

Memorandum



the gandalf group

Date: June 16, 2008

Re: ***Executive Summary re. C-Suite Quarterly Survey***

This quarter's survey focused on environmental measures to combat climate change and the issue of a "carbon tax". Telephone interviews were conducted with 152 C-Suite executives from the top 1000 corporations in Canada, between May 27th and June 11th, 2008. This sample yields a margin of error of +/-7.32%.

Key Findings

- Concerns about the economy have stabilized, and most are confident of growth in Canada.
- The environment is not a top tier concern for Canadian C-Suite executives.
- The price of oil is seen as a problem for most Canadian businesses.
- There is more concern about energy supply than there is about climate change.
- Economic uncertainty has eroded support for tough environmental measures and a carbon tax will not be well received by the C-Suite.

Detailed Findings

- Pessimism about both the Canadian and US economy has eased somewhat from last quarter.
- A majority of executives continue to express confidence that the Canadian economy will grow rather than contract over the coming year.
- Eight out of ten Canadian executives foresee American recession over the next twelve months.
- Currency exchange and global competitiveness were reported to be the most important issues facing Canada.
- The environment is at par with the importance of the declining U.S. economy as issues facing Canada.

Memorandum



the gandalf group

- Executives remain confident in expectations for their companies.
- Human resources is the reported biggest challenge facing their companies.
- The C-Suite is hiring, not reducing the number of employees. Those that are laying off employees are more likely to be in central Canada than western Canada, and much more likely to be large employers
- Impressions of Minister Flaherty have worsened since last quarter. The C-Suite has shifted from having a positive view of him into more neutral territory largely as a result of declining impressions in Ontario.
- Confidence in Flaherty's economic management has stayed fairly constant from last quarter, indicating that the less favourable impressions of the Minister are driven by factors other than economic management.
- No federal policy is as important to the C-Suite as maintaining a balanced budget. Nine out of ten executives say it is very or somewhat important
- Interesting, given budget debate in Ottawa, almost three quarters of executives think it is important to increase the number of skilled immigrants to Canada.
- Ensuring an adequate supply of energy is much more important to executives than fighting climate change or controlling energy prices.
 - Improving the environment is considered a noticeably higher priority than fighting climate change, indicating that executives, like other Canadians, have higher environmental priorities than climate change
 - Echoes of the NEP - controlling the cost of energy is strongly opposed in western Canada but largely supported in central Canada.
- Forty three percent of the C-suite expect the price of oil to continue to rise over the coming year from the "current level of \$120-130 a barrel". Those expecting it to rise generally see it rising to a range of \$135 to \$175 a barrel.

Memorandum



the gandalf group

- Less than a third expect it to stay the same, and only a quarter think that the price of oil will drop. Those expecting the price to drop think that it will drop to between \$100 and \$115 a barrel.
- Among those executives who think the price of oil will rise, most believe it will have some damaging effects on the economy, though few believe it will be very damaging.
 - Just over a third think that the higher price of oil will be beneficial
- Two thirds of Manufacturing and Service sector executives consider the current price of oil to be a problem for their businesses.
 - Resource executives are divided between those who see oil prices as a problem and those who see them as an opportunity
- The price of oil and the environmental impacts of using oil are roughly equal concerns for the C-Suite.
 - However, given that there is strong opposition to government raising the price of oil as an environmental measure, cost concerns must trump environmental concerns at this time
- A third believe it is up to government to be responsible for reducing greenhouse gases, while a quarter say it's up to businesses.
- Support for all environmental initiatives is significantly lower than a year ago.
- Executives are split over whether Canada should be a signatory to Kyoto, though opponents tend to feel more strongly than supporters.
 - There has been a sharp decline in support for the Kyoto accord over the past year
- To combat climate change virtually all C Suite executives support:
 - Investments and incentives to boost emissions reducing technologies,
 - Major investments in wind and solar power, and
 - Building new nuclear plants
- Using federal regulations to limit carbon emissions also has solid majority support, although support levels have diminished significantly in the past year.

Memorandum



the gandalf group

- Both a “cap and trade” system and a carbon tax meet with much higher levels of opposition, as executives are evenly divided about the merits of either proposal.
 - One year ago, a carbon tax had two thirds support among executives and is now supported by fewer than half – strong opposition has almost doubled.
 - A carbon tax is strongly supported in Quebec, strongly opposed in the west, and divides Ontario executives evenly.

- Although concern about the environmental impacts of the oil sands remains high, as supply and price pressures have increased, support for limiting oil sands development has diminished.

- A carbon tax is seen as by far the most economically damaging measure to fight climate change while “cap and trade” is seen as the most benign.
 - Fifty nine percent of executives say that a carbon tax would have a negative effect on their business, while another 30% say that it would have no impact.

- Almost half of executives think that federal regulations would have a negative impact on their business – almost as many think that it would have no impact on them.

- Less than a third of executives think that a “cap and trade” system would negatively impact their business. Most think that it would have no impact, while 16% think it would have a positive impact.

- Of those who volunteered an appropriate tax level only one in five felt a tax of less than 10% would do much to affect behaviour.
 - Twice as many felt that no level of taxation would significantly reduce consumption
 - Half of executives couldn't hazard a guess at what carbon tax rate would be effective