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## Survey Snapshot

The current sample matches previous sample specifications with a good distribution across company size, region of the country and sector of the economy. For instance, 44% were service sector C level executives, 29% manufacturing executives and 27% natural resource executives. Of particular note to this survey, less than 10% of respondents said that their company was among the top 700 Large Final Emitters. This category of companies was created by the Government of Canada and, as a group, are responsible for 50% of GHG emissions.

As expected there are significant regional and sectoral differences in concern about climate change and in preferences for policies to address climate change. No other C Suite issue studied has produced such divergent results.

### Top Line

Economic optimism for the Canadian economy and its corporations remains high. And for the first time, Canadian executives are more optimistic than pessimistic about the US economy with 60% expecting moderate growth. Business challenges remain regionally specific with Western executives most concerned about labour shortages and government regulations and eastern executives more concerned about global competition, sales and exchange rates.

Canada's C-Suite executives are concerned about climate change and worried about the consequences of it. Most are supportive of government regulations to shepherd corporations into reducing greenhouse gas emissions. There is an interestingly high level of support for seemingly controversial measures such as slowing development of the oil sands and imposing a carbon tax. Yet, virtually all proposals to address greenhouse gas emissions meet with significant regional division, with western executives less supportive of measures to reduce emissions. Nationally, executives are leery of strict measures to significantly reduce greenhouse gases. For instance, opposition is greater to significantly reducing development of the tar sands until new technologies are developed.

Executives are split on whether attempts to reduce greenhouse gases represent an economic opportunity or an economic cost to their business but a majority believes that efforts to significantly reduce greenhouse gases will have a negative effect on Canada's overall economic growth. Nonetheless, sixty percent support meeting the Kyoto targets. This is a high as 80% in Quebec and as low as 35% in the West.

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Half of executives – including most in the oil and gas sector - expect government to institute restrictions that will impact on their business. And while three quarters support the governments' Clean Air Act, less than one-quarter believe the Act sufficiently addresses climate change.

## Findings:

### Economic Outlook

1. Economic optimism remains exceptionally high. Executives are even more optimistic about Canada's economic prospects this quarter than the previous two quarters. Ninety percent of C-level executives expect the economy to grow in the next year. Seven percent expect strong growth and 82% expect moderate growth. The proportion of executives expecting the economy to grow is up 8 pts since last quarter.
2. Optimism in the West and in the natural resources sector continues to outstrip optimism in other sectors and regions of the country. Importantly, manufacturing executives are no less optimistic than service sector executives.
3. Economic optimism is not as strong as it was a year ago. In the first two quarters of 2006, at least twice as many executives were predicting strong growth.
4. For the first time since starting the C-Suite quarterly check with Canadian executives, expectations for US economy have taken a positive direction. Almost two-thirds of Canadian executives expect the US economy to experience moderate growth in the next year. This is a 22 point increase since last quarter when just 40% expect the US economy to experience growth. In fact, in September 2006, 60% of executives expected *decline* in the US economy.
5. Over 90% of Canadian executives surveyed expect their company to experience growth in the next year. However, optimism differs significantly based on sector. The manufacturing sector is still the most pessimistic. While 58% of resource executives and almost half of service sector executives expect strong growth, just 14% of manufacturing executives expect strong growth. This is tempered by three quarters of manufacturing executives expecting moderate growth.



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## **Confidence in Federal Economic Stewardship**

6. Finance Minister Flaherty still enjoys a favourable reputation on balance. Almost half of c-level executives have a favourable impression and just 22% have a somewhat or very unfavourable impression. Negative impressions have moderated somewhat since the November 2006 C-suite in field just after the Income Trust announcement. However, negative impressions of the finance minister remain significantly higher (+20 pts) since the decision to tax Income Trusts. And unfavourable impressions are highest in the West (30%).
7. Confidence in Flaherty's management of the economy has improved slightly since the November 2006 C Suite, but has not recovered to pre-Income Trust decision levels. Two-thirds of executives have at least a 'fair bit' of confidence in Finance Minister Flaherty.

## **Top Issues**

8. Canada's executives identified the environment/climate change (12%) along with economic issues (13%) and global competition (12%) as the top three issues facing Canada.
9. But when asked about the top issues for Canadian businesses, the environment drops to a distant fourth. Almost one-quarter of executives cite global competition as the most important issue facing Canadian businesses, 12% the exchange rate, 10% labour shortage and just 8% the environment.
10. The manufacturing sector is particularly concerned with global competition (35%) and exchange rates (27%) while the resource sector is particularly worried about labour shortages (12%). The service sector is most concerned with global competition (21%)
11. In respect to the greatest challenge faced by their own companies, there are both regional and sectoral differences. Human resources and government regulations are the biggest challenges facing natural resource companies. Manufacturing executives cite growth, human resources and escalating costs as the biggest challenges. Service sector executives are most concerned with human resources and global competition. The regional divide continues. In the west, one-third of executives say human resources is the biggest challenge facing their company compared to just 15% in Ontario or Quebec.



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## Climate Change

12. Canadian executives are concerned about climate change. One-third are very concerned and another one-third are somewhat concerned. Just 11% are not at all concerned. Concern is greatest in Ontario and least in the west. In all regions of the country and all sectors, at least half of executives are somewhat or very concerned about climate change. In fact, three quarters of Canadian executives surveyed are worried about the effects of climate change.
13. Just over half of executives said their company had already taken steps to curb GHG emissions. This tended to be highest among manufacturers (62%). Measures include increasing energy efficiency, use of alternative fuels, air emission controls and investing in capital improvements.
14. Canada's executives believe the tar sands, the oil and gas industry and coal based power generation as the largest contributors to greenhouse gas emissions. The service sector and nuclear power generations are seen as the slightest contributors while mining, wood and paper and auto manufacturing and assembly are seen to be moderate contributors to greenhouse gas emissions.

## Climate Change Solutions

15. Canada's executives believe that Canada can make a real difference in fighting climate change and should be a leader in the world's fight against climate change. Almost three quarters of executives believe that Canada can be effective and should be a leader.
16. Executives are split on whether instituting changes to reduce greenhouse emissions represents an opportunity or a cost to their company. With half seeing it as an opportunity and the other half seeing it as a cost. And executives are split on whether or not attempting to reduce greenhouse gas emissions will affect the company's bottom line. Again, Western executives are much more pessimistic about the affects of reducing greenhouse gas emissions with 2/3 saying it will affect their bottom line compared to just 1/3 in central and eastern Canada

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17. And while half of executives believe that the government will institute reduction requirements that will impact their business, only 20% say they feel under any pressure from lenders or investors to adopt green technologies and reduce emissions.
18. When looking at solutions, three quarters of Canada's executives support the federal government's Clean Air Act. Yet under one-quarter believe that it has sufficient measures to address climate change. In fact, half believe it does not and another one quarter 'don't know'. Resource sector executives are the most likely to say that the Clean Air Act does not sufficiently address climate change.
19. Almost 60% of Canada's executives support the Kyoto Accord and believe we should try to meet the targets. There is significant regional variation. In the West, just 35% support Kyoto compared to 81% in Quebec. Conversely, strong opposition to Kyoto is greatest in the West where 46% of executives surveyed strongly oppose Kyoto compared to 12% in Ontario and 6% in Quebec.
20. And while, a majority of businesses (60%) feel that implementing Kyoto will have a negative impact on their businesses especially true in the West, only 45% believe that it will put the country into a recession. Only one in five are strongly convinced it would lead to a recession. Again there is significant regional variation with executives in the West being the most pessimistic – 2/3 believe meeting Kyoto targets will put Canada in a recession and executives in the east much more sanguine with just a third believing it would put the country in recession.
21. Executives seem to prefer moderate measures to curb emissions. Global competition is a primary business concern and 56% of executives said that we cannot afford to have emission targets that are lower than the US and Mexico. This rises to 70% in the resource sector.
22. Four proposals receive support across the country.
  - 91% support federal tax incentives for infrastructure retrofits
  - 81% support building new nuclear power plants;
  - 80% support voluntary measures to incent industries to reduce emissions
  - 80% support federal regulations to limit greenhouse gas emissions – this is as high as 87% among service sector, 78% among manufacturers and 63% natural resource sector.

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23. Regional variation is more significant, the more ambitious proposals become. For instance, proposals that would more significantly reduce greenhouse gas emissions receive greater support in central and eastern Canada than in the West
- 63% of Canada's executives support a carbon tax – including 82% of Ontario executives and 66% of Quebec executive. Yet, just 44% of Western executives support a carbon tax
  - 48% support putting some restrictions on growth in oil sands development – this is as low as 35% in the West and as high as 72% in Quebec/Atlantic
  - 30% support putting severe restrictions on growth in oil sands development until new technologies are available to deal with air and water pollution – only 14% of Western executives support this compared to 56% of Quebec executives and 31% of Ontario executives
24. Proposals that worked outside direct company reduction and instead focused on markets for carbon trading met with mixed reviews.
- Investing in low emission technologies in third world countries and getting credit for the resulting greenhouse gas emissions received support from just 47% of resource sector and 51% of manufacturing sector executives compared to 78% of service sector executives.
  - Participating in a carbon or emissions trading market with other companies received 57% support nationally with greatest support in the service sector – 75%.
  - And, participating in international carbon trading even if it means Canada would be purchasing credits from other companies received support from just 43% of Canada's executives.