

**Mackenzie Pipeline:  
Federal Government Role Should Be to  
Facilitate Private Enterprise Development, Overcoming  
Aboriginal and Inter-government Impediments;  
North American Security of Supply Canada's Top Benefit**

**BDO Dunwoody Weekly CEO/Business Leader Poll  
by COMPAS in the *Financial Post*  
for Publication May 28, 2007**



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## **1.0. Introduction**

By a margin of 3:1, CEOs and business leaders on the COMPAS business panel believe that the Mackenzie pipeline should be developed by business, not government. The federal government's roles should be to create the tax regime, facilitate relations with Aboriginal groups, resolve inter-governmental barriers, and provide oversight, but not development the pipeline itself.

The top reasons for Canada's developing the project are to contribute to energy stability, development of the north, and energy exports.

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. Private Enterprise by a Factor of 3:1**

By a large margin, panellists believe that development of the project should be undertaken by the private sector, as shown in table 2. Some respondents volunteer that the main challenge arises from the demands of Aboriginal groups and the unsuccessful involvement of the federal government since the inception of the project:

Nothing can or should go forward until the government has got all of the issues handled with the Aboriginal groups. If and when that happens, then the private sector can make a decision to go or no go that will be made on real time economics. The gas won't disappear, and there are better projects and developments for the oil companies to focus on.

The main reason why the oil companies went out of the project is that it took too long for the Aboriginal organisations and the GNWT to finalise an agreement. The Aboriginal organisations could not get along and some of their financial demands were excessive. On the other hand, the federal government continued to pay lip service to the various levels of government and did not care much about the critical importance of the project. It is a very sad situation indeed, [The central issue is the] costs associated with settlements with Aboriginals.



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Some respondents see a link between the magnitude of Aboriginal financial requirements and the tax regime for the project. Thus, the greater the Aboriginal “wants,” as one panellist put it, the more willing the federal government should be to allow a forgiving tax regime.

*Table 2: (Q1) The media have reported that the federal government is thinking about assuming responsibility for the Mackenzie Pipeline now that Imperial Oil and the other oil companies have withdrawn. The oil companies reportedly feel the project would be unprofitable without greater tax forgiveness. Which of the following three opinions is closer to your own?*

	%
Some people say that it is essential for private enterprise to do such a project because private enterprise is more efficient and government would still have an oversight role	57
Other people say that government should assume responsibility for the pipeline and not provide excessive tax forgiveness to oil companies	19
Other people believe that the project should not be undertaken given its magnitude and risks	16
Don't know or no opinion	9

Though the overwhelming majority of panellists favour a private sector development, opinion is far from unanimous. A few volunteer that the federal government is quite capable of completing the project, potentially as efficiently as the oil companies. As one panellist commented:

Governments can operate as efficiently as private corporations. All they need to do is hire qualified people and not leave it to the officials who really have no experience of running corporations in the business arena. This project is just one of the many that Canada has that will place the country in the forefront of energy creation and allow the North American continent to rely less on imports from unstable regions. Having certainty of supply should have the effect of [reducing the importance of] cartel counties and, eventually should drive prices down.

Another panellist does not fully concur, seeing government as essentially inefficient. But he emphasizes that oil companies themselves have a history of inefficiency that gives little reason for confidence in their business abilities. Taxpayers are caught between a rock and a hard place. On the one hand, “the government should NOT be involved in building it. Governments are already very, very inefficient at managing our



money.” On the other hand, oil companies are not far behind in respect of inefficiency. They “waste vast amounts of money on building or running projects, paying a much higher price for items than necessary - similar to what the US Army does on procurement.”

The majority view, favouring business development and government oversight, is well reflected in the following verbatim: “Industry efficiency and creativity with strong government environmental monitoring is the only way it will work.” In a variation on this theme, one panellist advocates a minority government stake: “This puts government on the line to help get this huge national project done.”

### 3.0. Stability of Supply—Top Reason to Develop Pipeline

The top benefit expected from the pipeline is stability of supply, as shown in table 3. Panellists fully understand that Canada is already an exporter but also acknowledge, often wistfully, that energy is a single world market. With this in mind, they are concerned about political instability and unreliability among what several refer to as the “cartel’ countries.

*Table 3: (Q2) On a 7-Point scale where 7 means the greatest benefit and 1 the least, please score the following potential benefits to Canada of having a Mackenzie Pipeline...*

Greater stability of energy supplies								
Mean	7	6	5	4	3	2	1	DNK
5.3	18	33	19	12	7	3	2	7
Greater development of Canada's north								
Mean	7	6	5	4	3	2	1	DNK
5.1	18	26	22	16	8	2	3	5
Greater economic growth from energy exports								
Mean	7	6	5	4	3	2	1	DNK
5.0	12	32	22	16	5	5	3	6
Greater economic growth thanks to cheaper energy supplies for Canadian industry								
Mean	7	6	5	4	3	2	1	DNK
4.4	9	22	20	14	10	11	9	6

From their verbatim comments, most panellists see the pipeline as making a valuable contribution to security of supply for *North America*. In addition to assuring a



direct flow of revenue to Canada, the pipeline would protect our ally and biggest export market against energy-driven turbulence, helping to stabilize the American economy, and hence protecting all Canadian exporters in the long-run.

Some panellists take a more autarkic view. The development of the pipeline would be most beneficial, in their view, if Canada were able to develop a two-price system with one price for Canadian-domiciled firms and another for export markets. As one panellist put it, "If we have to sell energy to US companies for the same price under free trade, I would not be in favour [of public investments in the pipeline]."

### **3.0. Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted May 23 - 25, 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 130 are deemed accurate to within approximate 8.6 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

