apprenticeship programs									
June 2006	3.2	2	3	15	22	16	24	13	5
December 2003	3.5	1	5	16	25	30	14	5	5
Corporate tax burden									
June 2006	3.0	2	3	9	19	26	26	14	1
December 2003	3.3	3	2	19	16	23	26	7	4
Regulatory burden									
June 2006	2.8	1	2	6	18	20	38	13	3
December 2003	3.3	2	6	13	19	24	22	12	2

## 4.0 Explaining Canada's Trouncing Argentina

A century ago, Canada was widely seen as having far worse prospects than Argentina owing in part to inferior soil and weather. The COMPAS panel was asked to account for Canada's unexpected success. They point to natural resources and proximity to U.S. markets among several factors key to Canada's good fortune. Our habits of hard work are seen as the least important contributing factor, as shown in table 4.

One CEO placed great emphasis on democracy and lawfulness in his volunteered comments: "The comparison with Argentina is exclusively one of Government which operates on the rule of law and that which creates a personality cult. I know many Argentines, and they are as hard working and as entrepreneurial as a Western Canadian."



Table 4: (Q5) A century ago, Canada's prospects were compared unfavourably with Argentina's. On a 7 point scale where 7 means a major contributor to Canada's comparative success and 1, the opposite, how would you score our...

	Mean	7	6	5	4	3	2	1	DNK
Our natural resources	6.4	58	30	10	2	0	0	0	0
Proximity to U.S. markets	6.3	46	36	13	3	1	0	0	1
Our democratic strength and history	5.6	19	39	26	8	5	2	0	1
Our educational system	5.1	9	25	43	17	5	2	0	0
Our legal system	4.9	6	30	30	21	7	3	2	2
Our hardworking habits	4.7	6	18	35	24	11	5	0	0

## 5.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted June 20 - 23, 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 127 are deemed accurate to within approximately 8.7 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D and Tamara Gottlieb.

