



Inside The Data

Two ironies about the executive reaction to the income trust decision – trust executives, vehemently opposed to the government’s decision, don’t necessarily think the government’s new policy has no merit; and supporters of the governments decision to tax trusts don’t necessarily agree the with government as to why that is a good idea.

Those executives who support the government’s decision agree with the government that it needed to protect its tax base, that this policy will create a level playing field resulting in a more efficient allocation of capital, and that this change was necessary to ensure that the corporate sector continued to carry its fair share of the tax burden. However, most supporters of the policy do not agree with the government that income trusts negatively affect productivity, or that they inhibit reinvestment and innovation. Many also do not think it would have been unacceptable to have large companies in the telecommunications, banking or energy sectors converting to income trusts.

Trust executives overwhelmingly oppose the government’s decision to tax income trusts. Yet, almost sixty percent of trust executives agree with the government that the income trust vehicle is now being used by companies that are not suited to the original income trust model. Almost thirty percent of trust executives think the government had to move to protect its tax base. Most of those who oppose the government’s decision say that they do so because the Conservatives broke their promise or because of “the way it was done”.

And that is what virtually everybody can agree on. There was a promise to not tax trusts and not much of significance has changed since that promise was made (or nothing that shouldn’t have been foreseeable anyway).



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It's going to be a little frosty for Conservatives in the Petroleum Club for a while. The reaction in the resource sector in Western Canada to the Government's decision to tax income trusts has been furious. Half of resource executives say they have a negative impression of Minister Flaherty, and many of those say their impression is very unfavourable. More than fifty percent say they have little or no confidence in Flaherty's management of the economy. More than any other executives, they feel betrayed by the government's volte-face. And more than seventy percent say that the income trust decision has made them less likely to vote Conservative in the next election. The good news for Minister Flaherty? The reception will be much better back in Toronto among the manufacturing executives, most of who think he is doing a good job and made the right decision on income trusts.

Is there a secret cell of environmentalists in the business community? You might think so, given that seven percent of executives (11% in the resource sector!) support the Green Party, or that Stephane Dion gets his highest level of support from resource sector executives. However, support for strong climate change policies is more widespread in the business community than that. In the C-Suite survey last May we reported that executives were not enthusiastic about Canada withdrawing from Kyoto. In fact, forty percent were opposed, and another thirty percent felt it should be a low priority. And it appears to matter politically in this group. In the survey just completed, executives were asked if the Conservative decision to replace previous environmental plans based on Kyoto with the new Clean Air Act made them more or less likely to vote Conservative. Thirty five percent said it made them less likely and only half as many said it made them more likely. There are five times as many central Canadian executives less likely to vote Conservative as a result of the Clean Air Act than those who are more likely.