

First of Two Part Series on the Federal Budget,
Part 2 will be on OAS, EI, and Public Service Pension Changes

Flaherty Budget Earns High Grades—CEOs and Business Leaders on Panel Wanted Even Higher Cuts, Oppose Tax Credits, and Have Misgivings about R&D Grants

**Weekly CEO/Business Leader Poll by COMPAS in
Canadian Business for Publication Week of April 2nd, 2012**



**COMPAS Inc.
Public Opinion and Customer Research
Week of April 2nd, 2012**

1.0 Introduction

Finance Minister earns high grades for the budget as a whole. CEOs and business leaders on the COMPAS business panel have definite misgivings about R&D tax credits and so embrace the federal government's decision to trim them. Yet they are not impressed with the efficacy of R&D grants either. On balance, they would prefer fewer tax expenditures and lower taxes. A more than two-thirds majority agrees that there is "an urgent priority for the government ... to create a blue ribbon panel to assess the true effectiveness of the \$ 100 billion the government spends on tax incentives—40% of the size of the government's direct spending."

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine.

2.0 Details

Table 2.1: On the subject of federal cuts in spending, what ideally should have been the change in spending? (%)

10 billion or more in cuts	38
5 billion in cuts	47
No change	6
Increase spending by 5 billion	1
Increase by about 10 billion or more	1
Don't Know	7



Table 2.2: On a 7 point agreement scale, where 1 means disagree strongly and 7, agree strongly, how much do you agree with each of the following opinions on tax incentives?

	MEAN	7	6	5	4	3	2	1	DNK
Grants for R & D are inherently inefficient because government officials don't have the knowledge and involvement to make good decisions and innovators are not always comfortable seeking government help ¹	5.4	27	31	15	9	9	2	4	2
An urgent priority for the government should be to create a blue ribbon panel to assess the true effectiveness of the \$ 100 billion the government spends on tax incentives—40% of the size of the government's direct spending	5.1	23	27	21	11	9	1	6	2
Tax incentives for R&D are inherently inefficient because they give too much priority to cleverness in accounting and lobbying	4.9	26	22	13	13	11	11	4	1
The best way of encouraging R & D is to cut tax expenditures and tax loopholes so as to be able to reduce average tax rates	4.7	22	12	23	12	11	9	6	6

¹ As reported next week in Part 2 on the federal budget, panelists are somewhat ambivalent about R&D grants. They do not trust officials to make good R&D grant decisions but have serious misgivings about R&D tax credits.



Table 2.3: On a 100 point school report card type scale, what score would you give for the new federal budget?

March 2011	73
January 2009	68
March 2008	69
March 2007	63
May 2006	76

The following verbatim comments provide a nuanced sense of respondent opinion:

I can see keeping the R&D tax credit as a viable tool in business, but what I see more than not, is the cumbersome and notoriously arduous paperwork that is involved. This leads to the inevitable sub economy of contingent fees and sometimes fraudulent submissions in order to drive these fees from third parties. Therefore, an overhaul and a more expeditious method needs to be addressed rather than pulling the plug.

Deeper cuts could have been achieved.

As usual the opposition is against everything and for nothing.

The problem with social security programs is that people are living longer and expect governments to provide a solid income that they can retire on. There are many that need that support but many that have created their own programs so that they can retire at the same level as when they were working. As more people age there is a need to have the workers maintained at the same current ratio. Europe is a good indicator of what happens when that ratio of workers to those that get government support declines. Taxes on the workers need to increase to pay for that burden. That is not fair on the generations that follow. Canada is fortunate in that immigration can keep or increase that ratio with a larger tax pool to draw on. However, at some point in time that curve will reverse and decline. Sound planning for that



eventuality will ensure future generations can expect and rely on what we now take for granted. We also need to make sure that those with little or no alternate income receive proper support during their golden years. They made what we now enjoy possible and it is our obligation to recognize their efforts.

Agencies promoted as actively helping manufacturing are dysfunctional. An example is BDC which portrays helping MFRS in its ads, but in fact is helping the oil sands project mostly.

The budget is going to hurt a lot of Canadians, we should look at items we could reduce without harming the people born here, thing like expensive wars, aid to other countries, welfare for new Canadians. Cut these things and focus on the Canadian people and their problems first.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted March 30 - April 3, 2012. 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 n=86 are deemed accurate to within approximate 10.6 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

