



**Ipsos Reid**

**THE GLOBE AND MAIL**  
REPORT ON BUSINESS



Canada's Most  
**Respected**  
Corporations

**CANADA'S MOST RESPECTED CORPORATIONS, 2005**

A Report Prepared By Ipsos Reid For KPMG and The Globe and Mail ROB

***Final Report***

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## **1. STUDY INTRODUCTION**

### **BACKGROUND**

This report outlines the findings from the Eleventh Annual Canada's Most Respected Corporations Survey sponsored by KPMG and conducted by Ipsos Reid. The survey was conducted between October and November, 2005. The survey involved interviews of 250 of the leading CEOs in Canada either by telephone, fax-back, or on-line.

### **METHODOLOGY**

For the overall Honour Roll scoring, a system was used that gave companies three points for each time they were the first mention in a given performance category (there were eight performance categories: Best Long Term Investment Value, Innovation and Product/Service Development, Human Resources Management, Financial Performance, Corporate Social Responsibility, High Quality Service/Product, Corporate Governance, and Customer Service), two points for each second place showing, and one point for a third place mention. An additional three points were attributed to firms cited in a specific question in which CEOs were asked their Top-of-Mind Most Admired or Respected company. The final vote tally for each firm is the sum of these points (a total of nine measures), which determines each company's overall score.

## 2. STUDY SUMMARY...

The votes are in for the *2005 Canada's Most Respected Corporations Survey*, and the winner, once again, is RBC Financial Group. This is the fourth year in a row RBC Financial Group has won this prestigious contest, having won it six times throughout the survey's history. In fact, RBC Financial Group totally dominated this year's competition, accumulating almost three times as many points as the next nearest competitor, Research In Motion.

The winners from each category are:

Category	Winner
<b>Overall Winner</b>	<b>RBC Financial Group</b>
<b>Best Long Term Investment Value</b>	<b>RBC Financial Group</b>
<b>Innovation and Product Service Development</b>	<b>Research in Motion Limited</b>
<b>Human Resources Management</b>	<b>RBC Financial Group</b>
<b>Financial Performance</b>	<b>RBC Financial Group</b>
<b>Corporate Social Responsibility</b>	<b>RBC Financial Group</b>
<b>Provides High Quality Service/Product</b>	<b>Research in Motion Limited</b>
<b>Corporate Governance</b>	<b>RBC Financial Group</b>
<b>Customer Service/Relations</b>	<b>WestJet Airlines Ltd.</b>
<b>Top Of Mind Most Admired And Respected</b>	<b>RBC Financial Group</b>

This year, Gwyn Morgan, former President and CEO of EnCana Corporation, by a narrow margin has usurped Dominic D'Alessandro (Manulife Financial) as Canada's Most Respected and Admired CEO, as chosen by his CEO peers. Following in the next tier behind these top two CEOs, are Gordon Nixon (RBC Financial), Clive Beddoe (WestJet Airlines), and Ed Clark (TD Canada Trust).

According to CEOs, these men embody the qualities of "vision, focus, discipline or good strategy" – as these are the qualities with which CEOs most admire and respect.

Looking ahead to their own companies, CEOs offer an optimistic perspective for the coming year. Sixty-two percent of CEOs expect to expand their workforce over the next two years. Thus it follows, that the top priority for CEOs in the coming year will be "training of new employees".

Further, 64% of CEOs say they plan to increase business spending in the coming year – representing a substantial upward trend in business spending forecasts since 2002. Seven in ten (68%, unchanged from 2005) expect their company will do financially better in the 2006 than it did in 2005.

But CEOs offer a somewhat gloomier view of the Canadian economy. Specifically:

- Four in ten (40%) feel there will be a major economic downturn in the next two years. This is up sharply, doubling the percentage who felt this way last year;
- Just under half (46%, +5 points from 2004) disagree that the federal government has created a business environment conducive to economic growth and development”; and
- Seventy-six percent agree that it is difficult to “find people who have the skills we need for our company” -- up notably from last year’s survey (+15 points), when 61% of CEOs agreed with this statement.

When asked what they think is the most serious issue facing Canadian business, “taxation/corporate taxation” (24%, +6 points from 2004) is mentioned most often by CEOs, followed closely by “value of the Canadian dollar” (21%, +4 points), “educated/skilled workforce” (20%, +3 points), and “productivity” (18%, +4 points).

Turning to the global economy, 48% of CEOs say that the “United States” is the most important country for them to grow their business over the next three years – more than double the percentage that recognizes China (22%) as their most important growth-market.

Twelve percent of CEOs look to grow in their homeland as they say Canada is the most important country to grow their business in over the next three years.

Most often, CEOs chose a country as their most important growth-market because it is a “large market to do business with” (31%). But 25% choose a country if there is “growth opportunity with that country”, and 22% like it if it is close in proximity and therefore more convenient.

But most CEOs (66%, +3 points from 2004) agree that it is “more important for my company to solidify its current market than to expand into new markets”.

And where do Canadian CEOs think is the best place to do business in the sub-continent? More CEOs choose China (53%) as their preferred business destination than choose India (44%).

Among those who chose China, one in four (26%) feel China has “more growth potential” than India, while 20% feel they are more familiar with the country or already have business dealings there.

In comparison, those who prefer India over China, say it is not necessarily the potential economic growth of India that is most attractive, but rather the “better legal system” (33%), free-enterprise society (32%), and similar culture/business culture (32%).

But while Canadian CEOs appear eager to seed foreign markets, there appears to be some sentiments of protectionism within this group. In particular:

- Forty-two percent believe there should be “government limits on Chinese investment in Canada”; and
- Half (49%) feel “Canada should declare some industries, such as the energy sector, to be strategic assets and not allow them to be sold to other non-Canadian entities”.

### 3. AND THE WINNERS ARE...

#### RBC FINANCIAL AGAIN VOTED MOST RESPECTED CORPORATION BY CANADA'S CEOs...

The votes are in for the 2005 Canada's Most Respected Corporations survey, and the winner for the sixth year and fourth year in a row is RBC Financial Group. In fact, RBC Financial Group totally dominated this year's competition, scoring almost three times the number of points as the next nearest competitor, Research In Motion (RIM).

Score 2005	Overall Scoring	Rank		
		2005	2004	2003
1003	RBC Financial Group	1	1	1
377	Research In Motion Limited	2	2	6
309	EnCana Corporation	3	12	8
288	WestJet Airlines Ltd.	4	3	2
250	Scotiabank	5	5	7
218	Manulife Financial Corporation	6	6	15
208	TD Bank Financial Group	7	11	18
189	BCE Inc.	8	4	3
188	BMO Financial Group	9	7	9
170	Loblaw Companies Limited	10	9	4
153	Dofasco Inc.	11	22	16
146	Toyota Canada Inc.	12	26	27
130	Power Corporation of Canada	13	8	36
126	Microsoft Canada Inc.	14	21	20
101	Magna International Inc.	15	23	10
99	Enbridge Inc.	16	28	23
97	Rogers Communications Inc.	17	37	40
91	Canadian Imperial Bank of Commerce	18	10	13
91	Wal-Mart Canada Corp.	18	24	17
85	IBM Canada Ltd.	19	17	22
81	TELUS Corporation	20	22	31
79	Imperial Oil Limited	21	19	28
74	General Electric Canada	22	40	19
73	Four Seasons Hotels Inc.	23	18	14
72	Petro-Canada	24	15	25
67	Canadian Tire Corporation Limited	25	20	11
67	Dell Canada Inc.	25	25	30

#### MAJOR MOVERS FROM THIS YEAR'S CONTEST...

- EnCana Corporation (12<sup>th</sup> to 3<sup>rd</sup>), Dofasco (22<sup>nd</sup> to 11<sup>th</sup>), Rogers Communications (37<sup>th</sup> to 17<sup>th</sup>), and General Electric (40<sup>th</sup> to 22<sup>nd</sup>) have all made impressive climbs from last year to this year in terms of their overall ranking.
- EnCana Corporation has also made gains when it comes to the category of "Human Resources Management" rising from 14<sup>th</sup> last year to 5<sup>th</sup> this year
- In the category of "Innovation and Product/Service Development" RBC Financial Group has risen from 18<sup>th</sup> last year to 3<sup>rd</sup> today. Likewise, General Electric has come from 22<sup>nd</sup> in this category last year to tie for 10<sup>th</sup>.
- Rogers Communications ranks 9<sup>th</sup> when it comes to "High Quality Service/Product" -- an impressive leap from a 23<sup>rd</sup> ranking last year.

**IN ONTARIO...**

Score	Winners In Ontario	Rank 2005
507	RBC Financial Group	1
279	Research In Motion Limited	2
152	Scotiabank	3
148	Manulife Financial Corporation	4
147	Dofasco Inc.	5
137	TD Bank Financial Group	6
122	BMO Financial Group	7
122	Toyota Canada Inc.	7
118	BCE Inc.	8
116	Loblaw Companies Limited	9
109	Microsoft Canada Inc.	10

**IN QUEBEC...**

Score	Winners In Quebec	Rank 2005
61	RBC Financial Group	1
45	The Jean Coutu Group (PJC) Inc.	2
41	Power Corporation of Canada	3
33	National Bank of Canada	4
32	Couche-Tard Inc.	5
31	BCE Inc.	6
26	Bombardier Inc.	7
21	Aldo Group	8
19	TD Bank Financial Group	9
18	Desjardins Group	10
18	Loblaw Companies Limited	10
18	Saputo Inc.	10

**IN BRITISH COLUMBIA...**

Score	Winners In British Columbia	Rank 2005
140	RBC Financial Group	1
47	WestJet Airlines Ltd.	2
38	Scotiabank	3
28	BCE Inc.	4
27	Finning Ltd.	5
23	Vancouver City Savings Credit Union	6
20	TD Bank Financial Group	7
20	TELUS Corporation	7
19	Teck Cominco Limited	8
18	Canadian Imperial Bank of Commerce	9
18	HSBC Bank Canada	9
17	Research In Motion Limited	10



**IN ALBERTA...**

Score	Winners In Alberta	Rank 2005
185	EnCana Corporation	1
123	RBC Financial Group	2
72	WestJet Airlines Ltd.	3
53	Research in Motion Limited	4
41	Canadian Natural Resources	5
39	Enbridge Inc.	6
36	Talisman Energy Inc.	7
34	Imperial Oil Limited	8
33	Tri Can Well Service Ltd.	9
30	Nexen Inc.	10

**IN SASKATCHEWAN & MANITOBA...**

Score	Winners In Saskatchewan/Manitoba	Rank 2005
129	RBC Financial Group	1
73	WestJet Airlines Ltd.	2
29	EnCana Corporation	3
23	BMO Financial Group	4
23	Manulife Financial Corporation	4
20	Tim Hortons	5
18	Power Corporation of Canada	6
18	TD Bank Financial Group	6
17	Scotiabank	7
16	Loblaw Companies Limited	8
16	Research in Motion Limited	8
14	IBM Canada Ltd.	9
14	SaskTel	9
13	Potash Corporation of Saskatchewan	10

**IN ATLANTIC CANADA...**

Score	Winners In Atlantic Canada	Rank 2005
43	RBC Financial Group	1
21	Scotiabank	2
15	Manulife Financial Corporation	3
12	Research in Motion Limited	4
11	Loblaw Companies Limited	5
9	Assumption Life	5
9	Sobey's Inc.	6
8	WestJet Airlines Ltd.	7
6	Alliance Atlantis Communications Inc.	8
6	Deloitte	8
6	Fortis Inc.	8
5	Canadian Tire Corporation Limited	9
5	Michelin Canada	9
5	TD Bank Financial Group	9
4	Canadian Imperial Bank of Commerce	10
4	Toyota Canada Inc.	10

## WHEN IT COMES TO THE CATEGORIES...

### BEST LONG TERM INVESTMENT VALUE

Score 2005	Best Long Term Investment Value			
	Company	Ranking		
		2005	2004	2003
192	RBC Financial Group	1	1	1
66	EnCana Corporation	2	7	4
61	Scotiabank	3	2	3
44	Manulife Financial Corporation	4	5	6
44	Power Corporation of Canada	4	3	11
41	TD Bank Financial Group	5	9	14
34	BCE Inc.	6	4	2
32	BMO Financial Group	7	6	8
26	Loblaw Companies Limited	8	8	5
24	Imperial Oil Limited	9	14	16
24	Microsoft Canada Inc.	9	19	20
19	Canadian National Railway Company	10	16	10

### INNOVATION AND PRODUCT SERVICE DEVELOPMENT

Score 2005	Innovation and Product/Service Development			
	Company	Ranking		
		2005	2004	2003
201	Research in Motion Limited	1	1	1
38	Microsoft Canada Inc.	2	7	4
29	RBC Financial Group	3	18	18
28	Rogers Communications Inc.	4	10	7
26	Bombardier Inc.	5	3	2
23	Nortel Networks Inc.	6	5	3
20	TELUS Corporation	7	8	19
19	Ballard Power Systems Inc.	8	6	12
19	Loblaw Companies Limited	8	9	8
17	Apple Canada	9	-	21
17	WestJet Airlines Ltd.	9	2	5
13	General Electric Canada	10	22	14
13	Toyota Canada Inc.	10	15	20

**HUMAN RESOURCES MANAGEMENT**

Score 2005	Human Resources Management			
	Company	Ranking		
		2005	2004	2003
78	RBC Financial Group	1	1	1
58	WestJet Airlines Ltd.	2	2	2
35	Dofasco Inc.	3	4	3
30	TD Bank Financial Group	4	8	18
26	EnCana Corporation	5	14	8
20	Manulife Financial Corporation	6	7	13
19	IBM Canada Ltd.	7	5	6
18	Toyota Canada Inc.	8	-	12
17	BMO Financial Group	9	6	11

**FINANCIAL PERFORMANCE**

Score 2005	Financial Performance			
	Company	Ranking		
		2005	2004	2003
213	RBC Financial Group	1	1	1
92	Scotiabank	2	2	3
67	EnCana Corporation	3	7	8
51	Manulife Financial Corporation	4	3	4
39	Power Corporation Canada	5	4	13
37	TD Bank Financial Group	6	5	14
35	BMO Financial Group	7	6	5
25	Loblaw Companies Limited	8	6	2
19	Canadian Imperial Bank of Commerce	9	14	10
19	Canadian National Railway Company	9	18	11
18	Research in Motion Limited	10	15	24

**CORPORATE SOCIAL RESPONSIBILITY**

Score 2005	Company	Corporate Social Responsibility Ranking		
		2005	2004	2003
120	RBC Financial Group	1	1	1
44	EnCana Corporation	2	5	9
34	Canadian Imperial Bank of Commerce	3	3	4
32	BCE Inc.	4	2	2
29	Dofasco Inc.	5	16	8
28	BMO Financial Group	6	4	5
26	Shell Canada Limited	7	6	6
25	TD Bank Financial Group	8	12	12
21	Suncor Energy Inc.	9	3	3
19	Petro-Canada	10	8	9

**PROVIDES HIGH QUALITY SERVICE/PRODUCT**

Score 2005	Company	High Quality Service/Product Ranking		
		2005	2004	2003
90	Research in Motion Limited	1	2	6
55	Toyota Canada Inc.	2	9	11
55	WestJet Airlines Ltd.	2	1	1
33	Loblaw Companies Limited	3	4	3
30	Dell Canada Inc.	4	11	12
29	RBC Financial Group	5	5	7
26	Honda Canada Inc.	6	6	13
25	BCE Inc.	7	3	2
23	Tim Hortons	8	17	13
22	Rogers Communications Inc.	9	23	-
22	Wal-Mart Canada Corp.	9	7	9
18	Four Seasons Hotels Inc.	10	6	5

**CORPORATE GOVERNANCE**

Score 2005	Corporate Governance			
	Company	Ranking		
		2005	2004	2003
177	RBC Financial Group	1	1	1
45	EnCana Corporation	2	5	5
44	Manulife Financial Corporation	3	3	10
40	BMO Financial Group	4	2	4
31	TD Bank Financial Group	5	6	12
29	BCE Inc.	6	4	2
27	Scotiabank	7	5	7
25	Dofasco Inc.	8	17	18
20	Enbridge Inc.	9	13	15
20	TransCanada Pipelines Limited	9	10	4
17	Canadian Imperial Bank of Commerce	10	7	3

**CUSTOMER SERVICE/RELATIONS**

Score 2005	Customer Service/Relations			
	Company	Ranking		
		2005	2004	2003
107	WestJet Airlines Ltd.	1	1	1
57	RBC Financial Group	2	2	7
44	Four Seasons Hotels Inc.	3	3	2
27	BCE Inc.	4	4	4
26	Sears Canada	5	11	8
26	Wal-Mart Canada Corp.	5	10	5
24	Dell Canada Inc.	6	6	8
24	TD Bank Financial Group	6	5	10
19	Scotiabank	7	12	15
17	Loblaw Companies Limited	8	7	3
17	Toyota Canada Inc.	8	17	12
16	Canadian Tire Corporation Limited	9	8	6
16	Dofasco Inc.	9	23	19
15	Rogers Communications Inc.	10	16	16

**TOP OF MIND MOST RESPECTED CORPORATIONS...**

Score 2005	Top Of Mind Most Respected Corporations			
	Company	Ranking		
		2005	2004	2003
108	RBC Financial Group	1	1	1
48	EnCana Corporation	2	10	6
36	WestJet Airlines Ltd.	3	2	2
30	Research in Motion Limited	4	5	9
24	Manulife Financial Corporation	5	3	7

**"FINANCIAL PERFORMANCE" THE MOST COMMONLY MENTIONED REASON FOR THE TOP OF MIND SELECTIONS...**

When the CEOs surveyed are asked why they had selected a particular company overall as the most admired or respected the responses were varied in nature. The aggregate unaided responses to the question are list in the chart below.

	2005	2004	Diff.
Financial performance	31%	20%	11%
Global presence/ international expansion	26%	12%	14%
Good staff, management or employee relations	24%	23%	1%
Vision, focus, discipline or good strategy	23%	19%	4%
Social responsibility, community involvement or corporate citizenship	18%	17%	1%
Innovative or creative	18%	15%	3%
Customer service	16%	20%	-4%
Shareholder or investment value	15%	22%	-7%
Corporate governance or leadership	12%	17%	-5%
Quality product	8%	2%	6%
Track record	7%	36%	-29%
Honest, trustworthy or ethical	5%	9%	-4%
Driven or aggressive	4%	3%	1%
Other	6%	-	-
Don't know/Refused	7%	-	-

*Why is this company the one you most admire or respect ?*

This year many more CEOs point to "financial performance" (+11 points) and "global presence/international expansion" (+14 points) as the reasons why they chose a company as the one they most admired and respect. Meanwhile, many fewer CEOs this year point to "track record" (-29 points). In fact, "track record" was the most commonly cited reason for choosing a company as their most respected and admired in 2004, but it now appears well down on the list.

#### 4. MOST RESPECTED CEO FOR 2005...

##### GWYN MORGAN IS VOTED MOST RESPECTED CEO FOR 2005...

Gwyn Morgan, former President and CEO of EnCana Corporation, by a narrow margin has usurped Dominic D'Alessandro (Manulife Financial) as this year's Canada's Most Respected and Admired CEO, as chosen by his CEO peers. Following in the next tier behind the top CEOs, are Gordon Nixon (RBC Financial), Clive Beddoe (WestJet Airlines), and Ed Clark (TD Canada Trust).

	Total Ranking Combined	British Columbia	Alberta	Sask/Man	Ontario	Quebec	Atlantic
Gwyn Morgan	14%	10%	39%	14%	9%	-	-
Dominic D'Alessandro	11%	-	2%	10%	16%	9%	29%
Gordon Nixon	6%	3%	-	19%	7%	-	29%
Clive Beddoe	6%	7%	11%	14%	3%	-	-
Ed Clark	5%	3%	-	5%	8%	-	14%
Gerry Schwartz	4%	3%	2%	5%	5%	-	-
Jim Balsillie	4%	-	-	-	7%	-	-
Frank Stronach	4%	-	-	-	7%	-	-
Rick George	3%	3%	7%	-	3%	-	-
Tony Comper	3%	-	4%	-	5%	-	-
Michael Sabia	3%	7%	-	5%	3%	-	-
Jim Pattison	3%	14%	2%	-	2%	-	-

*Now, can you please tell me which CEO other than yourself you would rank first/second/third as the one you most admire and respect?*

*\*Chart shows only those mentioned by at least 3% of the CEO population surveyed.*

##### "VISION, FOCUS, DISCIPLINE" REMAIN TOP ATTRIBUTES THAT CEOs MOST ADMIRE AND RESPECT AMONG THEIR PEERS...

When asked to identify what they most admired and respected about their CEO selection, CEOs offer a wide range of responses. "Vision, focus, discipline or good strategy" (mentioned by 23% of respondents) tops the list as the most commonly mentioned attribute, followed closely by "corporate governance or leadership" (21%). A full listing of attributes mentioned are listed in the chart below:

	Of CEOs	Rank	
		2005	2004
Vision, focus, discipline or good strategy	24%	1	1
Corporate governance or leadership	22%	2	7
Financial performance	16%	3	2
Honest, trustworthy or ethical	15%	4	5
Good staff, management or employee relations	13%	5	10

	Of CEOs	Rank	
		2005	2004
Driven or aggressive	10%	6	6
Shareholder or investment value	10%	7	4
Social responsibility, community involvement or corporate citizenship	9%	8	8
Track record	8%	9	3
Innovative or creative	8%	10	9
Customer service	7%	11	13
Global presence/international expansion	5%	12	11
Successful	3%	13	NA
Smart	2%	14	12
Other	7%	-	-
None	1%	-	-
Don't know/Refused	20%	-	-

*Why is this CEO the one you most admire or respect ?*

**NINE IN TEN (89%, +5 POINTS FROM 2004) INDICATE THAT COMPANIES THAT ARE MORE RESPECTED BY THE PUBLIC ENJOY A PREMIUM IN THEIR SHARE PRICE...**

Nine in ten CEOs (89%) agree with the statement that “companies that are more respected by the public enjoy a premium in their share price” (41% strongly agree) – this is up slightly from 84% who agreed with this statement last year. Just 9% disagree with this statement.

**CONSEQUENTLY, TWO-THIRDS (65%) ARE SPENDING MORE TIME BUILDING PUBLIC RESPECT FOR THEIR COMPANY...**

Two-thirds of CEOs (65%) agree they are “finding a greater part of my job these days involves building respect for my company among the general public” (28% strongly agree). In last year’s survey, 68% of CEOs felt this way. One-third of CEOs (34%) disagree with this statement.



## 5. THEIR BUSINESS FOR 2006...

### LOOKING AHEAD: TRAINING EMPLOYEES (61%) IS TOP AREA OF FOCUS FOR CEOs...

From a list of potential upcoming company priorities, CEOs were asked which ones they were going to most focus on to help their company succeed.

When the aggregate responses are compiled, we can see that the top priority for CEOs continues to be “training employees”.

	2005	2004	Diff.
Training of employees	61%	57%	4%
Investing in new technology	47%	40%	7%
Process and systems review	47%	46%	1%
New resources (people)	43%	45%	-2%
Organizational structure change	38%	35%	3%
Invest in infrastructure	37%	33%	4%
Outsourcing selected business processes	10%	6%	4%
Additional disclosure to the investment community	4%	10%	-6%
Invest in external consultants	3%	3%	-

*Of the following priorities, which one are you going to focus on MOST/SECOND MOST/THIRD MOST to help your company succeed?*

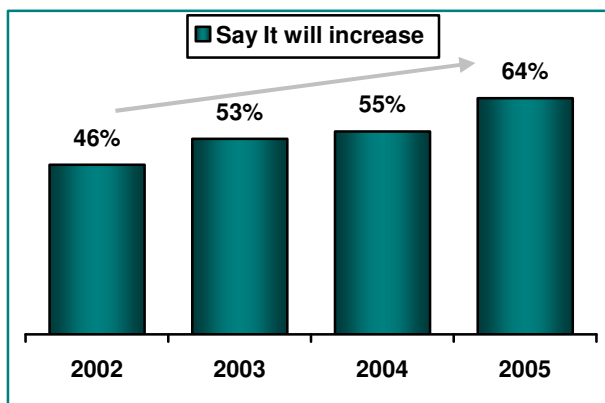
- Investing in technology is rated a higher priority by CEOs for 2006 than it was in 2004 for 2005 (+7 points).

### BUSINESS SPENDING CONTINUES TO TREND UPWARDS – 64% NOW SAY THEY PLAN TO INCREASE SPENDING IN COMING YEAR...

Business spending forecasts continue to trend upwards from 2002, with 64% of today’s CEOs saying that they will increase their business spending in 2006.

Twenty-eight percent say their business spending will “stay about the same”, and 8% feel it will decrease.

**Figure 1. Forecasts For Business Spending**  
Of CEOs



*Will your business spending increase, decrease or stay the same for 2006 ? Base 250*

**SEVEN IN TEN CEOs (68%) CONFIDENT THAT THEIR COMPANY WILL DO FINANCIALLY BETTER THAN LAST YEAR...**

Seven in ten CEOs (68%, unchanged from 2004) expect their company will do financially better in 2006 than it did in 2005. Only 8% indicate that the financial outlook looks to be worse than last year, while 23% believe things will be the same.

**AND SIX IN TEN (62%, +2 POINTS FROM 60% IN 2004) FEEL THEIR WORKFORCE WILL LIKELY EXPAND OVER NEXT TWO YEARS...**

Sixty-two percent of CEOs expect to expand their Canadian workforce over the next two years. However, one in ten (11%) say they think their workforce will be down-sized, and 26% feel it will be unchanged.

- Those most bullish about workforce expansion are in the services (69%) sector.

## 6. THE CANADIAN ECONOMY...

### TAXATION/CORPORATE TAXATION IS THE MOST SERIOUS ISSUE FACING CANADIAN BUSINESS ACCORDING TO LARGEST PORTION OF CEOs...

When asked what they think is the most serious issue facing Canadian business, “taxation/corporate taxation” (24%, +6 points from 2004) is mentioned most often by CEOs, followed closely by “value of the Canadian dollar” (21%, +4 points), “educated/skilled workforce” (20%, +3 points), and “productivity” (18%, +4 points).

	2005	2004	Diff.
Taxation/ corporate taxation	24%	18%	6%
Value of the Canadian dollar	21%	17%	4%
Educated/ skilled workforce	20%	17%	3%
Productivity	18%	14%	4%
Globalization/ international competitiveness	15%	21%	-6%
Government regulations/ red tape/ government intervention	14%	11%	3%
Cost of fuel/ energy	10%	6%	4%
Canada/ US relations	9%	8%	1%
Fluctuation in the value of currency	7%	14%	-7%
Competitiveness	5%	4%	1%
Government/ politics	4%	4%	-
Increased interest rates	4%	3%	1%
Aging population	3%	2%	1%
International trade relations	3%	7%	-4%
NAFTA	3%	1%	2%

*What do you think are the most serious issues facing Canadian businesses?*

	Resources	Sector		
		Mgf	Services	Other
Taxation/ corporate taxation	29%	21%	18%	31%
Value of the Canadian dollar	23%	31%	14%	20%
Educated/ skilled workforce	29%	12%	19%	15%
Productivity	16%	17%	15%	24%
Globalization/ international competitiveness	9%	19%	19%	15%
Government regulations/ red tape/ government intervention	16%	19%	11%	14%
Cost of fuel/ energy	6%	14%	15%	7%
Canada/ US relations	9%	7%	13%	7%
Fluctuation in the value of currency	6%	10%	8%	7%
Competitiveness	6%	7%	4%	5%
Government/ politics	4%	-	5%	7%
Increased interest rates	3%	5%	5%	2%
Aging population	1%	2%	6%	2%
NAFTA	4%	-	1%	5%

*What do you think are the most serious issues facing Canadian businesses?*

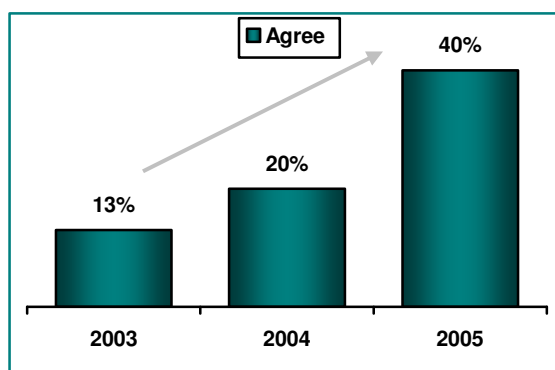
- Companies in the resources sector are more likely than those in the manufacturing or services sector to cite “taxation/corporate taxation” and “educated/skilled workforce” as a serious issue.

- Manufacturing companies are the most likely to point to “value of the Canadian dollar” as the most serious issue.
- Those in the resource sector are the least likely to mention “globalization/international competitiveness” as the most serious issue.

**FOUR IN TEN CEOs (40%) AGREE THERE WILL BE A MAJOR ECONOMIC DOWNTURN IN NEXT TWO YEARS –DOUBLE THE PROPORTION WHO FELT THIS WAY LAST YEAR...**

Today, four in ten CEOs (40%) agree with the statement that “I think there will be a major economic downturn in the next two years” (10%) strongly agree. This is up sharply, doubling the percentage who agreed with this statement last year (20%) and tripling the percentage who felt this way in 2003 (13%). Most CEOs (59%), however, disagree with this statement (12% strongly disagree).

**Figure 2. CEOs Who Agree There Will Be A Major Economic Downturn In Next 2 Years**  
Of CEOs



*Agree or disagree: I think there will be a major economic downturn in the next two years? Base 250*

- CEOs most likely to agree with this statement operate within the resources sector (48% vs. 40% among those in manufacturing, and 34% among those in services).

**ALMOST HALF (46%, +5 POINTS FROM 2004) FEEL FEDERAL GOVERNMENT HAS NOT CREATED A GOOD BUSINESS ENVIRONMENT FOR ECONOMIC GROWTH AND DEVELOPMENT...**

Just under half (46%) of CEOs disagree with the statement that “the federal government has created a business environment conducive to economic growth and development” (15% strongly disagree). Compared with results from last year, there has been a 5-point increase in the percentage who feels this way.

Half of CEOs (52%) agree with the statement (4% strongly agree).

**SEVENTY-SIX PERCENT AGREE THAT IT'S DIFFICULT TO FIND EMPLOYEES WITH THE NEEDED SKILLS...**

Seventy-six percent of CEOs agree with the statement that “it is difficult to find people who have the skills we need for our company” (36% strongly agree). This is up notably from last year’s survey (+15 points), when 61% of CEOs agreed with this statement.

Twenty-four percent disagree with this statement (5% strongly disagree).

**HALF (49%) FEEL CANADA SHOULD DECLARE SOME INDUSTRIES, SUCH AS ENERGY, TO BE STRATEGIC ASSETS AND NOT ALLOW THEM TO BE SOLD TO NON-CANADIAN ENTITIES...**

Half of CEOs (49%) feel that “Canada should declare some industries, such as the energy sector, to be strategic assets and not allow them to be sold to other non-Canadian entities” (25% strongly agree). The other half of CEOs (50%) disagrees with this statement (23% strongly disagree).

**AND STATE-OWNED ENTITIES MUST COMPLY WITH SAME REGULATIONS AS CANADIAN COMPANIES...**

Ninety-two percent of CEOs are of the opinion that if a state-owned entity for another country were to purchase a Canadian company or asset, that state owned entity should comply with the same governance regulations of Canadian corporations before the deal is approved. Only 6% feel they should not have to comply with these regulations.

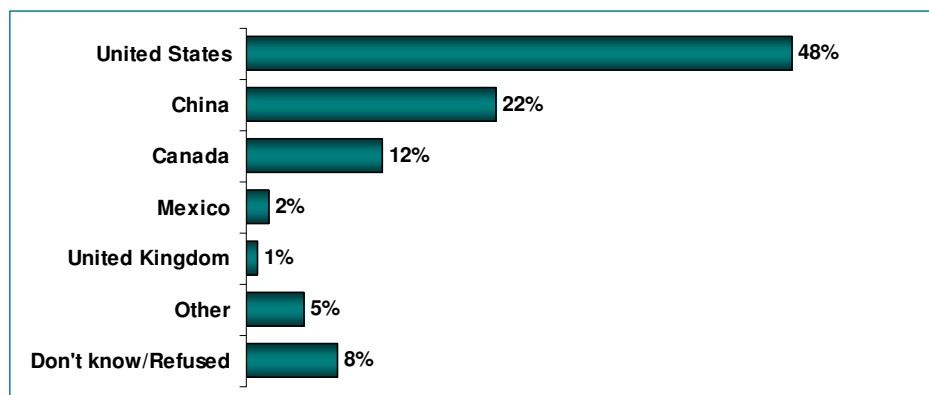
## 7. CANADA IN THE GLOBAL ECONOMY...

### NEARLY HALF OF CANADIAN CEOs (48%) SAY UNITED STATES IS COUNTRY MOST IMPORTANT TO GROW THEIR BUSINESS OVER NEXT THREE YEARS – MORE THAN DOUBLE THOSE WHO SAY CHINA (22%)...

Thinking about the various countries around the world, 48% of CEOs say that the “United States” is the most important to grow their business over the next three years – more than double the percentage who recognize China (22%) as their most important growth-market.

Twelve percent of CEOs look to grow in their homeland as they say Canada is the most important to grow their business over the next three years.

**Figure 3. Country That Is Most Important To Grow Their Business Over The Next Three Years**  
Of CEOs



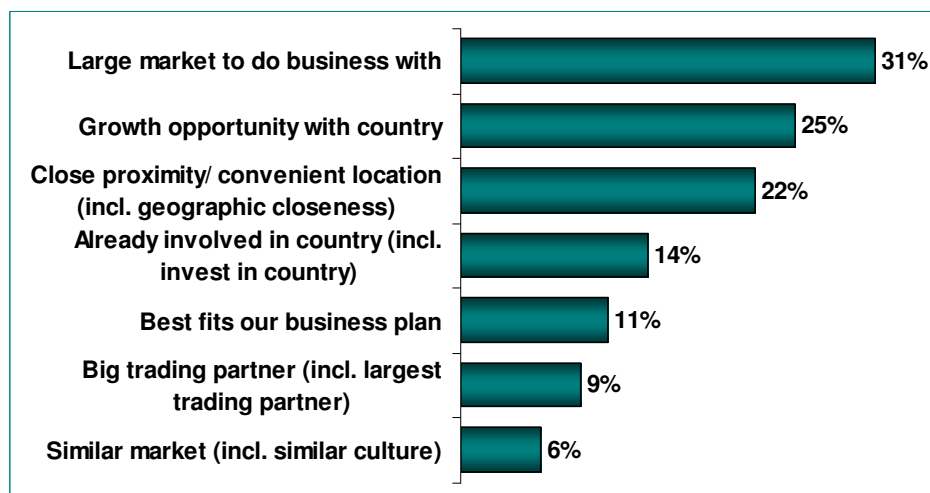
*Thinking about the various countries around the world, which ONE is, or could be, the most important to grow your business over the next three years? Base: 250*

- Companies in the manufacturing sector are the most likely to say China will be the most important country to grow their business over the next three years.

### AND FOR WHAT REASONS DO THEY CHOOSE THIS COUNTRY? – MANY SAY BECAUSE THEY ARE LOOKING FOR A LARGE MARKET AND ONE WITH GROWTH OPPORTUNITY...

As a follow-up question, CEOs were asked for what reasons they chose the country they feel will be most important to grow their business over the next three years. Most often, CEOs chose a country as their most important growth-market because it is a “large market to do business with” (31%), 25% say there is a “growth opportunity with that country”, and 22% say because it is close in proximity and therefore convenient”.

**Figure 4. Reasons For Choosing Most Important Growth-Market/Country**  
Of CEOs



*And for what reasons do you say this country? Base: 250*

**BUT MOST CEOs (66%, +3 POINTS FROM 2004) AGREE IT IS MORE IMPORTANT TO FOCUS ON THE HOME-FRONT...**

A majority of CEOs (66%, +3 points from 2004) agree that “it is more important for my company to solidify in its current market than to expand into new markets” (30% strongly agree). Thirty-two percent disagree with this statement.

**CEOs ARE SLIGHTLY LESS BULLISH THIS YEAR ABOUT THEIR ABILITY TO COMPETE IN THE GLOBAL MARKETPLACE...**

Seventy-eight percent of CEOs agree with the statement that “my business has what it takes to compete in a global market place” (35% strongly agree). One in five (20%) disagree with this statement (6% strongly disagree).

Positive sentiment is down notably from 2004 (-8 points) when 86% of CEOs agreed with this statement.

## 8. INDIA VERSUS CHINA: WHERE DO CANADIAN CEOs THINK THE FUTURE LIES?

### IF MADE TO CHOOSE, SLIGHTLY MORE WOULD PREFER TO DO BUSINESS IN CHINA (53%) OVER INDIA (44%)...

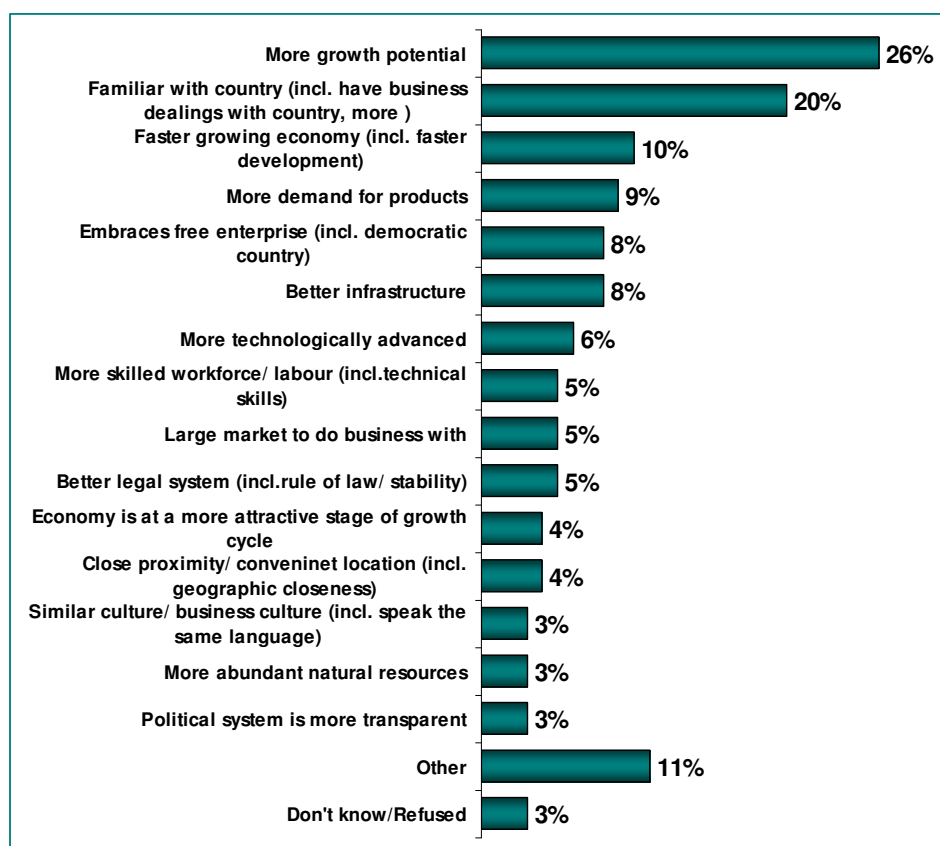
CEOs were asked, all things considered, which country they would prefer to do business with if they had to choose between either India or China. Slightly more CEOs choose China (53%) as their preferred business destination than choose India (44%).

- There is no variation in preference by region or manufacturing sector when it comes to this question.

### WHEN IT COMES TO CHINA, "MORE GROWTH POTENTIAL" (26%) IS WHAT ATTRACTS CEOs TO THAT COUNTRY OVER INDIA...

As part of the survey, those who offered China as their preferred choice to do business over India were asked what appealed to them about China over India.

One in four of these CEOs (26%) believe that China has "more growth potential" than India, while 20% feel they are more familiar with the country or already have business dealings there, a further 10% feel China has a faster growing economy.

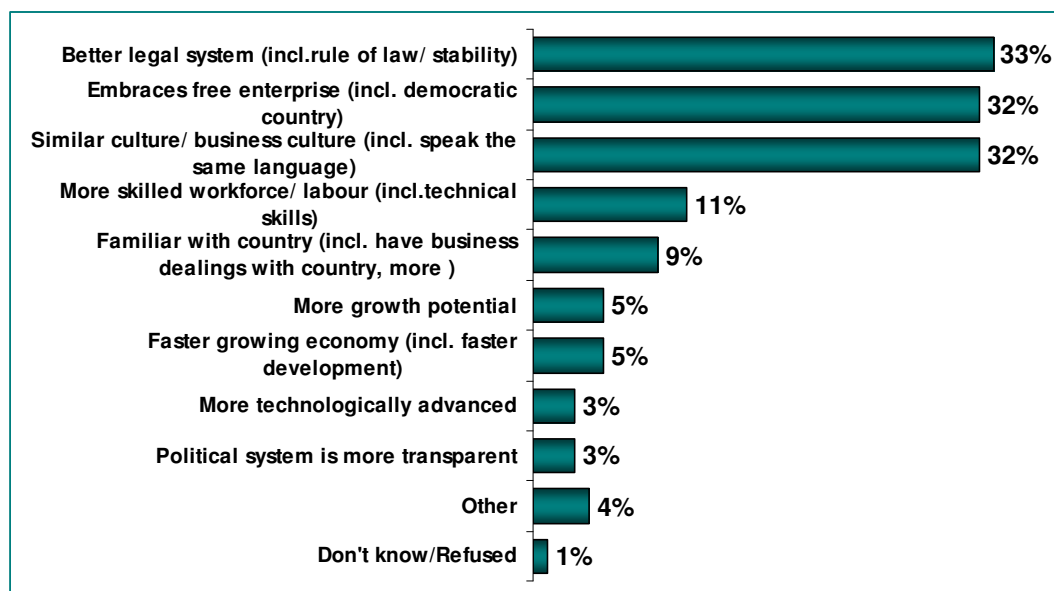


And why do you choose China over India? Base 132



**BUT THOSE WHO PREFER INDIA, THEY MOST APPRECIATE THE BETTER LEGAL SYSTEM (33%), FREE ENTERPRISE (32%) AND SIMILAR BUSINESS CULTURE (32%)...**

But for those who prefer India over China, it is not necessarily the pace of potential economic growth that makes this country more attractive but rather the better legal system (33%), free-enterprise society (32%) and similar culture/business culture (32%).



*And why do you choose India over China ? Base 118*

**FOUR IN TEN CEOs (42%) FEEL THERE SHOULD BE LIMITS ON CHINESE INVESTMENT IN CANADA...**

Forty-two percent of CEOs agree that “there should be government limits on Chinese investment in Canada” (11% strongly agree). Over half (56%), however, disagree with this statement.