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FINAL REPORT

Industry Canada 2007 Business Survey

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EXECUTIVE SUMMARY

Industry Canada commissioned Phoenix SPI to undertake a national telephone survey of CEOs and senior executives to explore a range of issues of interest to the department. A total of 808 interviews were conducted with executives of small, medium and large-sized businesses, between November 29th 2006 and January 5th 2007. Based on a sample of this size, the results can be considered accurate to within +/- 3.5%, 19 times out of 20.

Industry Canada Priorities & Performance

There was widespread support among executives for the *potential* priorities the federal government could pursue to support businesses in Canada. Corporate executives tended to attribute importance to all potential priority areas. Moreover, in all cases they were more likely to attribute *high* importance (40-63%) to these priorities rather than *moderate* importance (19-26%). That said, several issues were much more likely to be viewed as important priorities than others. At least four in five (80-83%) felt it was important for the government to encourage economic investment, promote innovation and R&D, promote a fair and competitive marketplace, and create an internationally comparable business tax regime. Additionally, strong majorities (75-78%) agreed that the promotion of sustainable development, provision of government online business services, and support for commercialization and smarter regulations should be priorities. Helping SMEs take advantage of the Internet and promoting inter-provincial trade were less likely to be seen as priority areas (62-66%).

Notably, online activities are more important to executives today than they were in the past. Since tracking on these issues began in 2002, business leaders are more likely to attribute importance to having government online business services (78% vs. 69-72%) and helping SMEs take advantage of the Internet (66% vs. 57-60%).

While there is a high degree of alignment between the government's priorities to support business and their perceived importance to executives, views on federal performance in these areas tended to be divided. With one exception – making government services for business accessible on the Internet (53%) – none of the areas assessed was rated positively by a majority of business leaders. Areas where the government's performance was most positively assessed include encouraging innovation and R&D (43%), helping commercialize Canadian products and ideas (41%), and supporting regional economic development (39%). Executives tended to be more critical of performance in the other priority areas: inter-provincial trade, sustainable development, SME Internet/e-commerce assistance, smarter regulations, and an internationally comparable tax regime. On a more positive note, executives' estimation of government performance vis-à-vis its business agenda is now more positive in all areas than it has been since tracking began in 2002.

Taken together, these findings suggest that the government has constructed a business agenda that largely meets the needs or expectations of the business community. Overall, however, there is a considerable gap between executives' priority preferences and their perceptions of the government's performance in delivering on this agenda. This is similar to the situation uncovered in previous waves of research.

Role in the Economy

The gap between executives' preferences and their assessment of the federal government was also clearly evident in their attitudes regarding the role the government plays in the economy. Many CEOs and senior executives see the Government of Canada acting in a minimalist way (40%). This has more or less been their perception since tracking began in 2002. Conversely, one-in-five (21%) view the government as a catalyst for innovation, while slightly less (18%) believe it acts as partner to Canadian businesses. Consistent with previous findings, these more activist roles tend to be preferred by executives. Almost four in ten (38%) would prefer that the federal government act as a business partner, while over one-fifth would prefer it to act as a catalyst for innovation (22%) or as an economic leader (22%). Relatively few want the government to have a minimalist role in the economy (10%).

The apparent disconnect between the perceived minimalist role of the government and the preferred activist role is essentially unchanged since tracking began.

Commercialization

Executives are largely supportive of the federal government making commercialization a priority (77%), although just 41% think it has performed well in this area. In addition, executives were divided in terms of whether or not transforming ideas or research into marketable products or services is an issue for their firm. For some, this is not an issue (43%), while for almost as many (39%) it is at least moderately important. This lack of consensus notwithstanding, executives are now more likely than in the past to consider commercialization to be an issue for their firm (39% vs. 29-32%).

In terms of support, Canadian businesses are most likely to consider financial support (24%) to be the best way for the federal government to assist in their commercialization efforts. Relatively few (4-8%) suggested other forms of support, such as tax incentives, knowledge assistance, 'how to' information, decreased regulations, and promoting Canadian industry in general. Almost one in ten (9%) thought there was nothing needed, while just over one-quarter (26%) were uncertain. Executives appear to feel there is room for improvement in this area in terms of government performance. In addition, many firms need at least some form of commercialization assistance. While the executives surveyed do not have a clear idea of how the government can best help them, there is nevertheless a perceived need for government to become involved in this area.

Research & Development Issues

Fully 61% of business leaders said that their firm undertakes at least some R&D. Since 1997, however, the number of firms that do not undertake R&D has gradually increased, from 15% to 38% in 2007. Money and cost issues are most likely to prevent or inhibit businesses' R&D efforts (25%). Small numbers of executives (4-6%) pointed to structural issues as obstacles, such as lack of time, government bureaucracy, or market barriers. Over time, money has remained the main reason for not engaging in R&D. However, the proportion of firms that do not do R&D due to a lack of interest or the belief that it is not appropriate for their products/services has risen dramatically, from 21% in 2002 to 41% in 2007.

Executives would likely go to a wide variety of sources if they needed help with or access to R&D, although none was cited with significant frequency. Among the most common sources (6-9%) are the federal government (the NRC was also specifically mentioned, by 3% of respondents), in-house resources, banks or financial institutions, business or trade associations, and the provincial government. Just over one in five (21%) were unsure where to go should the need for R&D help arise.

Regardless of whether or not they undertake R&D, executives see a range of benefits to Canada's economy that result from federal support for it. They were most likely to identify economic/financial benefits (20%), increased competitiveness (18%), and improved quality of life (12%) as the main benefits to the economy. Executives also perceived a variety of benefits for their business in particular, the most common of which is financial (14%). That said, it is noteworthy that half of Canada's business leaders do not expect benefits to flow to their business from federal support for R&D.

Although the amount of R&D being conducted by Canadian firms is moderate to low, executives support federal involvement in innovation and R&D, seeing it as producing some benefit for the economy.

Science & Technology

Similarly, findings suggest that science and technology (S&T) issues are also important to Canadian CEOs and senior executives. Many (49%) are at least moderately interested in receiving information on related government programs targeted at businesses, and one in five (20%) are very interested. In addition, initiatives that the government is either pursuing or could pursue to support businesses that undertake S&T activities appear to be in line with executives' expectations. Almost two-thirds (62%) of executives attributed at least moderate value to programs that provide business and financial support to SMEs trying to bring new products or services to market. The majority of executives also attributed value to programs that provide tax credits for firms undertaking S&T research, support S&T skills development, and encourage business partnerships with universities and colleges (58-59%). Programs and initiatives that grant SMEs access to government labs and equipment were less likely to be seen as valuable (50%). It is noteworthy that, as with R&D, financial support for development is valued by executives. This may be due to the financial risk involved in undertaking development activities.

Investment in the Economy

In terms of ensuring responsible government investment in the Canadian economy, executives are largely supportive of all measures tested (63-85%). They were particularly supportive of ensuring clear reporting of investments and results, and safeguarding against political influences (84-85%). Other measures deemed to be important to a significant number of executives (75-76%) included basing investments on recommendations from independent experts, and making investments repayable. Requiring partnerships between businesses and other levels of government was less likely to be viewed as important (63%). Clear reporting and safeguarding against political influence have been consistently the most highly-regarded measures since tracking began. It is worth noting that, when

compared to 2004, considerably more executives see ensuring an equitable regional distribution as important (from 62% to 72%).

Executives value reassurance that federal money is being invested appropriately. Given the attention such issues have received in recent years (and continue to receive), these measures are likely to remain important for the foreseeable future.

Executives expect a range of sectors of the economy to grow quickly over the next few years. The most commonly held perception is that the natural resources (17%), information technologies (14%), and the related communication technologies (9%) sectors will experience the fastest growth. However, each of these was much more likely to be seen as a growth sector in 1994, than in this latest wave of research (9-17% vs. 21-26%). The two sectors deemed most likely to grow quickly were also seen by executives as the most important to ensuring a healthy Canadian economy. Virtually everyone (92-93%) thought that the natural resources and ICT/telecommunications industries were important in this regard. Just as many (92%) attributed importance to the environmental technologies industry, but relatively few (7%) had pointed to this as a sector expected to grow quickly. Business executives also thought that it was important for Canada to succeed in the biotechnology (87%) and automotive industries (76%). Similar proportions of executives felt these industries were important one year ago.

Telecommunications

Executives are generally satisfied with the state of the Canadian telecommunications industry. No more than 19% claimed to be *very* satisfied with any of aspect of it. Executives were most likely to be at least moderately satisfied that there is a high degree of product and service innovation in Canada (78%). Many (69-72%) were also satisfied that the telecommunications industry helps the economy compete internationally, that there is sufficient Canadian-based R&D on telecommunications technologies, and that Canada is home to strong telecommunications companies. Executives were considerably less likely to be satisfied with the level of rural access to telecommunications services (45%).

Even though executives do not wish the government to have a minimalist role in the economy, they do prefer that it have a more hands-off approach to regulating services and pricing in the telecom industry. Most (76%) prefer that the government provide general rules for services and pricing, but rely on the market for the best mix. They were similarly likely (74%) to prefer telecommunications not be required to seek government approval for new services and prices, but rather intervene only when necessary.

Subgroup Differences

Overall, there were a number of noteworthy subgroup variations. In terms of firm size, variations often followed a pattern, either increasing or decreasing with firm size or separating small firms from larger ones. Differences were most evident in executives' assessments of the federal government's priorities and performance and their views of issues related to R&D and telecommunications. Small firms were more likely to offer positive ratings of government performance in many priority areas and less apt to be involved in R&D, while executives of larger firms tended to be more satisfied with the telecommunications services in Canada.

Differences based on region and the age of firms were widespread and tended to be pronounced on many issues. While there was no consistent regional pattern, differences often separated Quebec from the rest of the country. Overall, executives in Quebec tended to offer more positive assessments of government performance, were least likely to engage in R&D, and were most apt to need help with S&T commercialization. Focusing on firm age, differences often separated older firms from younger ones. This was particularly evident with respect to government priorities and performance, where executives in older firms tended to be more positive than those in younger firms.

Finally, differences based on a firm's urban-rural location were evident in many areas, but were most pronounced concerning government priorities and performance and R&D/S&T issues. Executives of rural firms were more likely to view as important *many* of the priority areas and to provide positive ratings of the government performance in all areas. In addition, compared to urban executives, those located in rural areas were more likely to say their firm undertakes R&D activities and to view commercialization assistance as an issue for their firm.

INTRODUCTION

Industry Canada commissioned Phoenix Strategic Perspectives to conduct a survey among CEOs and senior executives to explore corporate and economic issues of relevance to the department.

Background and Objectives

Approximately four years ago, Industry Canada undertook a baseline survey of CEOs and senior executives of businesses across Canada to explore a range of issues of interest to the department. A follow-up survey was conducted in 2004. This current research builds on the 2004 survey and tracks attitudinal changes over time, while exploring new issues.

The purpose of the 2007 business survey was to explore departmental priorities, performance and related issues among senior business leaders. More specifically, the areas of investigation pursued through the survey included new areas, such as investment and telecommunications issues, and tracking from earlier surveys. Issues tracked included:

- Priorities and performance,
- Expectations of the role of the federal government in the economy, and
- Research and development (R&D).

Tracking data included in the report are drawn from four studies: 1) the Industry Canada 2002 baseline business survey, 2) the Industry Canada 2004 business survey, 3) a 2005 aerospace partnership survey conducted by Decima for Industry Canada, and 4) a 2005 local telephone market regulation study conducted by Decima¹ for the Public Interest Advocacy Centre (PIAC).

The research results will help inform departmental communications initiatives and policy direction. Moreover, custom research of this nature allows for greater dissemination of Industry Canada Public Opinion Research (POR) findings both within the department and outside of the department to portfolio members and to the general public.

Research Design

To address the research objectives, a telephone survey was conducted with 808 senior corporate executives. Based on a sample of this size, the findings can be considered to be accurate to within +/- 3.5%, 19 times out of 20. Interviewing took place November 29, 2006 to January 5, 2007. No interviewing was conducted during the holiday season, from December 23-26, 2006 and December 30 to January 1, 2007. Interviewing resumed in full January 2, 2007.

The research design follows, including the sample frame, the weighting plan, and the survey specifications. A more detailed note on weighting is appended to this report.

¹ While the sample composition for the 2005 local telephone market regulation study was different (it only included firms up to 100 employees), the results are generally comparable due to the weighting of the 2007 business survey (which had the effect of emphasizing the views of executives of smaller businesses since there are so many more of them in the economy, compared to larger businesses).

Sample Frame

The target audience for this survey was senior executives of a mix of small, medium and large businesses. The thresholds for the three categories of business sizes were the same as those used in 2002 and 2004, although the total number of respondents is double the sample sizes of the earlier waves of the survey. The categories sizes were:

- Small business: 1-49 employees (includes self-employed and ‘micro’ firms [under 5 employees]);
- Medium: 50-199; and
- Large: 200 and above.

The following table identifies the number of interviews conducted with businesses in each category, along with the associated margins of error:

Size	Target Number of Interviews	Completed Interviews	Margin of Error
Small	300	318	5.8%
Medium	300	268	5.9%
Large	200	220	6.6%
Total	800	808*	3.5%

*Did not know/No response: n = 2. These data were obtained from question 2 of the survey.

In terms of region, the sample frame provided for 200 completed interviews in each of four regions, with the results weighted to ensure that the national, aggregate results are proportionate to the distribution of businesses in Canada. The following table identifies the number of interviews conducted in each region, along with the associated margins of error:

Region	Target Number of Interviews	Completed interviews	Margin of Error
Atlantic	200	189	7.1%
Quebec	200	171	7.5%
Ontario	200	217	6.7%
West	200	231	6.5%
Total	800	808*	3.5%

In terms of sector, the distribution of businesses included in the survey was approximately proportionate to the distribution of businesses across Canada, as identified in Statistics Canada’s *Canadian Business Patterns*. Any variances in sectoral distribution between the survey sample and the actual population were relatively small.

Weighting Plan

The weighting scheme used for the survey was based on business size and region. The sample was weighted to correspond with the distribution of businesses according to Statistics Canada’s *Canadian Business Patterns* (June 2006). The Statistics Canada

“Indeterminate” category² of businesses was excluded from the size distributions used to weight the survey data. Weighting by business size and region was important because size-based and region-based quotas were used to govern the data collection. A more detailed note on the weighting is appended to this report.

Additional Specifications

In addition to the foregoing, the following specifications applied to this study:

- A pre-test was conducted in both official languages, with a minimum of 15 interviews conducted in each official language.
- Telephone calls were made during regular business hours.
- The survey averaged 18.4 minutes.
- The response rate was 21.5% (see below)
- Sponsorship was revealed (i.e. Government of Canada).

The following table presents call disposition information for this study, including the response rate (using the industry standard formula).

Total Numbers Accepted		10477
Total out of scope		907
Numbers not in service	797	
Duplicates	107	
Fax or modem lines	0	
Blocked by Telephone Company	3	
Unresolved		5322
Busy , no answers, Answering machines	3176	
Retired, called 10 times without success	1023	
Referred to Head office	1123	
In-scope Non-responding		2190
Language difficulty	29	
Other	93	
Unavailable	72	
Institutional Refusal	1996	
Break offs	0	
In-scope Responding units		2058
Completes	807	
Ineligible	854	
Quota Filled	397	
Response Rate		21.5%

² The “Indeterminate” category includes businesses that do not maintain an employee payroll, but may have a workforce that consists of contracted workers, family members or business owners, and businesses that did not have employees in the last 12 months.

Note to Readers

- For editorial purposes, the terms ‘respondents’, business leaders’, and ‘executives’ are used interchangeably in the report to denote survey participants.
- At times, the number of respondents (i.e. not the percentage) who answered certain questions or answered in a certain way is provided. The following method is used to denote this: $n = 100$, which means the number of respondents, in this instance, is 100.
- Some of the graphs do not sum to 100% due to rounding.

Appended to this report are a detailed note on the weighting and copies of the questionnaire (English and French).

INDUSTRY CANADA PRIORITIES AND PERFORMANCE

This section reports on executives' perceptions of the federal government's priorities and performance in supporting business in Canada, as well as their views on the role of the federal government in the economy.

Widespread Support for Government Priorities to Support Businesses

Executives were asked to rate a number of potential priorities the Government of Canada could pursue to support businesses in Canada, using a 7-point scale (1 = lowest priority; 7 = highest priority). Potential priorities included:

- Encouraging innovation and R&D among Canadian businesses.
- Promoting and maintaining a fair and competitive marketplace.
- Supporting the commercialization or market success of products and services that are researched or developed in Canada.
- Supporting regional economic development.
- Encouraging investment in the economy and Canadian businesses.
- Helping small and medium-sized companies take advantage of the Internet and e-business opportunities.
- Making government services for business readily accessible on the Internet.
- Ensuring smarter regulations to contribute to economic and business growth.
- Promoting sustainable development – that is achieving a balance between economic growth and environmental impact.
- Promoting inter-provincial trade.
- Having a tax regime for business comparable to those of Canada's international competitors.

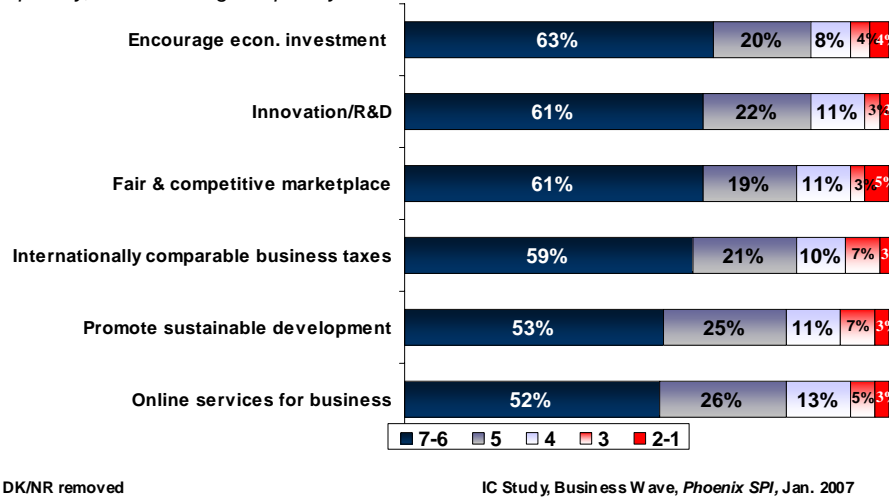
A majority of executives attributed at least moderate importance to each of these potential priorities (i.e. scores of 5 or more). That said, the size of this majority varied considerably, from a high of 83% for encouraging investment to a low of 62% for promoting inter-provincial trade.

Leading the way, and viewed as similarly important (80-83%), were encouraging investment in the economy, encouraging innovation and R&D, promoting a fair and competitive marketplace, and having a tax regime for business comparable to those of Canada's international competitors. In addition, substantial majorities of executives (59-63%) attributed *high* priority to each of these items (scores of 6-7).

At least three-quarters think it is important that priority be given to promoting sustainable development (78%), making government services available to business over the Internet (78%), supporting the commercialization or market success of products and services that are researched or developed in Canada (77%), supporting regional economic development (76%), and ensuring smarter regulations (75%). Over half feel *strongly* about each of these priorities (52-55%).

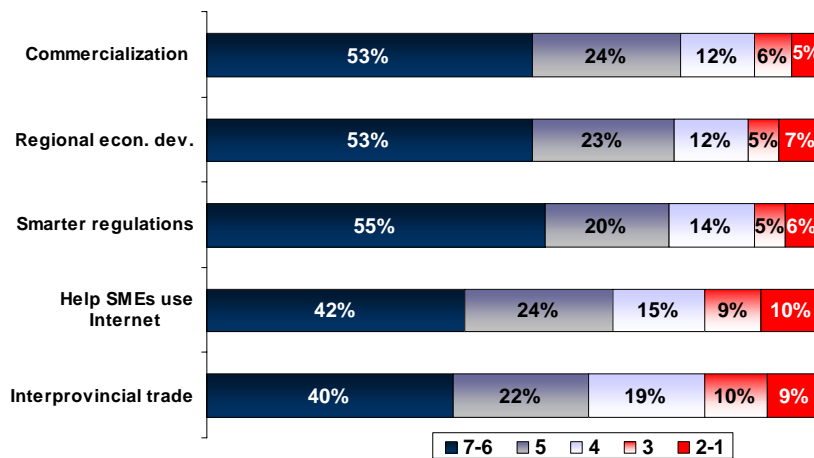
Perceived Importance of Potential Priority Areas

The Government Canada has identified a number of potential priorities it can pursue to support businesses in Canada. For each of the following, please tell me how much emphasis you think should be placed on that particular area. Please use a 7-point scale, where '1' means the lowest priority, and '7' the highest priority.



Smaller majorities think it is important that the government assign priority to helping SMEs take advantage of the Internet (66%) and promoting inter-provincial trade (62%). While still of importance to executives, less than half (40-42%) attributed high priority to these areas. Executives were also more likely to see these priorities as unimportant (scores of 1-2) (19% each vs. 6-12% for the other areas).

Perceived Importance of Potential Priority Areas (Cont'd.)



The accompanying table tracks the perceived importance of these potential priority areas over time, beginning with the baseline survey in 2002. Overall, online activities have increased in importance compared to previous years. Executives were now more likely to assign priority to making government services available online (78% vs. 69-72%) and to helping SMEs use the Internet (66% vs. 57-60%).

**Perceived Importance of Priority Areas
Over Time
(Positive Scores of 5-7)**

	2007 %	2004 %	2002 %
Encourage econ. investment	83	82	89
Innovation/R&D	83	80	81
Fair & competitive marketplace	80	81	-
Internationally comparable taxes	80	-	-
Sustainable development	78	82	83
Online services for business	78	69	72
Commercialization	77	70	87
Regional economic development	76	68	78
Smarter regulations	75	75	76
Help SMEs use Internet	66	57	60
Interprovincial trade	62	68	-

IC Study, Business Wave, *Phoenix SPI*, Jan. 2007

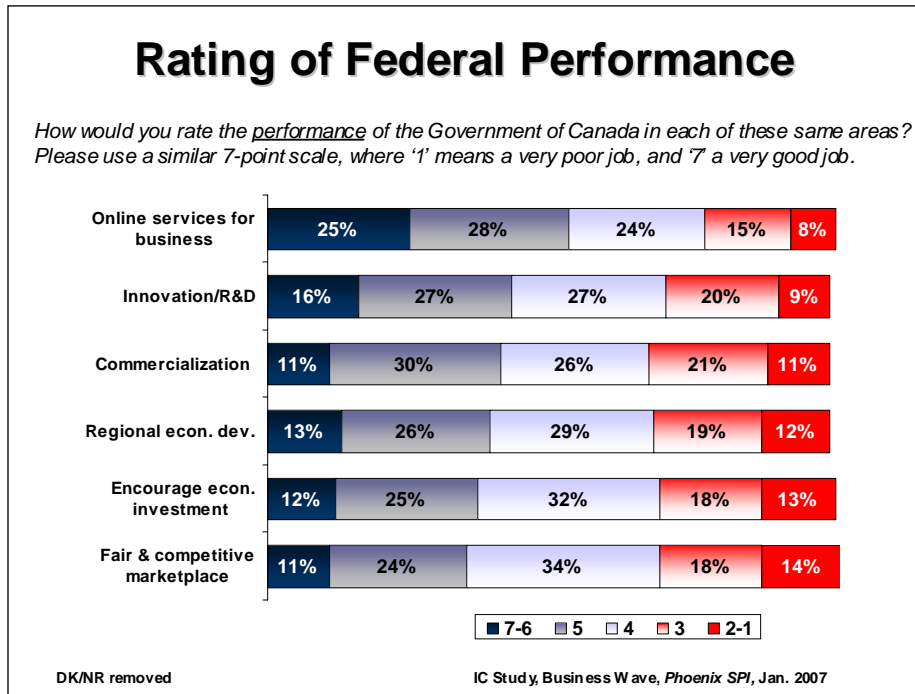
Additionally, after a significant drop in importance two years ago, larger majorities of executives are once again assigning priority to supporting commercialization and regional economic development. Encouraging investment in the economy, supporting innovation and R&D, and maintaining a fair and competitive marketplace remain virtually unchanged in terms of perceived importance among Canadian executives.

Divided Views on Federal Performance Except for Online Business Services

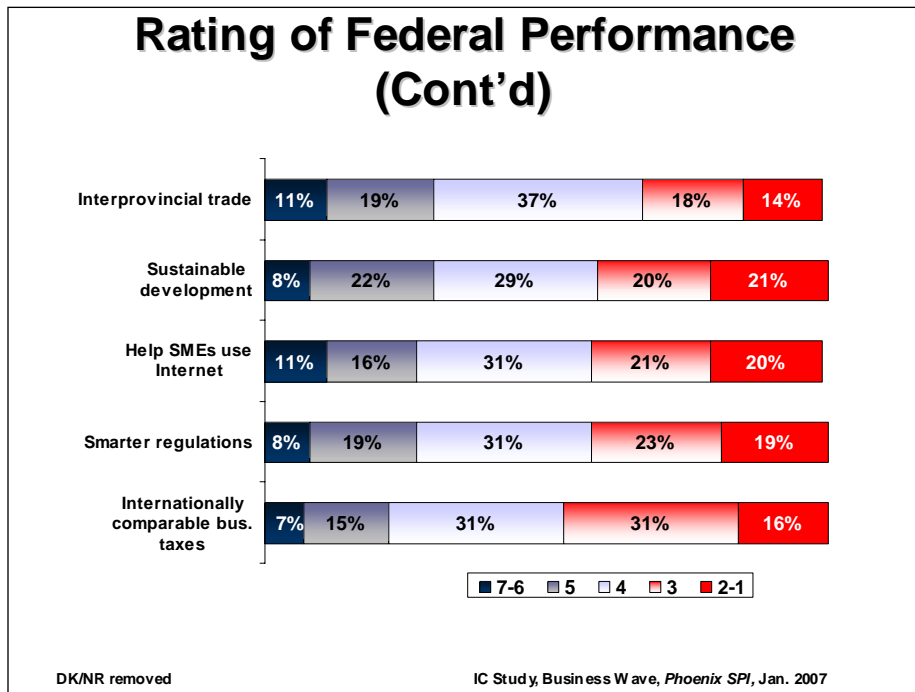
Overall, executives were divided with respect to their perceptions of the federal government's performance in these same areas (using a 7-point scale: 1 = very poor job, 7 = very good job). With one exception – making government services for business readily accessible on the Internet – none of the areas assessed were rated positively by a majority of business leaders. Just over half (53%) of executives surveyed perceived that the government is doing a good job making government business services available online. The rest were divided between those who think the government is performing poorly in this area (23%) or are neutral in their assessments (24%).

Strong minorities think the government is performing well in terms of encouraging innovation (43%), and supporting commercialization (41%) and regional development (39%). That said, just under one-third (29-32%) rated government performance poorly in each of these areas. Executives were even more divided when assessing encouraging investment in the economy and promoting a fair and competitive marketplace. While more

than one-third (35-37%) gave the government positive scores, similar proportions were neutral or ambivalent (32-34%) or provided negative assessments (30-32%).



Regarding the promotion of inter-provincial trade, business leaders were more likely to be neutral (37%) than to provide either positive (30%) or negative (32%) assessments of government performance. Executives were considerably more likely to be negative rather than positive about the federal government’s performance in all other areas. This included having an internationally comparable business tax regime (47% vs. 22% positive), ensuring smarter regulations (42% vs. 27%), helping SMEs to use the Internet (41% vs. 27%), and promoting sustainable development (41% vs. 30%).



The proportion of executives unable or unwilling to offer assessments ranged from 6-23%, and was highest regarding promoting inter-provincial trade. Note that results in this report are presented with the ‘don’t know’ and ‘no response’ removed (as was the case in 2002 and 2004).

Assessments of Federal Performance More Positive Compared to Previous Years

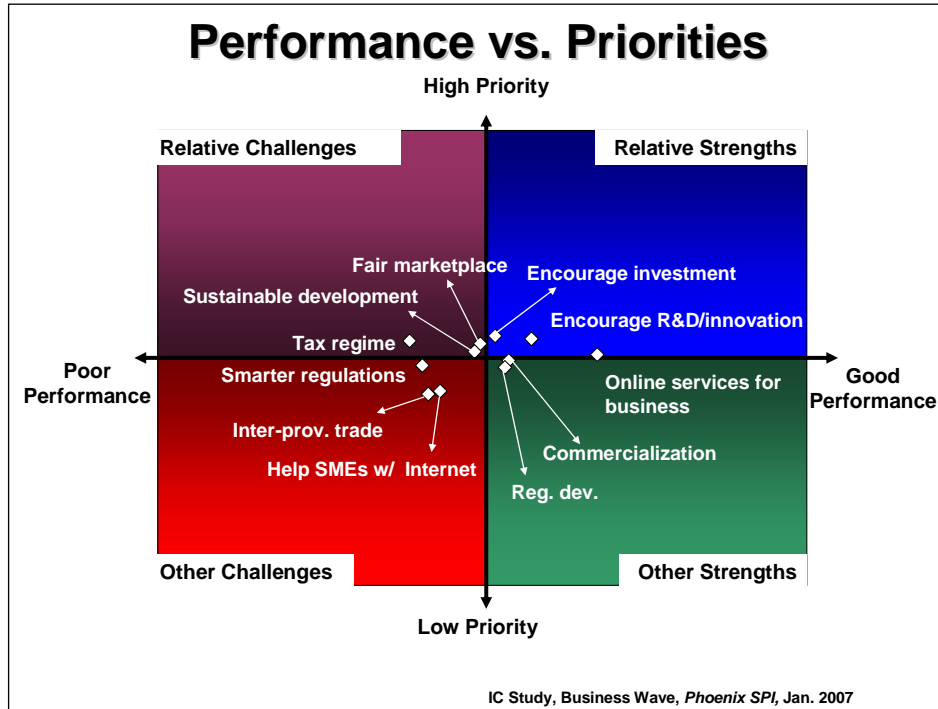
In 2007, executives were *more* positive about the federal government’s performance in almost all areas tracked compared to previous years.

	2007 %	2004 %	2002 %
Online services for business	53	45	47
Innovation/R&D	43	36	40
Commercialization	41	32	36
Regional economic development	39	34	27
Encourage econ. investment	37	36	33
Fair & competitive marketplace	35	34	-
Sustainable development	30	30	27
Interprovincial trade	30	22	-
Help SMEs use Internet	27	17	29
Smarter regulations	27	23	24
Internationally comparable taxes	22	-	-

IC Study, Business Wave, Phoenix SPI, Jan. 2007

The graph on the following page plots the preferred priorities for the federal government against perceived federal performance in the same areas. It is based on the mean scores for each issue on the 7-point scale. All issues above the horizontal line received mean priority ratings of 5.44 or higher, and all issues below the line received ratings of less than 5.44. All issues to the right of the vertical line received mean performance ratings of 3.96 or higher and all issues to the left of the line received ratings of less than this.

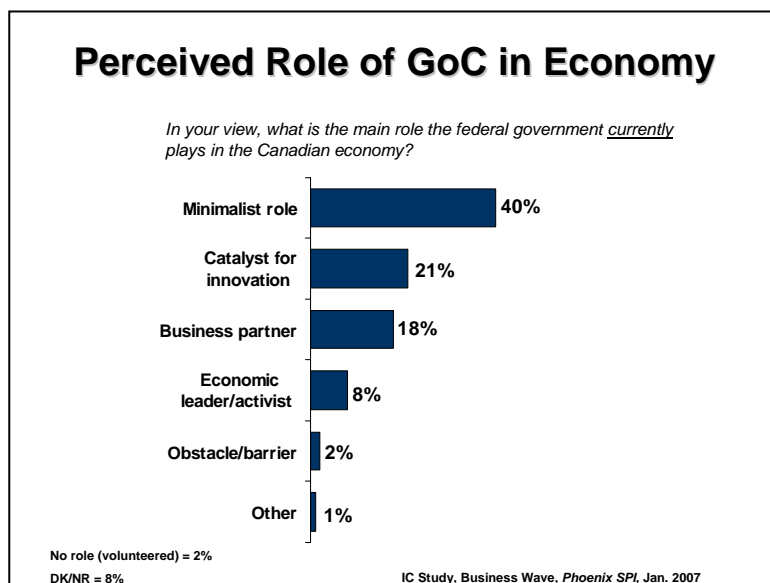
As can be seen, relative strengths (areas where both priority and performance were assessed above the mid-point on the scale) include encouraging investment, encouraging innovation and R&D, and making business services available online. Relative challenges include an internationally comparable tax regime, sustainable development and promoting a fair and competitive marketplace.



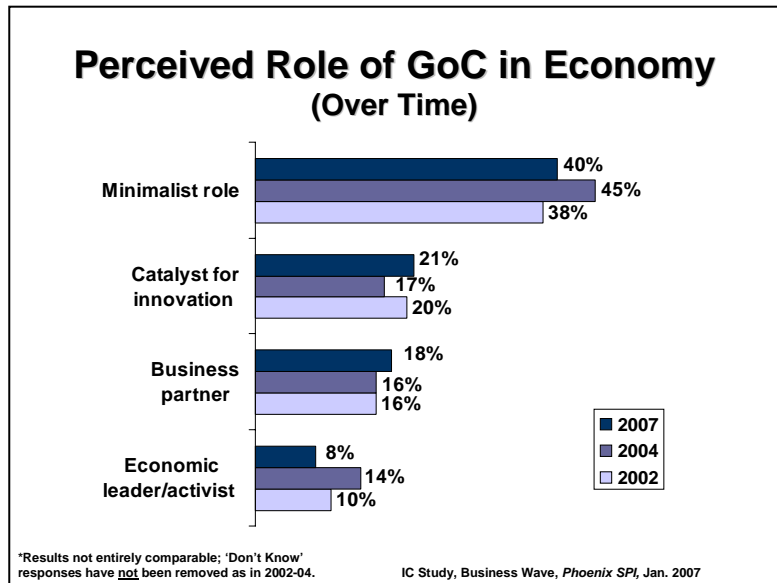
Government’s Role in Economy Seen as Minimalist

Executives were most likely to think the federal government plays a minimalist role in the Canadian economy (40%). Following this, business leaders were likely to see the government in an active role, although the substance of that role varied – 21% a catalyst for innovation, 18% perceived it as a business partner, and 8% an economic leader or activist. Few (3%) saw the federal government as performing some other role, or as an obstacle or barrier (volunteered).

Two percent volunteered that the Government of Canada plays no role in the economy.

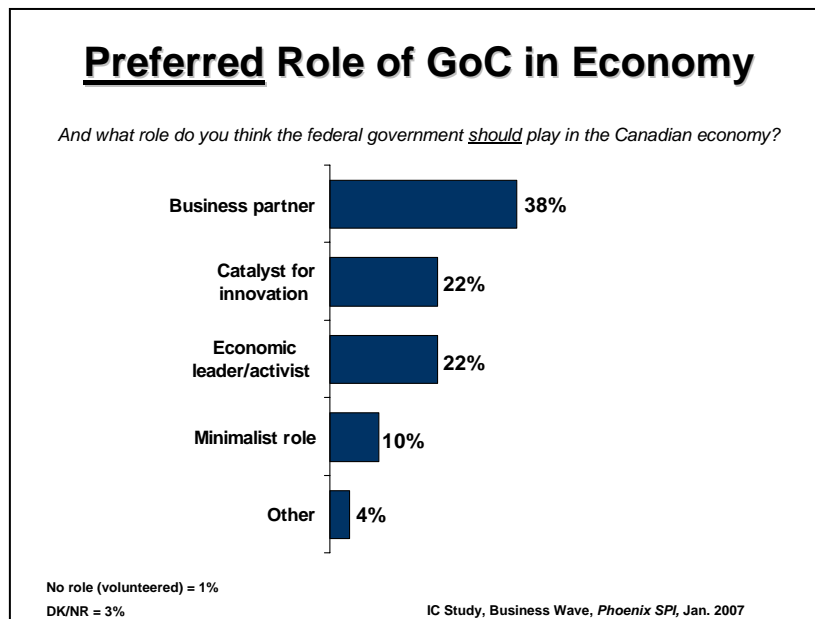


Compared to previous years, there are a few notable changes in executives' perceptions. However, it should be noted that the data is not fully comparable since the 'don't know' responses are included in this year's results, but were not included in the previous two waves.

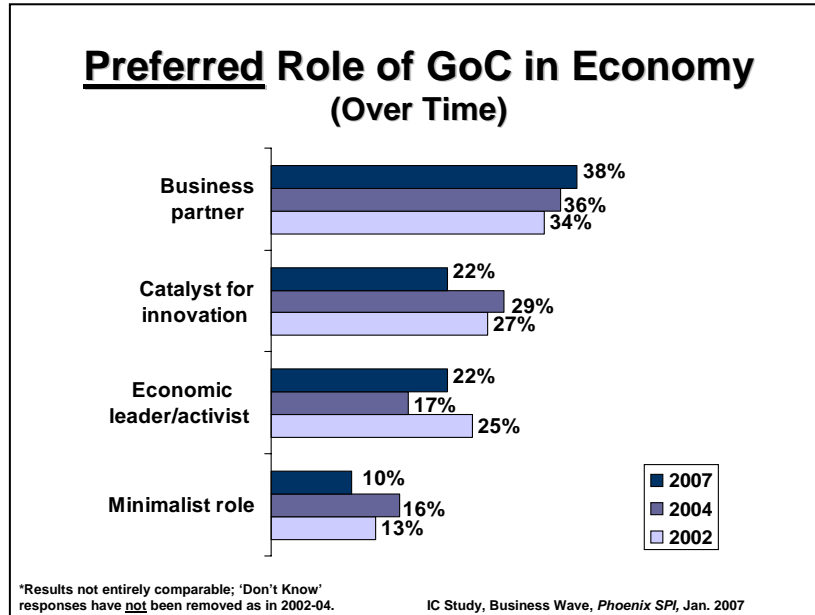


Executives Prefer Government Take Active Role in Economy

Fully 82% of Canadian executives prefer that the federal government play an active role in the economy. Close to four in ten (38%) of those in this group were most likely to prefer a partnership role, followed by a catalyst for innovation (22%) and an economic leader or activist (22%). Relatively few (10%) prefer a minimalist role. Roles included in the 'other' category are providing a tax environment conducive to business, focusing on sustainable development and environmental impacts, protecting the growth of Canadian businesses, and minimizing red tape. One percent volunteered that the Government of Canada *should* play no role in the economy.

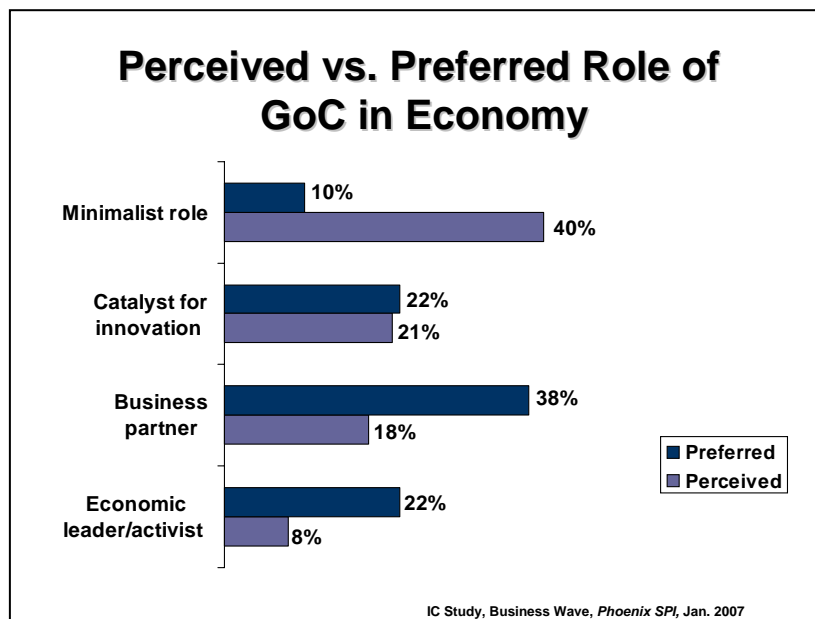


In 2007, fewer executives think that the government *should* play a minimalist role in the economy (10% vs. 13-16%) or that of a catalyst for innovation (22% vs. 27-29%). Conversely, business leaders' preference for the government to act as a partner to business has steadily increased since tracking began (38% vs. 34-36% in 2002-4). Once again, it should be noted that the data is not fully comparable since the 'don't know' responses are included in this year's results, but were not included in the previous two waves.



Government's Perceived Economic Role Out of Sync with Preferred Role

The largest gap between perceptions and preferences is related to a minimalist role – 40% consider this to be the government's current role, but only 10% think it is the role the federal government *should* play. When it comes to being a business partner or an economic leader/activist, executives are much more likely to see these as roles the federal government should play, than as roles that it currently does play.



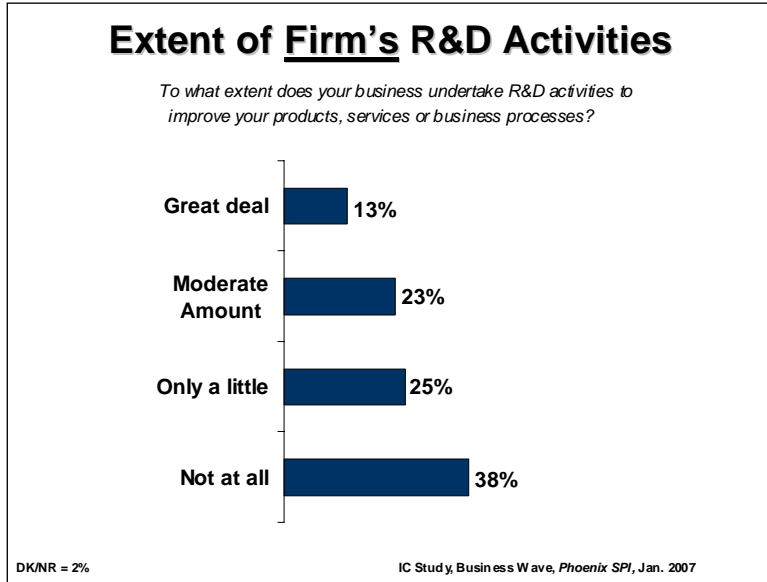
Business leaders' perceptions closely matched their preferences in only one area. Virtually identical proportions perceive (21%) and prefer (22%) the government as a catalyst for innovation.

RESEARCH AND DEVELOPMENT/SCIENCE AND TECHNOLOGY

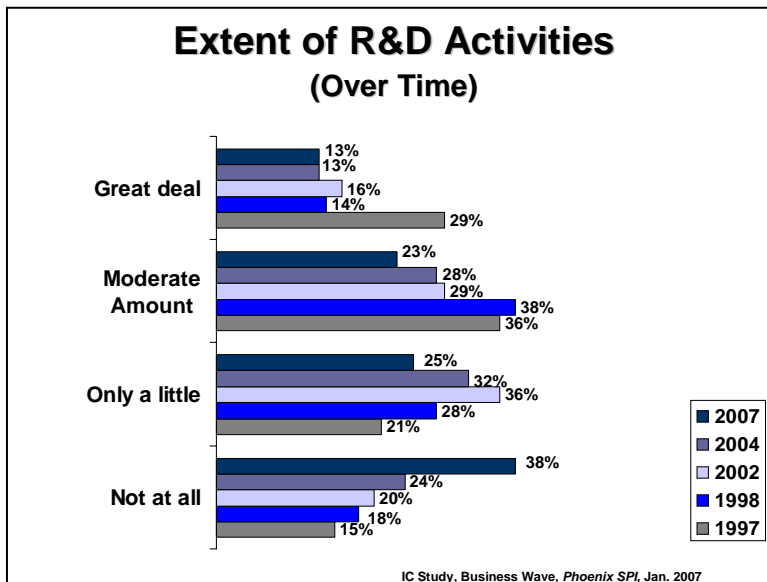
This section reports on corporate Canada’s behaviours and attitudes with respect to research and development (R&D) and science and technology (S&T) issues.

Six in Ten Firms Engage in Some R&D

In total, 61% of surveyed businesses undertake at least some R&D activities to improve their products, services or business processes. This includes one-quarter (25%) who undertake a small amount, 23% a moderate amount, and 13% who engage in a great deal of R&D activities. More than one-third (38%) do not undertake such activities at all.

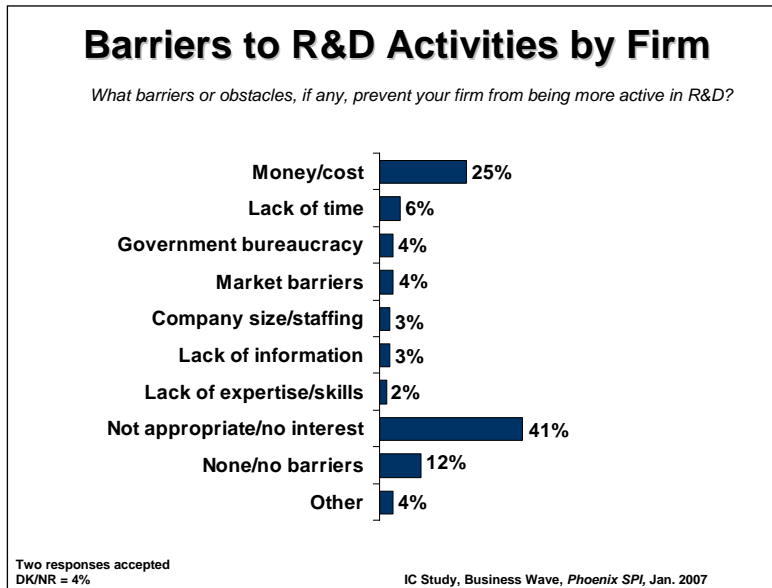


Canadian businesses were much more likely to undertake R&D activities in the 1990s than in the last six years. Since tracking began, the likelihood that a business does not engage in any R&D has steadily increased from 15% in 1997 to 38% in 2007. With the exception of 1997, the likelihood of engaging in a great deal of R&D has remained relatively constant from (13-16% vs. 29% in 1997).



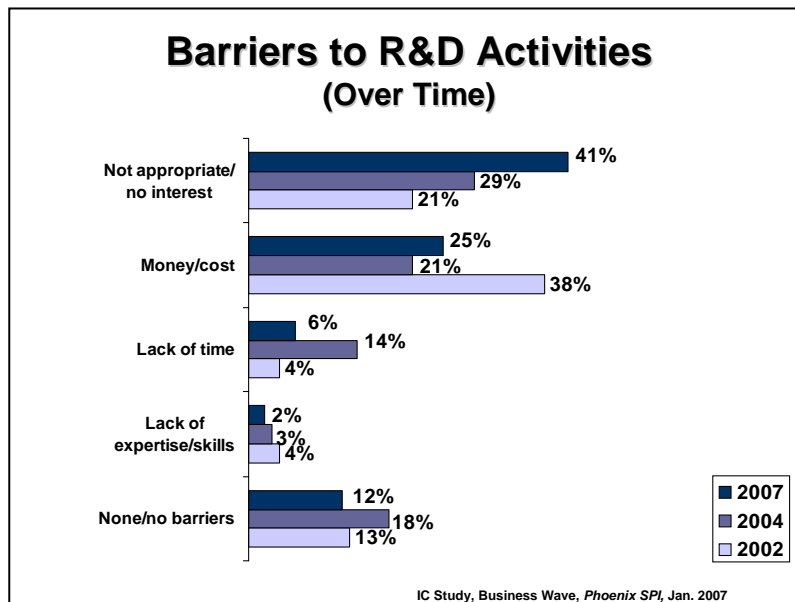
Money/Cost – Top Barrier to R&D

Executives identified a variety of barriers that prevent their firm from being more active in R&D. By far, however, money and cost was the most common obstacle (25%). Barriers identified by fewer business leaders (4-6%) included lack of time, government bureaucracy and market barriers. Relatively few (2-3%) pointed to company size, and lack of information and expertise. Twelve percent said their company does not face any barriers to R&D.



The largest single proportion of executives (41%) – and a strong minority – indicated that R&D activities are not appropriate for their firm’s products and/or services.

Over time, executives have increasingly pointed to the perception that R&D simply is not appropriate for their business (from 21% in 2002 to 41% in 2007). Although the likelihood of citing money and cost has increased slightly since 2004 (21-25%), this is still less seen to be an obstacle compared to four years ago (38%).

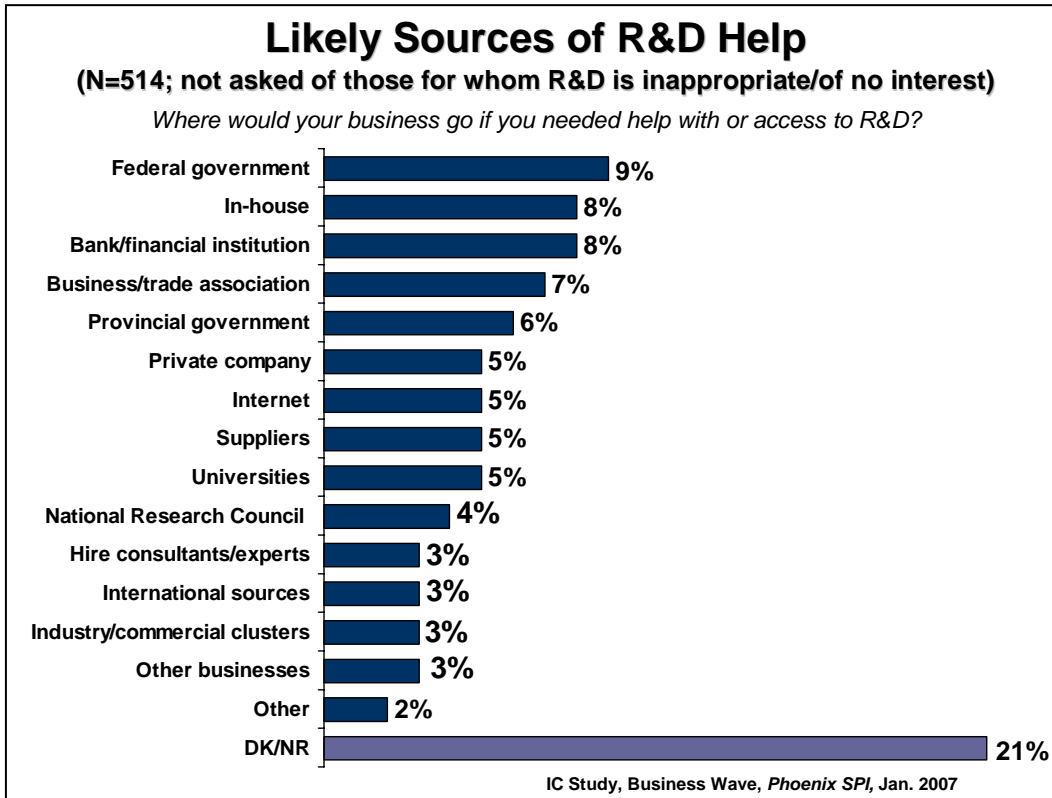


Variety of Sources of R&D Assistance Cited

All executives, except those who said that R&D was not appropriate for their firm or that their firm lacked interest in it, were asked where their business would go if they needed help with or access to R&D. While a variety of sources were mentioned, none was cited with any real frequency. In fact, the largest single proportion (21%) said they did not know where to go or did not answer the question.

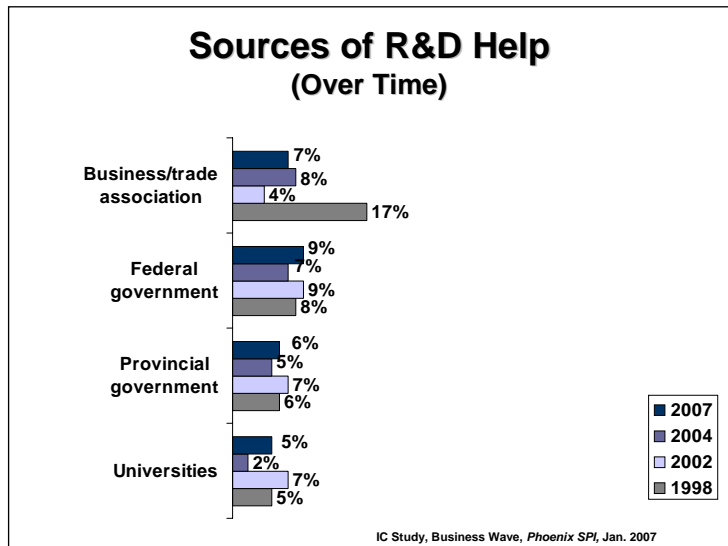
Business leaders who did identify a source of assistance pointed most often to government, including the federal (9%) and provincial governments (6%), as well as the National Research Council (4%). Following this, other likely sources of R&D help are in-house resources (8%), banks (8%), and business trade associations (7%).

Other sources mentioned by smaller numbers (4-5%) included private companies, the Internet, suppliers, and universities. Few executives would turn to consultants/experts, international sources, industry/commercial clusters, and other businesses if their firm needed help with or access to R&D.



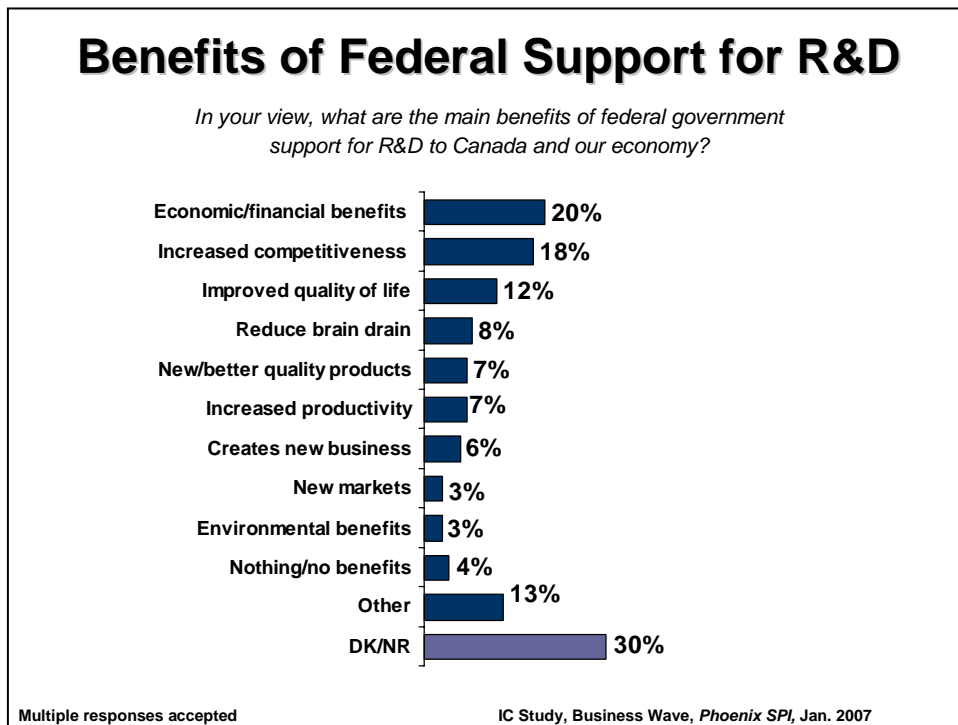
A wide range of sources are included in the ‘other’ category, such as their parent company, specific institutes and agencies, and technology firms in the U.S.

Likely sources of R&D assistance have changed little over the past few years, with one exception. Compared to 1998, executives are now much less likely to turn to business or trade associations for their R&D needs than they were eight years ago (17% vs. 4-8%).



General Economic Benefits, Increased Competitiveness – Top Benefits of Federal R&D Support

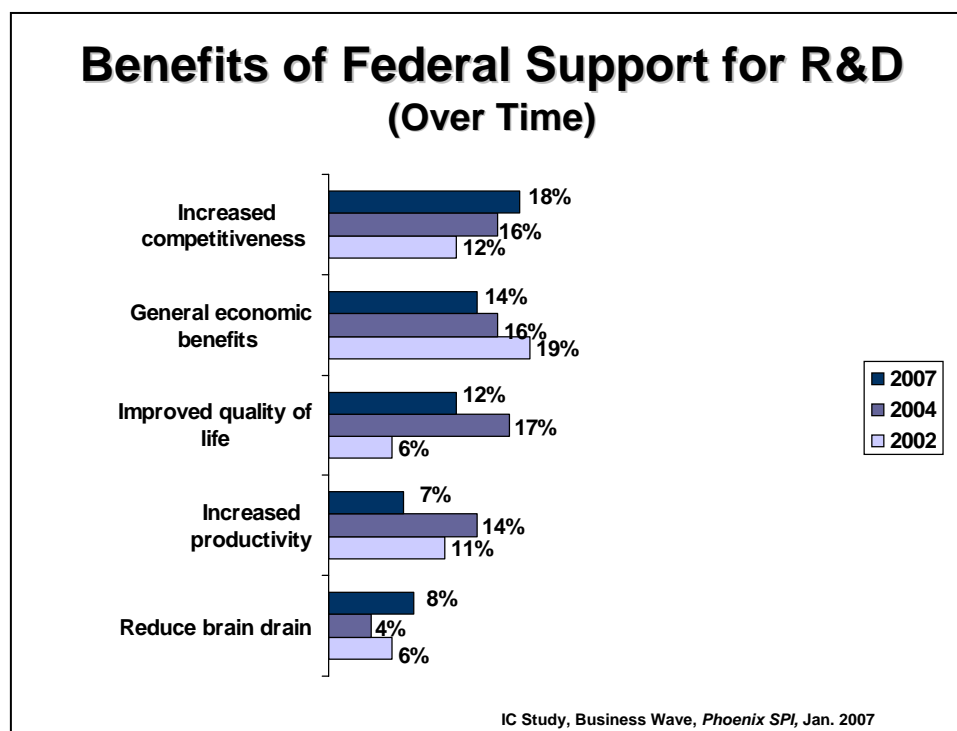
While executives see a range of benefits to Canada and the economy that result from federal government support for R&D, notably, the single greatest proportion (30%) were uncertain about the benefits of federally-support R&D. This represents a slight increase since 2002 when 26% provided no response. Economic or financial benefits were the most popular choice (20%), followed by benefits related to competitiveness, including increased competitiveness of Canadian firms (18%), reducing the brain drain (8%), and increasing productivity (7%).



Executives also pointed to creating new and better quality products (7%) and new businesses (6%), as well as opening new markets (3%). Perceived benefits more indirectly linked to economic success include improved quality of life (12%) and environmental benefits (3%). Few (4%) thought there were no benefits to federal government support of R&D.

Benefits included in the ‘other’ category are tax relief, market growth, more jobs, more technology, promotion of investment in Canada, prevention of foreign buy-outs, and increased trade.

Some minor changes have occurred over the last four years. Since 2002, executives are less likely to link general economic benefits to federal support for R&D (19% in 2002 vs. 14-16%), but more apt to mention increased competitiveness (12-18%). In addition, there has been a notable decline since 2004 in the likelihood of viewing as benefits improved quality of life (12% vs. 17%) and increased productivity (7% vs. 14%).



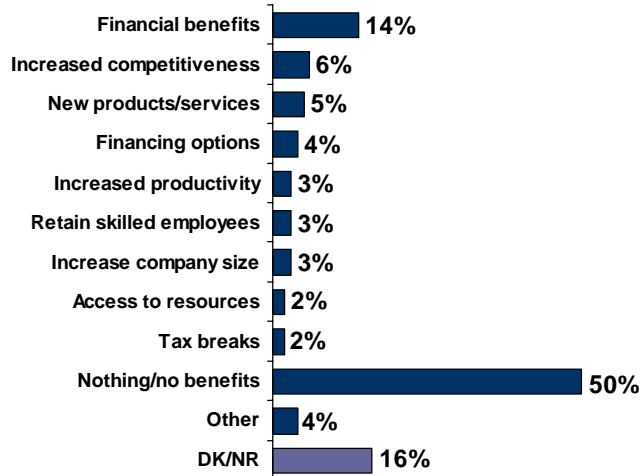
Majority See No Benefit to Firm of Federal R&D Support

In terms of *their* own businesses, the majority of executives saw no direct benefit of government support for R&D – 50% felt their firm derived no benefits, while 16% were uncertain about this. Among those business leaders who attributed benefits to federal R&D support, financial benefits topped the list (14%). This was followed, at a distance, by a range of other benefits, including increased competitiveness (6%), new products or services (5%), and financing benefits (4%). Few (2-3%) pointed to increased productivity, retaining skilled employees, increased size of company, access to resources, or tax breaks.³

³ Business leaders were not asked this question in previous years.

Benefits of Federal Support for R&D to Your Business

And what do you think are the main benefits of federal government support for R&D to your business?



Multiple responses accepted

IC Study, Business Wave, *Phoenix SPI*, Jan. 2007

Mixed Views Vis-à-vis Need for Commercialization Help

Executives offered mixed views about the extent to which their firm requires assistance transforming ideas or research into marketable products or services. For a strong minority of business leaders (43%), this is a small issue or not an issue at all for their company. That said, almost as many (39%) indicated that this is an issue of at least moderate importance for their company. The rest (13%) tended to be neutral (scores of 4, the midpoint on the scale). This question was not asked of those for whom R&D is not appropriate or of no interest to their firm.

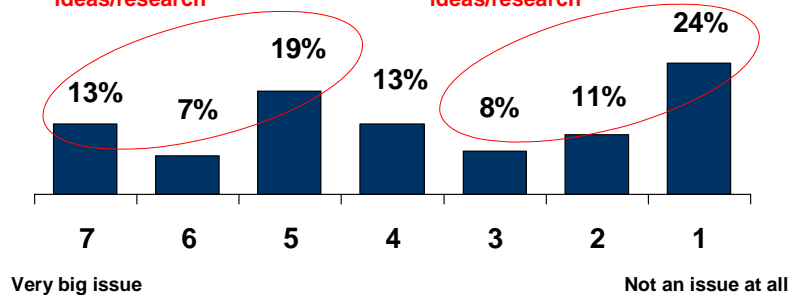
Commercialization Help Needed

(N = 513; not asked of those for whom R&D is inappropriate/of no interest)

To what extent does your company need help transforming ideas or research into marketable products or services? Please use a 7 point scale, where 1 means it is not an issue at all for your company and 7 means it is a very big issue.

39% need help commercializing ideas/research

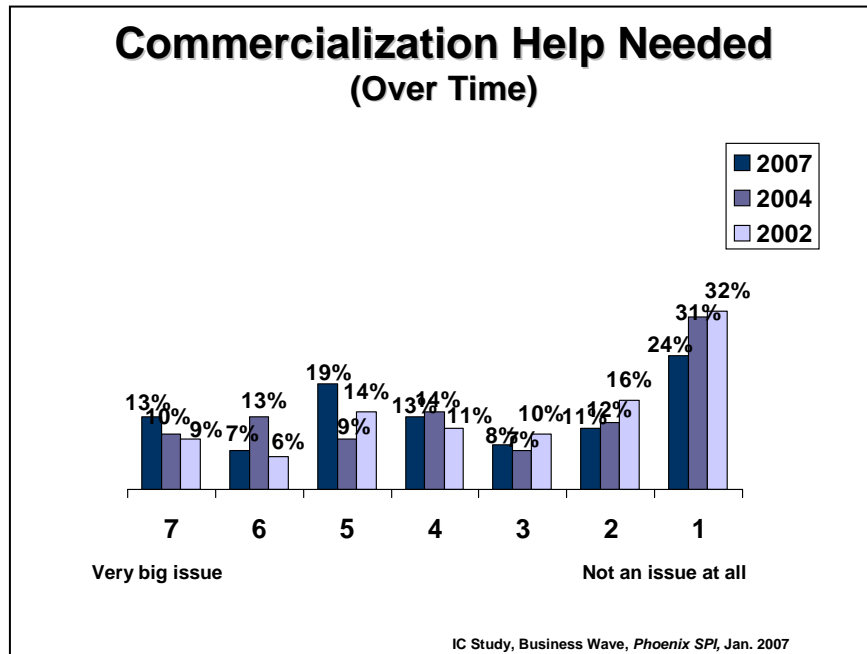
43% do not need help commercializing ideas/research



DK/NR = 4%

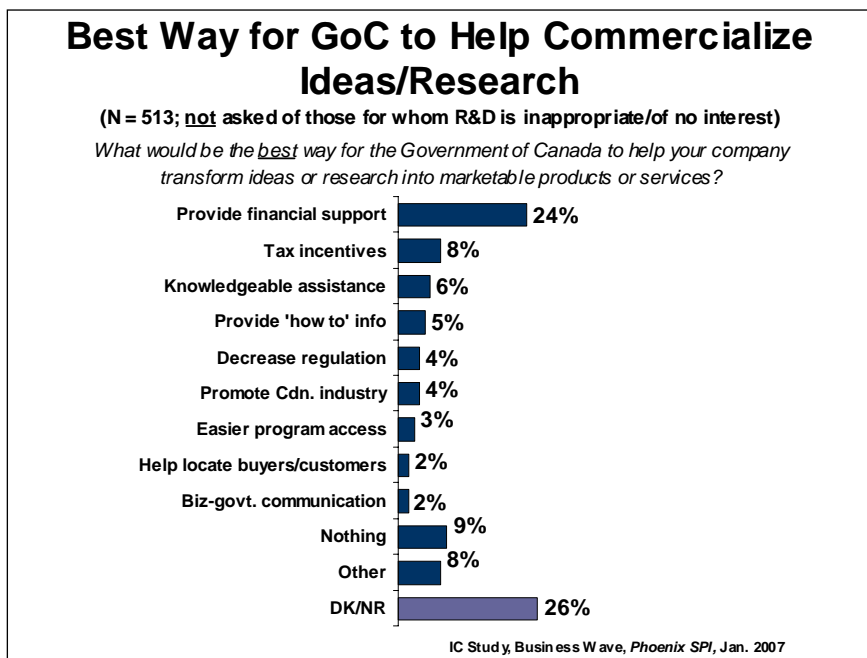
IC Study, Business Wave, *Phoenix SPI*, Jan. 2007

Since 2002, businesses have been increasingly more likely to think it is important for their company to get help transforming their ideas and research into marketable products or services (from 29% in 2002, to 32% in 2004 and 39% in 2007).



Financial Assistance – Best Way for Government to Help Commercialize Ideas

Business leaders pointed to a variety of ways in which the federal government could help their companies turn ideas into marketable products or services⁴. Topping the list, however, was some form of monetary relief for their commercialization efforts. In total, one-third of executives suggested that the government provide financial support (24%) or offer tax incentives (8%).



⁴ Business leaders were not asked this question in previous years.

Executives identified other forms of commercialization assistance, including knowledgeable assistance (6%), 'how to' information (5%), decreased regulation (4%), and the promotion of Canadian industry (4%). Few recommended easier access to programs, help locating buyers, or business-government communications. Included in the 'other' category are sharing of information, understanding their business better, providing exposure/networking opportunities, improving/using the Internet better, and fostering greater international competition.

More than one-third provided no substantive feedback – 26% were uncertain and 9% said there is nothing the government can do to help with commercialization.

This question was not asked of those for whom R&D is not appropriate or of no interest to their firm.

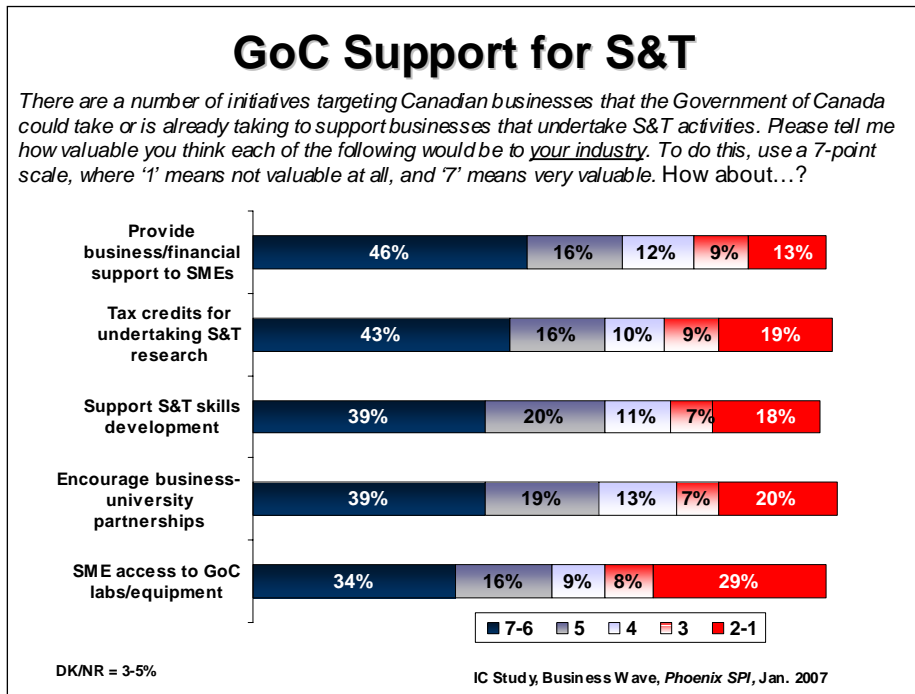
Majorities Attribute Value to Government S&T Initiatives

Executives were asked to assess the value to their industry of a number of initiatives the Government of Canada could take or is already taking to support businesses that undertake science and technology (S&T) activities (7-point scale, 7 = very valuable, 1 = not valuable at all)⁵. In doing so, they were asked to focus on businesses in their industry. The initiatives are:

- Government tax credits for businesses who undertake research in a field of science or technology.
- Government providing business and technical advice, as well as financial support to small and medium-sized businesses who have new products they would like to bring to market.
- Providing small and medium-sized businesses with access to government labs and equipment to carry out research and development on new high technology products and allowing these companies to have access to world-class researchers for advice.
- Government encouraging businesses to work with Canadian universities and colleges for the development of technology.
- Government supporting the development of science and technology skills in businesses, colleges and universities.

The majority of executives were likely to see each of these initiatives as valuable (scores of 5-7), although the size of these majorities varied significantly. They were most likely to attribute value to providing advice and financial support to SMEs (62%), with 46% viewing it as *very* valuable. Approximately six in ten (58-59%) felt that providing tax credits for undertaking S&T research, supporting S&T skills development, and encouraging business-university partnerships are valuable ways to support businesses' S&T activities.

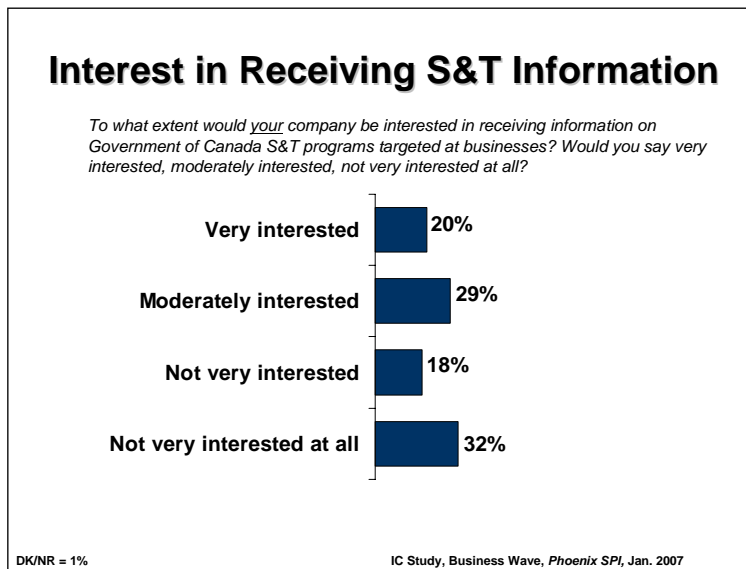
⁵ Business leaders were not asked this question in previous years.



Business leaders were less likely to think that allowing SMEs to access government labs and equipment would be of value to firms in their industry (50%). Not surprisingly, they were also more likely to think that this, relative to the other initiatives, was of little or no value (38% vs. 22-28%).

Moderate Interest in Receiving S&T Information

Almost half (49%) of surveyed executives expressed at least moderate interest in receiving information on Government of Canada S&T programs targeted at businesses⁶. One in five expressed strong interest. Conversely, exactly half are not interested in receiving such information.



⁶ Business leaders were not asked this question in previous years.

INVESTMENT

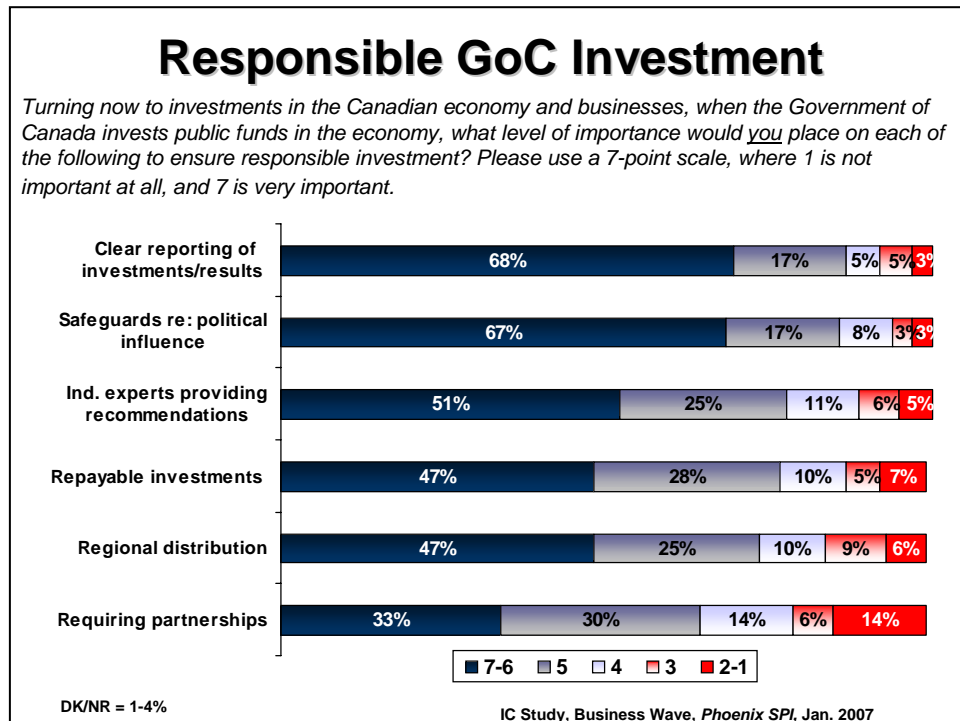
This section explores executives' perceptions of various measures that could be pursued by the Government of Canada to help ensure responsible public investment in the economy.

Widespread Support for Measures to Ensure Responsible Investment

Executives were asked for their perceptions about a number of measures to try to ensure responsible public investment in the economy. Using a 7-point scale (1 = not important at all; 7 = very important), they were asked what level of importance they would place on each of the following:

- Requiring partnerships with business and other levels of government.
- Clear reporting of the investments and the anticipated results.
- Investments in individual companies to be repayable.
- Decisions on investments to be based on recommendations from independent experts.
- Equitable regional distribution.
- There would be safeguards against political influence on where investments would go.

Support for these measures was widespread. In fact, at least six in ten executives rated each of the measures as important (scores of 5-7). Executives were most likely to attribute importance to clear reporting of investments and anticipated results (85%), and safeguards against political influence (84%). In both of these areas, more than two-thirds (67-68%) felt strongly about the measures, assigning each a *high* degree of importance (scores of 6-7).



Approximately three-quarters attributed importance to basing investment decisions on recommendations from independent experts (76%; 51% said this is *highly* valuable), making investments in individual companies repayable (75%), and ensuring equitable regional distribution (72%). Just under two-thirds (63%) felt that requiring partnerships with business and other levels of government is a valuable measure. Business leaders were more likely to view each of these measures as *very* (scores of 6-7) rather than *moderately* important (scores of 5).

Perceptions that these measures were of little-to-no importance ranged from 8-20% and were highest in relation to requiring partnerships with business and other levels of government (20%) and regional distribution (15%).

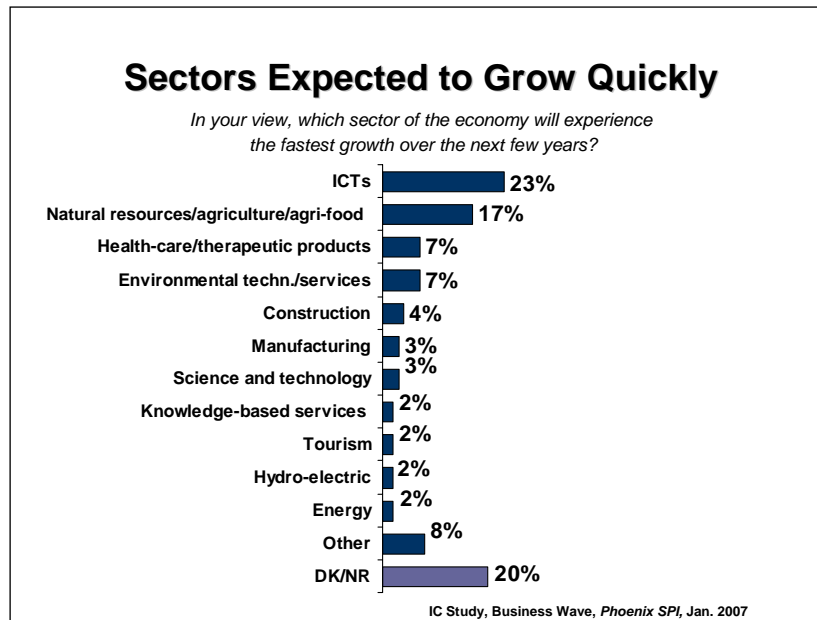
Over time, clear reporting of investments and results, as well as safeguarding investment choices from political influence, have remained the most important measures to ensure responsible investment from the perspective of corporate executives. Following a sharp decline in 2004 (62%), equitable regional distribution has increased substantially (72%), coming close to the reported high in 2002 (74%). Other differences were relatively small.

	2007 %	2004 %	2002 %
Clear reporting of investments/results	85	84	88
Safeguards re: political influence	84	86	-
Ind. experts providing recommendations	76	72	73
Repayable investments	75	72	77
Equitable regional distribution	72	62	74
Partnerships with businesses	63	58	62

IC Study, Business Wave, Phoenix SPI, Jan. 2007

Top Growth Sectors – Information Technologies, Natural Resources

Corporate executives pointed to a range of sectors of the economy in terms of which ones they think will experience the fastest growth over the next few years. Of these, information and communications technologies (totalling 23%) and natural resources (17%) headed the list. Smaller numbers (7% each) think healthcare and therapy products, and environmental technology sectors will grow rapidly.



Few executives (2-4%) predicted fast growth for the construction, manufacturing, science and technology, knowledge-based service, tourism, hydro-electric, and energy sectors. Sectors included in the ‘other’ category are aerospace, financial services, engineering, military, electronic services, services for seniors, public sector in general, and renewable energy.

One in five (20%) were unsure of which sector would experience the fastest growth. This has changed little since 2002 when 18% of executives did not identify any sectors.

Since tracking began in 1994, executives are less likely to expect the natural resources, information technologies, and tourism sectors to grow quickly. It is also noteworthy that the likelihood of pointing to the health-care and biotechnology sectors have declined since 2002. Note that in 2007, only a single response was accepted (unlike in past years when executives could provide multiple responses).

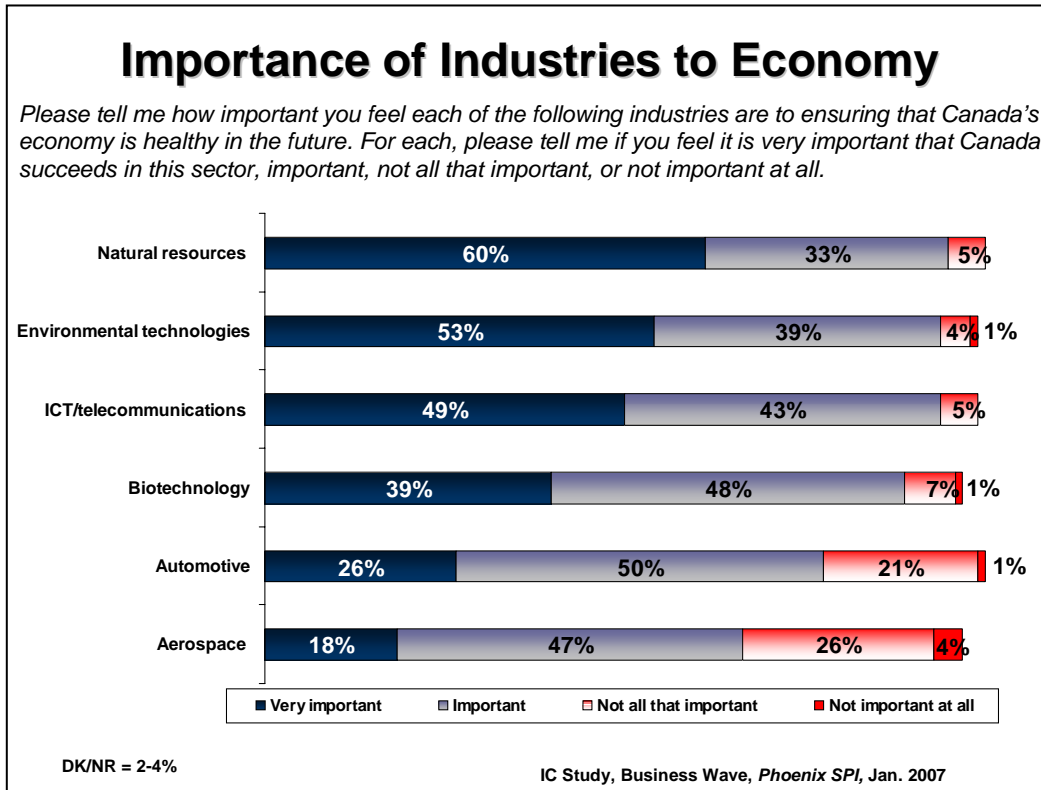
Sectors Expected to Grow Quickly (Over Time)

	2007 %	2002 %	1994 %
Natural Resources/agriculture/agri-food	17	15	21
Info technologies/systems	14	22	26
Communication technologies	9	7	22
Environmental techn./services	7	-	-
Health-care/therapeutic products	7	19	-
Construction	4	5	-
Tourism	2	13	15
Biotechnology	1	8	-

IC Study, Business Wave, Phoenix SPI, Jan. 2007

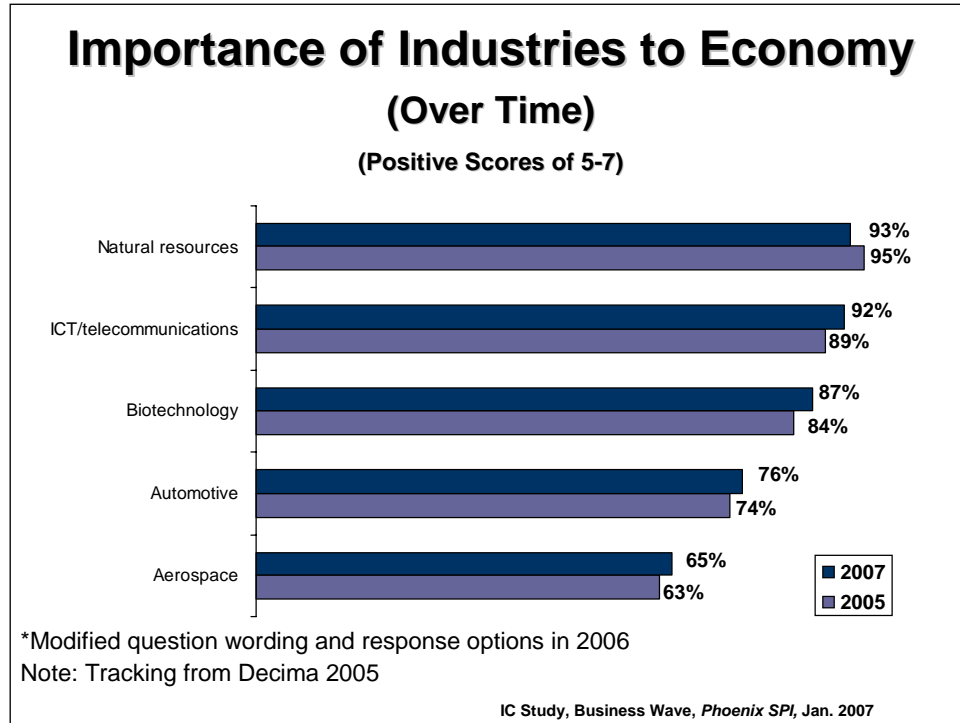
Majorities Felt All Industries Are Important to Economy

The majority of executives felt that all industries examined are important to the Canadian economy, although the size (65-93%) and intensity (18-60%) varied considerably. Virtually everyone (92-93%) attributed importance to the natural resources, environmental technologies, and ICT or telecommunications industries. That said, only the natural resources and environmental technologies industries were seen as *very* important by the majority of executives (53-60%).



More than four in five executives (87%) viewed as important the biotechnology industries. In addition, three-quarters (76%) agreed that the automotive industry was important to the economy, while two-thirds (65%) felt this way about the aerospace industry. Positive assessments notwithstanding, executives were much more likely to see these two industries as relatively less important compared to others (22-30% vs. 5-8%).

Executives' perceptions of which industries are important to ensuring a healthy Canadian economy have not changed significantly since 2005 (the question wording and response options were modified since it was last asked⁷).



⁷ Tracking from Decima 2005, "Canadian Aerospace Partnership Research".

VIEWS ON TELECOMMUNICATIONS

This section examines Canadian executives' views of telecommunications services in Canada, and their views on industry regulation.

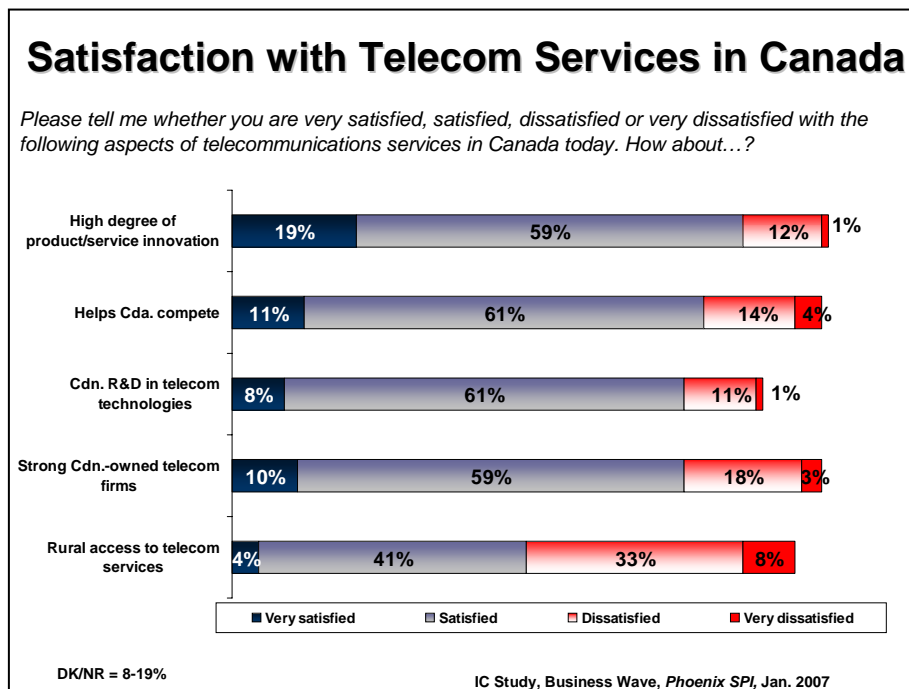
Majorities Satisfied with Most Aspects of Telecom Services

Executives were asked to rate their level of satisfaction with telecommunications services in Canada today. Specifically, they were asked to express their level of satisfaction with the following:

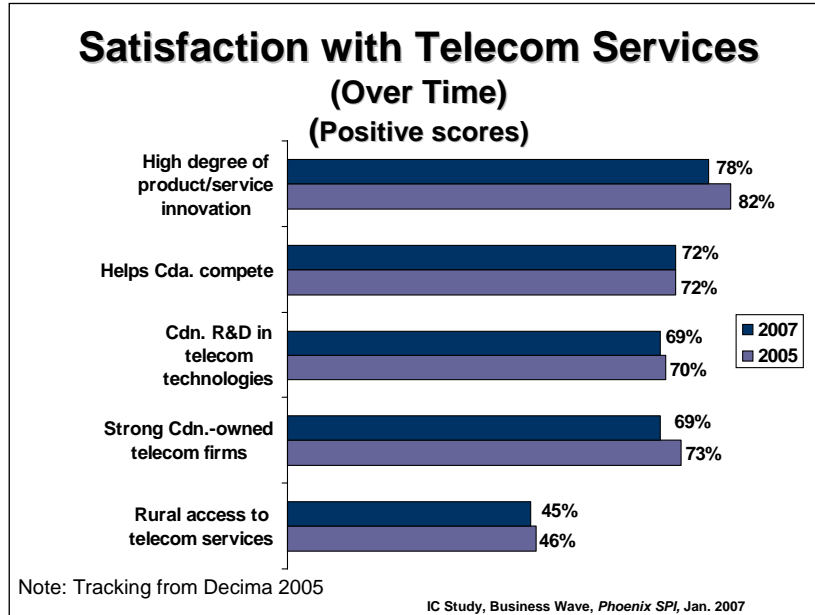
- High degree of technology, product and service innovation.
- Strong Canadian-owned telecommunications companies.
- Access in rural areas to the telecom services people need.
- Canadian-based research and development on new telecom technologies.
- A telecom system that helps our economy compete with the rest of the world.

With one exception – rural access to telecommunications services – majorities of executives expressed satisfaction with each of these aspects of Canada's telecommunications industry. Business leaders were least likely to be satisfied with access to telecommunications services in rural areas (45% vs. 69-78% of the other aspects). They were also *far* more likely to express dissatisfaction with the rural access component (41% vs. 12-21%).

Executives were most likely to express satisfaction with the high degree of product/service innovation (78%). They were also similarly likely (69-72%) to be satisfied that the telecommunications industry helps the economy compete internationally, with the Canadian-based R&D in telecommunications, and the existence of strong Canadian-owned telecommunications firms. Approximately one in ten (8-11%) were *very* satisfied with these aspects of the industry.

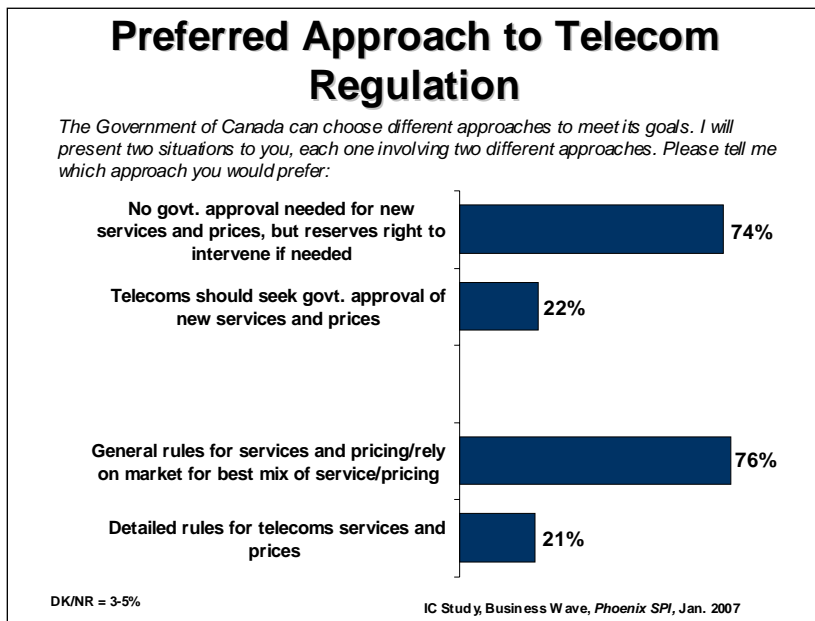


Compared to 2005⁸, satisfaction levels have changed little, with differences ranging from 1-4%, although satisfaction is down slightly in four of the five areas.



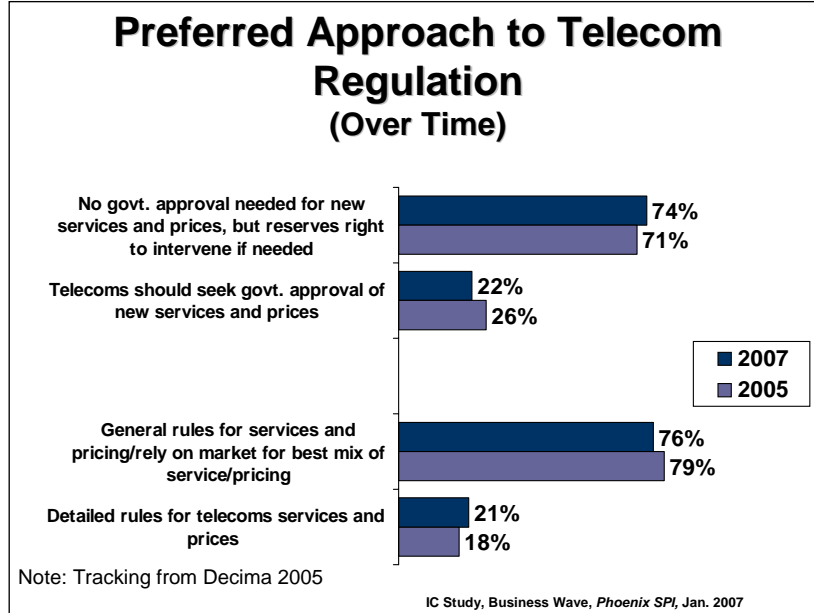
Executives Prefer ‘Hands-off’ Models of Telecom Market Regulation

Three-quarters of executives (74-76%) would rather see a ‘hands-off’ regulatory approach for telecommunications services and pricing, as opposed to a more prescriptive ‘hands-on’ approach (21-22%). Business leaders would prefer that the federal government provide general rules and rely on oversight and competition in the marketplace to produce the best mix of services and pricing, rather than prescribing detailed rules. They would also prefer that telecommunications firms not have to seek government approval for new services and pricing, leaving the government the option to intervene where necessary.



⁸ Tracking from Decima 2005, “Regulation of Local Telephone Market and Related Issues”.

The private sector's preference for a less activist telecommunications service and pricing regime has changed little since 2005⁹.



⁹ Tracking from Decima 2005, "Regulation of Local Telephone Market and Related Issues".

SUBGROUP VARIATIONS

This section presents subgroup variations for the issues explored in this survey. This includes business size, region, age of firm, and location (i.e. rural/urban).

Business Size

For the purposes of this analysis, businesses were grouped as follows:

- ❑ Small business: 1-49 employees;
- ❑ Medium: 50-199; and
- ❑ Large: 200 and above.

Overview

Overall, there were considerable differences based on firm size. Variations often followed a pattern, either increasing or decreasing with firm size or separating small firms from larger ones. Differences were most evident in executives' assessments of the federal government's priorities and performance and their views of issues related to R&D and telecommunications. Small firms were more likely to offer positive ratings of government performance in many priority areas and less apt to be involved in R&D, while executives of larger firms tended to be more satisfied with the telecommunications services in Canada.

Industry Canada Priorities & Performance

In assessing federal government priorities to support businesses in Canada, numerous variations were evident. Executives of small firms were more likely to attribute importance to making government services available online (79% vs. 73% each of larger firms), helping SMEs use the Internet (67% vs. 57-58%), and supporting regional economic development (76% vs. 69-72%). In contrast, executives of large firms were more apt to assign priority to ensuring smarter regulations (83% vs. 74-77%) and encouraging innovation and R&D (88% vs. 83% each of smaller firms).

When the focus shifts to assessing federal government performance in these same areas, executives of small firms stood out. Compared to larger firms, they were more likely to provide positive ratings of government performance vis-à-vis promoting inter-provincial trade (30% vs. 24-25%), supporting commercialization of products and ideas (42% vs. 37-38%), making government services for businesses available online (54% vs. 48-51%), and supporting regional economic development (40% vs. 36-38%). Note that online government services and regional economic development are also two of the three areas which executives of small firms were more apt to consider a priority. Other variations tended to be small and did not follow any pattern.

Turning to perceived and preferred roles of the Government of Canada in the economy, executives of large firms were more inclined to think the government *should* be a catalyst for innovation (28% vs. 22-23%); however, they were least apt to think it currently plays this role (13% vs. 19-21%). For other potential priorities, differences in perceptions based on firm size were minimal.

Research & Development (R&D)/Science & Technology (S&T)

Not surprisingly, the extent to which firms undertake a moderate amount of R&D activity increased with firm size (from 60% to 83%). In terms of barriers preventing more R&D activity, the importance of money/cost was more salient among medium-sized firms (30% vs. 25% each of the others), while executives of small firms were more likely to say that R&D was not appropriate for their firm (42% vs. 35% each for larger firms). When seeking help with or access to R&D, executives of larger firms were more likely to look in-house (18-19% vs. 8%) or to hire consultants and experts (9-11% vs. 3%). Additionally, executives of firms employing at least 200 employees were more than twice as likely as smaller ones to identify universities (11% vs. 3-5%). Conversely, the likelihood of pointing to the federal government (9% vs. 6-7%) and financial institutions (8% vs. 1-2%) was highest among the smallest firms.

Turning to perceived benefits of federal government support for R&D, executives of larger firms were more likely to cite *most* outcomes as benefits to the economy. While they were more apt to identify reducing the brain drain (15% vs. 4-8%), the likelihood of pointing to the following increased with firm size: increased productivity (7-15%) and competition (18-32%), economic/financial benefits (20-28%), and the development of new and better quality products (6-14%). Conversely, the larger the firm, the less inclined executives were to identify improved quality of life a benefit to the economy (8-12%). In terms of their business, executives of larger firms were more likely to see financial gains (19-21% vs. 14%), increased competitiveness (12% vs. 6-7%), and increased company size (8% vs. 2-6%) as main benefits of federal support for R&D.

Focusing on commercialization, executives of smaller firms were more likely to view Government of Canada investment as a big issue for their firm (21% each vs. 11% of large firms). The larger the firm, the more likely tax incentives were to be an important source of help in terms of transforming ideas/research into marketable products and/or services (from 7% to 19%). Executives of large firms were also more apt to point to financial support (28% vs. 19-24%) and decreased regulations (9% vs. 2-4%) as ways for the government to assist their company with commercialization.

Firm size played a role in the perceived usefulness of government programs aimed at supporting S&T research. The smaller the firm, the more likely executives were to attribute value to providing SMEs with access to government labs and equipment (from 25% to 34%) and providing business, technical and financial assistance (from 28% to 46%). That said, the larger the firm, the more likely executives were to see value in supporting S&T skills development in universities (from 39% to 44%).

Investment

In terms of ensuring responsible public investment in the economy, small firms were more likely to say that investments should be repayable (76% vs. 65-66% of larger firms), regionally equitable (73% vs. 59-64%), and business-government partnership-based (63% vs. 58-60%). Executives of larger firms were least apt to attribute importance to safeguards against political influence (80% vs. 84-87%).

There was just one notable difference related to growth sectors of the economy – executives of larger firm were more inclined to feel that the natural resources sector will experience fast growth in the coming years (22-24% vs. 16% of small firms).

When asked to assign importance to various industries, business leaders of medium-sized firms were least likely to view the automotive (71% vs. 75-77%) and biotechnology (82% vs. 88-89%) industries as important to ensuring a healthy Canadian economy. Conversely, those from smaller firms were more inclined to attribute importance to the aerospace industry (64-66% vs. 60%).

Views on Telecommunications

Overall, executives of larger firms tended to be more satisfied with the various aspects of telecommunications services in Canada. They were more likely to express satisfaction with the degree of technology, product and service innovation (84% vs. 76-79% of smaller firms), the extent of Canadian ownership (76% of medium- and large-sized firms vs. 69% of small firms), and the extent to which the telecommunications system helps Canada to be internationally competitive (79-81% vs. 71%). Conversely, business leaders of large firms were the least apt to be satisfied with access to telecommunications services in rural areas (41% vs. 45-48%).

The larger the executive's firm, the more likely he/she was to prefer a hands-off form of telecom regulation. Specifically, as firm size increased, executives were more likely to prefer that government provide general rules for services and pricing, and intervene only when necessary (from 76% to 87% of large firms), and that telecoms not have to seek government approval for services they offer (from 73% to 84% of large firms).

Region

For the purposes of this analysis, businesses were grouped into the following regions:

- Atlantic;
- Quebec;
- Ontario; and
- West.

Overview

Regional differences were widespread and tended to be pronounced on many issues. While there was no consistent pattern, differences often separated Quebec from the rest of the country. Overall, executives in Quebec tended to offer more positive assessments of government performance, were least likely to engage in R&D, and were most apt to need help with S&T commercialization.

Industry Canada Priorities & Performance

Perceptions of what the Government of Canada *should* be doing to support businesses in Canada varied by region and sometimes widely, with differences ranging from a low of 7% to a high of 23%. While no consistent patterns emerged, differences often separated

Ontario from the rest of the country. Executives in Ontario were the *least* likely to attribute importance to supporting regional economic development (68% vs. 74% in Quebec, 81% in the West, and 87% in Atlantic Canada), and making government services available online (67% vs. 77-79% in Quebec and Atlantic region, and 89% in the West). In contrast, they were *more* apt to emphasize promoting a fair and competitive marketplace (90% vs. 72-78% elsewhere), and together with Atlantic Canadians, to view as priorities supporting commercialization (80-81% vs. 74-75%) and promoting sustainable development (81-82% vs. 77%).

The likelihood of assigning priority to smarter regulations was highest in the West (78%) and decreased moving east (from 76% in Ontario to 66% in Atlantic Canada). Having an internationally comparable tax regime was more important in the West (89%) and Ontario (80%), while promoting inter-provincial trade was more of a priority among executives in Quebec (77%) and Atlantic Canada (73%).

Turning to assessments of the government's performance in these areas, executives in Quebec offered the most positive ratings, with three exceptions. Ontario executives were the most likely to say that the government was doing a good job making government services available online (59% vs. 55% Quebec, and 48-49% elsewhere), and supporting commercialization (52% vs. 49% in Quebec, 39% in the Atlantic, and 29% in the West). The likelihood of providing a favourable assessment regarding promoting and maintaining a fair and competitive marketplace increased from West to East (from 22% to 37% in Ontario, 45% in Quebec, and 53% in the Atlantic region).

Perceptions of the government's perceived and preferred roles in the economy varied by region. Executives in Ontario were most likely to see the government as an economic leader or activist (12% vs. 4-7%), while those in Atlantic Canada were most apt to view it as a partner to Canadian business (26% vs. 24% in the West and 12-15% elsewhere). Western executives were significantly more likely to think that the government acts as a catalyst (32% vs. 11-18%). The belief that it currently plays a minimalist role was highest in Quebec (50%) and lowest in the West (32%).

When it came to preferred roles, there was a disconnect: executives in Quebec were most likely to prefer that government act as an economic leader (27% vs. 20-24%), those in the West as a partner (45% vs. 41% in the Atlantic region and 31-35%), and those in Ontario (27%) and Quebec (26%) as a catalyst. Executives in Quebec and Atlantic Canada were the less likely to prefer the government play a minimalist role in the Canadian economy (5% each vs. 10-13%).

Research & Development/Science & Technology

Firms in Quebec were the most likely to have not undertaken any R&D activities at all (44% vs. 34-37%). In terms of barriers preventing more R&D activity, money/cost was more likely to be emphasized in Ontario (28%) and the West (27%), compared to elsewhere (19-23%). Executives in the West were least likely to say that R&D was not appropriate for their firm's activities (36% vs. 42-48% elsewhere) and most apt to report that there are no barriers (14% vs. 9-12%).

Quebec executives were most likely to identify the federal (12% vs. 6-10%) and provincial (16% vs. 3-10%) governments and private companies (9% vs. 1-6%) as sources of assistance. They were also the only executives to not identify in-house resources (0% vs. 9% in Ontario and 12% in Atlantic Canada and the West), universities (0% vs. 4% each in the Atlantic and West and 10% in Ontario), or the Internet (0% vs. 5-8% elsewhere). Executives in the Atlantic region were most apt to identify trade associations (13% vs. 5-7% elsewhere).

In terms of perceived benefits of federal R&D support, business leaders in Quebec were most likely to see improved quality of life as the main benefit to the economy (21% vs. 7-12%). Increased competitiveness was more salient among Ontario executives (25% vs. 20% in Quebec, and 12-17% elsewhere), while Ontario and Atlantic executives were more likely to point to reduced brain drain (11-14% vs. 2-7%) and increased productivity (12% each vs. 3-4%). When the focus shifts to their own business, executives in Quebec and the West were much more likely than others to point to financial benefits (20% each vs. 6-12%). Additionally, compared to executives in other regions, those in Quebec were more inclined to cite all of the other top benefits to their business: financing options, creating new products, retaining skilled workers and increasing the size of their company.

Turing to commercialization, executives in Quebec were more likely to view this type of assistance as an issue for their firm (57% vs. 45% in Ontario and 28-31%). Not unexpectedly, they were the most likely to suggest that financial support would be the best way to help them commercialize their ideas and products (36% vs. 26% in Ontario, and 17% elsewhere). Those in Ontario and the Atlantic region were more likely than others to suggest tax incentives (12% vs. 7% or less).

Distinct regional differences were evident in terms of the initiatives the federal government could take to support businesses undertaking S&T activities. Atlantic executives were more likely to say that providing SMEs with access to government labs and equipment (54% vs. 48-51%) would be valuable to their industry, as well as encouraging businesses to work with universities (69% vs. 57-59%) and supporting S&T skills development (69% vs. 63% in the West and 54-58% in Quebec and Ontario). Quebec executives were slightly more inclined to attribute value to government tax credits for S&T research (62% vs. 57-59%), while those in Ontario were much *less* likely to see value in government providing business, technical and financial support to SMEs (56% vs. 64-65%).

Compared to elsewhere in Canada, business leaders in the Atlantic region (60%) and Quebec (60%) were more likely to be at least moderately interested in receiving information on government S&T programs (vs. 44-48% in Ontario and the West).

Investment

In terms of ensuring responsible public investments in the economy, making investments repayable was similarly important in all regions, except the West, where it was considered more important (71-73% vs. 78%). With the exception of Ontario, executives also held similar views on basing investments on independent expert recommendations (77-81% vs. 68%). Business leaders in Quebec and the Atlantic region were more likely to attribute importance to requiring partnerships (70% each vs. 59-61%) and ensuring equitable regional distribution (78-81% vs. 73% in the West and 65% in Ontario). Clear reporting of

investments was more important among Ontario and Atlantic executives (87-88% vs. 82-83%), while safeguards against political influence were of lesser importance in Atlantic Canada than elsewhere (78% vs. 84-86%).

Business leaders in Quebec and Atlantic Canada were more likely to expect the information technology sector to grow fastest over the next few years (23% each vs. 14% in Ontario, and 6% in the West). Conversely, executives in the West and Ontario were more apt to expect the communications technology sector to grow quickly (10-11% vs. 7% in Quebec and 2% in Atlantic Canada). As well, executives in the West were also much more likely to point to natural resources as a growth sector (29% vs. 19% in Atlantic Canada, 11% in Quebec and 7% in Ontario).

In terms of industries that are important to ensuring a healthy Canadian economy, significant regional differences were evident in two areas. Executives in Ontario and Atlantic Canada were more likely to attribute importance to the automotive industry (83-85% vs. 75% in Quebec and 66% in the West), while the aerospace industry was more likely to be important to Quebec (76%) and Atlantic Canada (72%) executives (compared to 66% in the West and 55% in Ontario).

Views on Telecommunications

Focusing on telecommunications services in Canada, executives in the West and Quebec were more likely to express satisfaction with rural access to telecommunications services (52-54% vs. 43% in the Atlantic region and 34% in Ontario). Executives in Atlantic Canada were the most likely to be satisfied that the telecommunications system helps Canada to compete internationally (76% vs. 70-72%) and that there are strong Canadian-owned telecommunications companies (78% vs. 67-71%). Business leaders outside Quebec held similar views on the degree of technology and product innovation (79-80% vs. 75% in Quebec), while those outside Ontario were similarly likely to express satisfaction with Canadian-based R&D (70-73% vs. 64% in Ontario).

Executives in the West and Ontario share similar views on regulating telecommunications. They were more likely to think government should provide general rules and rely on oversight and competition for the best mix of service and pricing (79-81% vs. 66-68%) and to prefer that telecom services be offered to consumers without first seeking government approval (85% in the West, and 72% in Ontario vs. 69% in Atlantic Canada and 58% in Quebec).

Age of firm

For the purposes of this analysis, businesses were grouped as follows:

- ❑ 1-10 years old ('young firms');
- ❑ 11-20 years old ('medium firms');
- ❑ 21-40 years old ('old firms'); and
- ❑ Over 40 years old ('oldest firms')

Overview

Differences based on the age of firms were widespread and pronounced at times. While they did not follow a regular pattern, differences often separated older firms from younger ones. This was particularly evident with respect to government priorities and performance. Only occasionally did differences increase or decrease with age of firm.

Industry Canada Priorities & Performance

Firm age had an impact on executives' views vis-à-vis government priorities. Executives of the oldest firms (i.e. those over 40 years) were more likely than others to attribute priority to many of the areas examined, including:

- Encouraging innovation (96% vs. 75% of young firms and 84-85% of others);
- A competitive tax regime (95% vs. 84% of young firms, and 73-78% of others);
- A fair and competitive marketplace (89% vs. 78-82%);
- Promoting sustainable development (88% vs. 72% of young firms and 80-83% or others);
- Making government services available online (88% vs. 67% in old firms, and 80-83% of others); and
- Ensuring smarter regulations (86% vs. 72-77%).

Business leaders in old firms (i.e. 21-40 years) were the least likely to view as important priorities supporting commercialization (67% vs. 78-83%) and encouraging investment (78% vs. 86-88%). Helping SMEs take advantage of the Internet was more likely to be a priority for executives of young firms (75% vs. 61-68%), while promoting inter-provincial trade was more important for those working for medium-aged firms (i.e. 11-20 years) (71% vs. 53% of young firms and 62-66% of others).

When assessing government performance in these same areas, subgroup variations were notable but did not follow a consistent pattern. Young firms were less likely to provide positive ratings of the government's efforts to help SMEs take advantage of the Internet (20% vs. 30-35%) and to promote a fair and competitive marketplace (28% vs. 36-40%). Executives of medium firms were less likely to feel that the government is doing a good job supporting commercialization (38% vs. 42-44%). The government's performance regarding a competitive tax regime was most likely to be viewed positively by executives of medium and old firms (i.e. between the ages of 11-40) (24-27% vs. 12-19%), while its performance in supporting regional economic development was viewed most positively by executives from medium-age and the oldest firms (46% vs. 36-37% of others). The likelihood of providing positive assessments increased with firm age for the following: ensuring smarter regulations (19-36%), promoting sustainable development (23-42%), and encouraging investment (29-48%). As well, executives of the oldest firms were more likely to give favourable evaluations of government performance in the all other priority areas.

Turning to the government's role in the economy, those from the oldest firms were most likely to think the government is currently acting as a partner to business (30% vs. 12% of old firms and 19-21% of others). Executives of medium-aged firms were the least apt to believe the government is playing a minimalist role (36% vs. 40-45%). When the focus shifts to the preferred role of government, executives from older firms (i.e. those in

operation for over 20 years) were more likely to think it should be a partner to business (43-44% vs. 31-37% of younger firms), while the perception that it should be an economic leader was more likely to be held by executives of medium-aged firms (30% vs. 12% of old firms and 23-26%).

Research & Development/Science & Technology

The oldest firms were the least likely to undertake R&D (26% vs. 35-41%). Money/cost was a more important barrier to increased R&D activity among executives of young firms (33% vs. 16-25%). Executives of young firms were less likely to say that R&D was not appropriate for their firm (35% vs. 41-44%), while the likelihood of reporting no R&D barriers increased with the age of the firm (from 8% to 21%). For help with or access to R&D, executives from medium-aged firms were the most likely to turn to the National Research Council (10% vs. 2% of others). Those from the oldest firms were more apt to use in-house resources (18% vs. 2-12% of others) and the Internet (17% vs. 3-7%), while they were less likely than younger firms (i.e. those in business for up to 40 years) to cite the federal (2% vs. 8-12%) or provincial (1% vs. 4-10%) governments and business/trade associations (2% vs. 6-10%).

When it came to the main benefits of federal support for R&D, business leaders from the oldest firms were more likely to identify reduced brain drain (22% vs. 12% of young firms and 2-4% of others), increased competitiveness (29% vs. 17-19%), and new or better quality products (15% vs. 4-7%). The older the firm, the less likely its executives were to identify economic benefits (from 23% to 8%). Similarly, the likelihood of thinking that financial benefits would flow to their business from federal R&D support decreased as firm age increased (from 17% to 12%). That said, executives of the oldest firms were most likely to believe there would be no benefits (61% vs. 44-51%).

With the exception of executives of old firms (i.e. 21-40 years) (29%), the likelihood of considering commercialization an issue did not vary much by age (42-45%). Overall, executives of younger firms were more likely to view financial support as the best way for the government to help their company transform ideas/research into marketable products or services (28-32% vs. 11-16% of older firms). Conversely, business leaders working for old firms were more likely to suggest knowledgeable assistance (14% vs. 8% or less), while executives of the oldest firms were least likely to point to tax incentives (1% vs. 7-10%).

Focusing on federal government initiatives designed to support businesses that undertake S&T activities, executives of old firms were more likely to attribute value to encouraging business-post-secondary partnerships (64% vs. 51-59% of others). Executives of the youngest firms were more apt to consider important business, technical and financial help for SMEs (76% vs. 53-61%) and government tax credits for S&T research (68% vs. 63% of old firms vs. 47-52%). Supporting S&T skills development (48% vs. 54-68%) and providing SME access to government facilities (40% vs. 49-53%) were much less likely to be viewed as valuable initiatives by executives of the oldest firms.

Executives of the oldest firms were the least likely to be interested in receiving information about government S&T programs targeted at businesses (35% vs. 44% of old firms, and 54-57% of others).

Investment

In terms of ensuring responsible public investment in the economy, measures that executives deemed important varied significantly. Those from medium-aged and the oldest firms were more likely than others to attribute importance to clear reporting (90-91% vs. 82-84%) and basing decisions on independent expert recommendations (82-83% vs. 72-73%). The older the firm, the more likely executives were to assign importance to equitable regional distribution (from 61% to 77%) and safeguards against political influence (from 83% to 91%). Making investments repayable (82% vs. 72-77%) and requiring partnerships with government were more important to executives of the oldest firms (77% vs. 56-69% of others).

Executives of younger firms were more likely to expect the natural resources (18-20% vs. 11-14%), information technology (19% vs. 8-15%), and communication technology (11% vs. 3-9%) sectors to experience the fastest growth in the coming years. When assessing the importance of various industries to a healthy Canadian economy, executives of medium-aged firms were the most likely to attribute importance to the biotechnology (93% vs. 84-89%) and aerospace (77% vs. 61-62%) industries. The most established, or oldest, firms felt that the ICT or telecommunications (98% vs. 89-95%) and the automotive (86% vs. 66-82%) industries are of the most value to the economy.

Views on Telecommunications

Satisfaction with aspects of the telecommunications industry in Canada varied considerably by age of firm. Executives of the two middle aged groups were the most likely to be satisfied with the level of Canadian based R&D (69-73% vs. 64-66%) and rural access to telecommunications services (48-49% vs. 41-45%). Business leaders of medium-aged firms were also more likely to be satisfied that there are strong Canadian-owned telecommunications firms (78% vs. 63-72% of others), while those of the oldest firms (84% vs. 64-77%) were more likely to be satisfied that the telecommunications system helps the Canadian economy compete with the world. As firms increased in age, executives were more likely to express satisfaction with the degree of technology and product innovation (from 71% to 92%).

In terms of approaches to regulation, the proportion of executives who preferred that the government provide only general rules for service delivery and rely on market forces ranged from 66% among medium-aged firms to 92% among the oldest firms. The likelihood of preferring that telecommunications services be offered without prior government approval was fairly similar regardless of firm age.

Location

For the purposes of this analysis, the comparison is between businesses located in urban and rural (smaller urban) areas of the country. Postal codes were used to determine location. The second letter of each postal code indicates whether the business is located in an urban or rural area of the country.

Differences based on firm location were evident in all areas but were most pronounced concerning government priorities and performance, and R&D/S&T issues. Executives of rural firms were more likely to view as important *many* of the priority areas and to provide positive ratings of the government performance in all areas. In addition, compared to urban executives, those located in rural areas were more likely to say their firm undertakes R&D activities and to view commercialization assistance as an issue for their firm.

Industry Canada Priorities & Performance

Executives, regardless of location, attributed similar levels of importance to the potential priorities of making government services accessible online, promoting and maintaining a fair and competitive marketplace, ensuring smarter regulations, having a tax regime for businesses comparable to Canada's competitors, and helping SMEs take advantage of the Internet. Beyond that, there were significant differences between executives from urban and rural firms. Executives in rural firms were more likely, and sometimes *much* more likely, to assign priority to the following:

- Promoting sustainable development (91% vs. 77%);
- Encouraging investment in the economy (89% vs. 84%);
- Encouraging innovation and R&D (88% vs. 82%);
- Supporting regional economic development (83% vs. 73%);
- Supporting commercialization efforts (82% vs. 78%); and
- Promoting inter-provincial trade (78% vs. 59%).

Executives in rural areas were also more likely to provide positive assessments of the government's performance in all areas. Differences were most pronounced for making government services accessible online (71% vs. 49%), helping SMEs use the Internet (57% vs. 19%), supporting regional economic development (53% vs. 35%), and promoting /maintaining a fair and competitive marketplace (47% vs. 29%). In addition, rural executives were more likely to offer favourable ratings for the following:

- Encouraging innovation and R&D (53% vs. 40%);
- Investment in the economy (48% vs. 32%);
- Supporting commercialization efforts (49% vs. 40%);
- Promoting sustainable development (42% vs. 27%);
- Ensuring smarter regulations (38% vs. 24%);
- Promoting inter-provincial trade (34% vs. 29%); and
- Having an internationally comparable business tax regime (33% vs. 20%).

Turning to the role of the federal government in the economy, there is an obvious disconnect between perceptions and preferences. Executives in urban firms were more likely to think the government *currently* plays a minimalist role (43% vs. 37%) or acts as a partner to Canadian business (21% vs. 15%). Conversely, those in rural firms were more likely to view the government as a catalyst for innovation (24% vs. 18%). Focusing on *preferences*, executives in urban firms were more likely to prefer the role of catalyst (23% vs. 20%), while those in rural firms were more likely to prefer the government assume the role of partner (45% vs. 38%).

Research & Development/Science & Technology

Rural firms were much more likely to undertake at least moderate R&D activities (58% vs. 34%). In terms of barriers preventing more R&D activity, money/cost was equally important to executives in urban and rural firms (26-27%). Executives in rural firms were more likely to say that R&D was not appropriate for their firm (43% vs. 38%). To obtain help with or access to R&D, business leaders in rural firms were considerably more likely to say they would go to trade associations (20% vs. 4%) and the provincial government (10% vs. 5%). Conversely, those working in urban firms were more apt to consult a financial institution (11% vs. 4%) or to use the Internet (7% vs. 3%).

In terms of the main perceived benefits of federal support for R&D, executives in rural firms were more likely to cite improved quality of life (14% vs. 9%). Urban executives, on the other hand, were slightly more apt to point to economic/financial benefits (21% vs. 17%) and increased competitiveness (19% vs. 15%). Focusing on benefits to their company, rural executives were much more likely to point to financial benefits (22% vs. 12%), financing options (10% vs. 3%), and creating new products (9% vs. 4%).

Executives in rural firms were more inclined to view commercialization assistance as an issue for their firm (48% vs. 37%). Thinking about the best way for the government to help them in this area, rural executives were more likely to suggest financial support (31% vs. 24%), knowledgeable assistance (13% vs. 4%), and decreased regulation (10% vs. 3%). Interestingly, they were also more likely to say that their firm did not need government assistance transforming ideas/research into marketable products or services (16% vs. 5%).

The federal government's initiatives aimed at supporting businesses that undertake S&T activities were more likely to appeal to executives working for rural firms. These executives were more apt to attribute value to all the initiatives: providing business, technical/financial assistance (74% vs. 59%), supporting S&T skills development (72% vs. 57%), encouraging partnerships (69% vs. 56%), offering government tax credits for S&T (64% vs. 58%), and providing access to government labs (58% vs. 47%). In addition, the majority of executives from rural firms (60%) were interested in receiving information on Government of Canada S&T programs for businesses (compared to 47% of urban firms).

Investment

In terms of ensuring responsible public investment in the economy, executives, regardless of location, were similarly likely to attribute importance to clear reporting, safeguards from political influence, basing decisions on the recommendations of independent experts, and requiring partnerships. That said, executives of rural firms were more apt to view as important making investments repayable (85% vs. 75%), while those in urban firms felt this way about equitable regional distribution (74% vs. 70%).

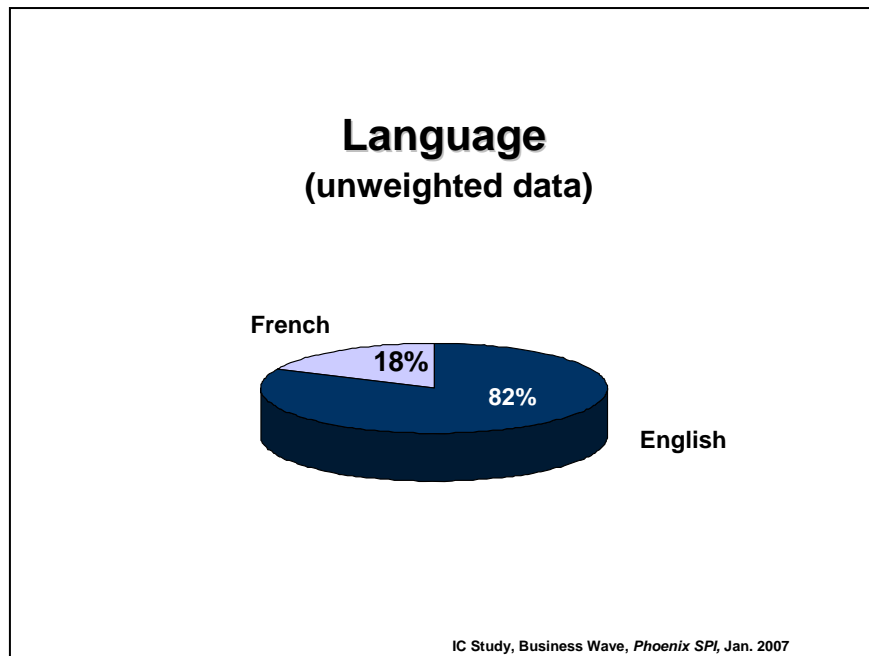
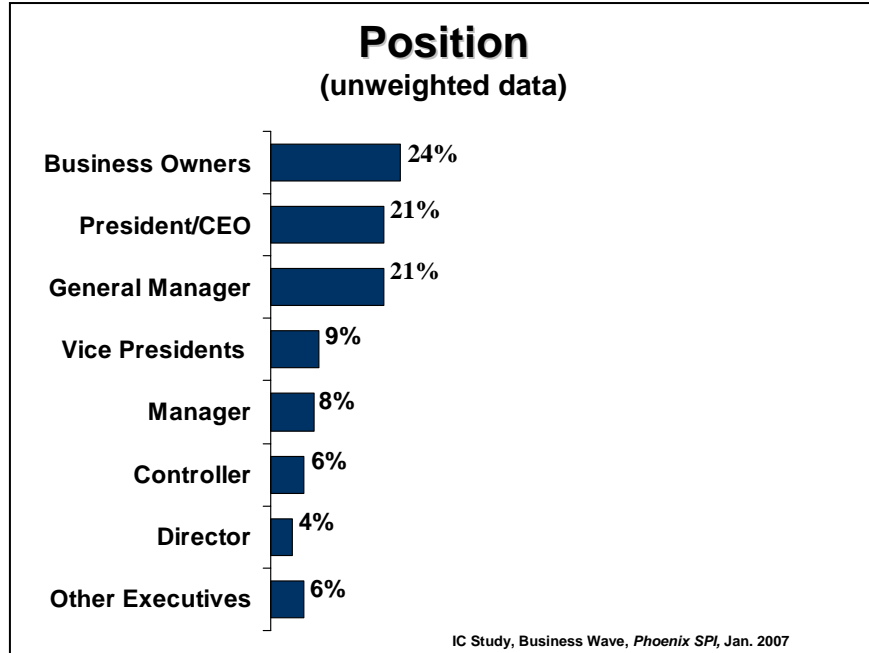
Executives in urban firms were more likely to predict fast-paced growth for the natural resources (21% vs. 9%), communications technology (10% vs. 4%), and health-care (8% vs. 4%) sectors of the economy. They were also slightly more apt to say that the ICT industry is important for ensuring a healthy Canadian economy (94% vs. 89%). Rural executives were more inclined to attribute importance to the aerospace (71% vs. 61%) and automotive (79% vs. 74%) industries.

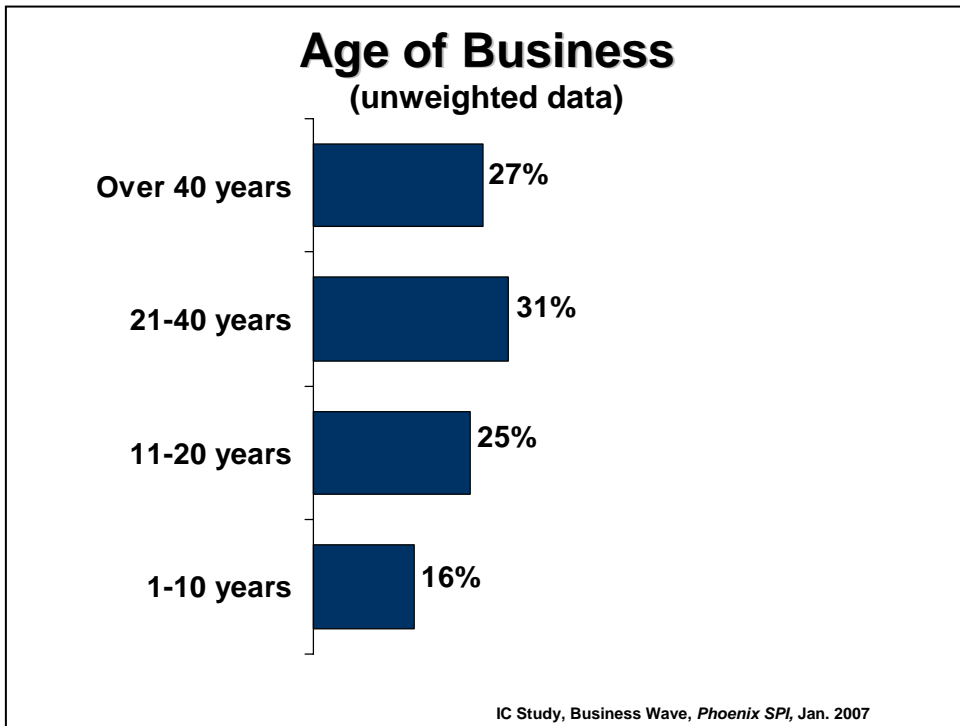
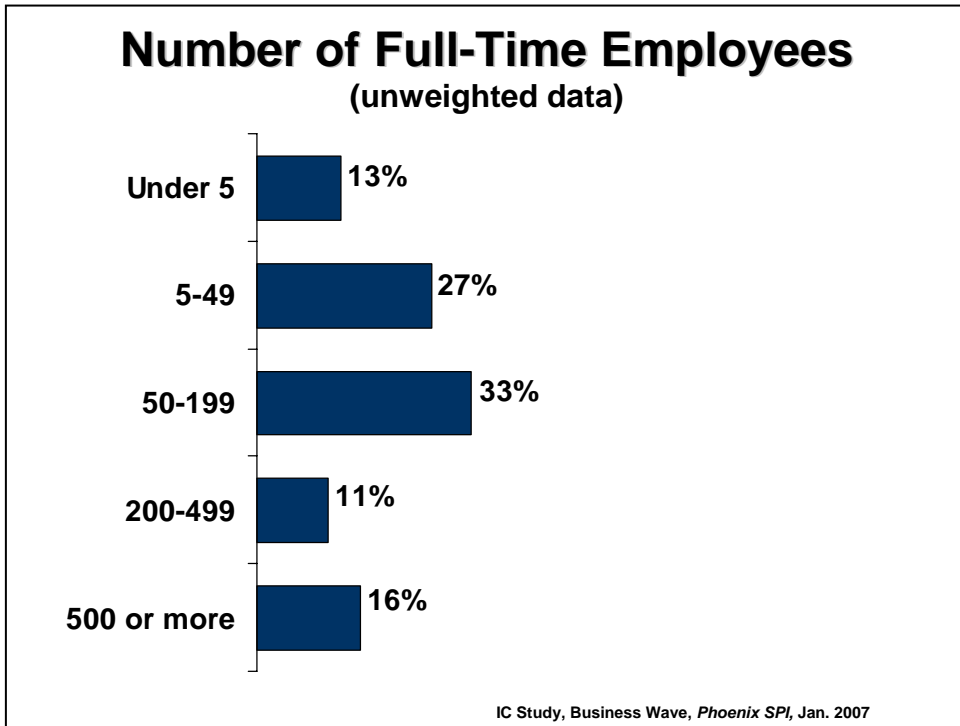
Views on Telecommunications

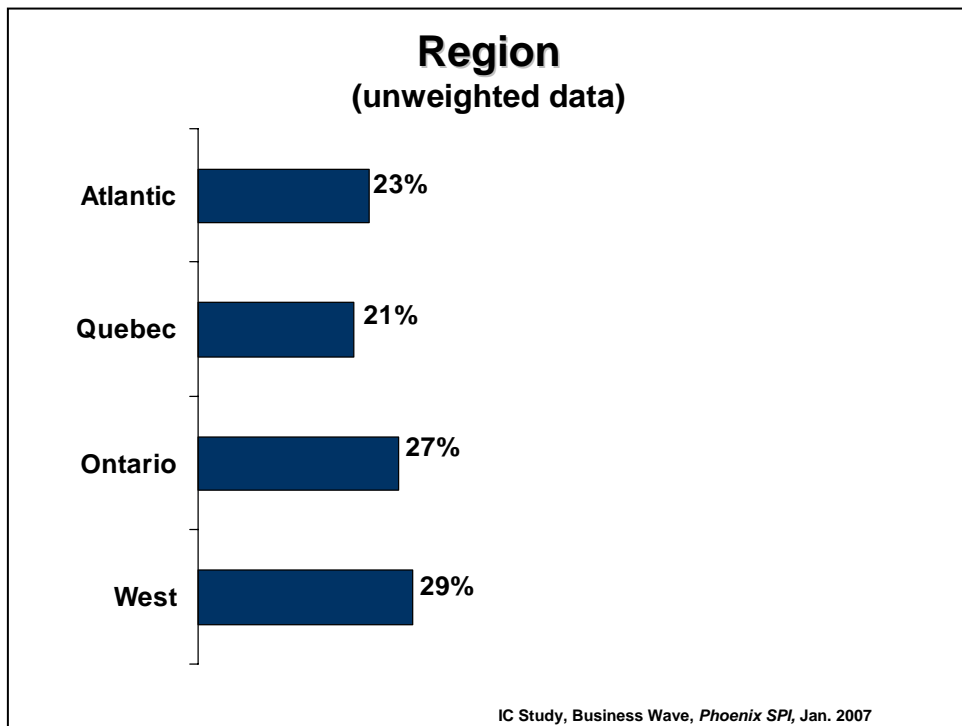
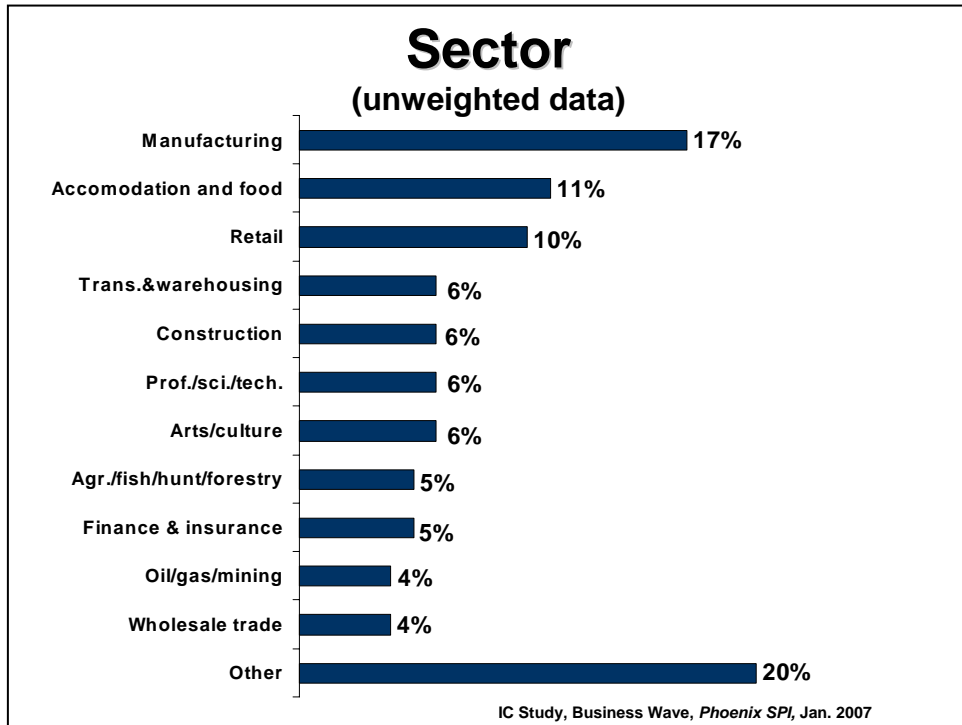
A few differences warrant mention. Executives of rural firms were more likely to express satisfaction with the level of rural access to telecommunications service (55% vs. 44%). Conversely, urban executives were more apt to be satisfied with Canadian-based R&D (73% vs. 68%) and the competitiveness of the economy that results from the telecom industry (76% vs. 66%). When thinking about regulation, rural executives were more apt to prefer that telecommunications firms be allowed to offer service without prior government approval (81% vs. 74%).

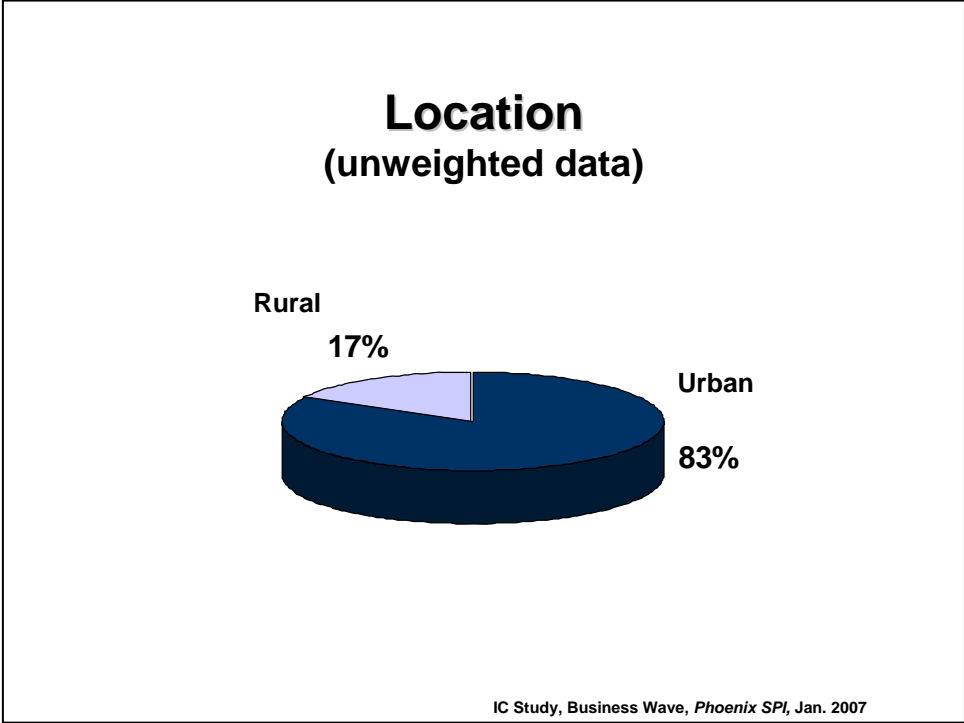
CHARACTERISTICS OF SURVEY PARTICIPANTS

This section presents the characteristics of survey participants and their businesses, including position and language of respondent, size of firm, age of firm, sector, region and urban-rural location.









APPENDIX

DETAILED NOTE ON WEIGHTING

The final weighting scheme used for the survey was based on business size and region. The sample was weighted to correspond with the distribution of businesses according to Statistics Canada's *Canadian Business Patterns* (June 2006). The Statistics Canada "Indeterminate" category¹⁰ of businesses was excluded from the size distributions used to weight the survey data. Weighting by business size and region is important because size-based and region-based quotas were used to govern the data collection. Following this note is a design note that presents the sample frame for the survey.

Since quotas were used for both business size and region to guide the data collection, the process of applying weights was undertaken in multiple stages. First, the data were weighted to ensure that the results *within* each region were reflective of the distribution of businesses by size and sub-region in each region (e.g. for Atlantic Canada, ensuring that the weights reflects the distribution of businesses within this region by size and province). In this way, regional analyses were more accurate. Following this, efforts were taken to ensure that the overall, aggregate data were representative of the national distribution of business by size and region for the country as a whole.

Business Size					
Categories	Actual Pop.*		Unweighted Survey Data		Weighted Survey Data
	N	%	N	%	%
Indeterminate Excluded	1255404				
1 to 4	613820	57%	104	13%	57%
5 to 19	306213	29%	137	17%	29%
20 to 49	91640	9%	77	10%	9%
50 to 199	475492	4%	268	33%	4%
200 to 499	7769	1%	90	11%	1%
500+	3151	0%	130	16%	0%
DN/NR	-	-	2	0%	-
	1,070,139	100%	808	100%	100%

***Source: Statistics Canada, Canadian Business Patterns, June 2006**

¹⁰ The "Indeterminate" category includes businesses that do not maintain an employee payroll, but may have a workforce that consists of contracted workers, family members or business owners, and businesses that did not have employees in the last 12 months.

Industry Canada 2007 Business Survey

Region					
	Actual Pop.*		Unweighted Survey Data		Weighted Survey Data
Indeterminate Excluded	N	%	N	%	%
Province					
British Columbia	167809	16%	88	11%	16%
Alberta	147803	14%	92	11%	14%
Saskatchewan	39191	4%	30	4%	4%
Manitoba	35633	3%	21	3%	3%
Ontario	356619	33%	217	27%	33%
Quebec	239311	22%	171	21%	22%
New Brunswick	26155	2%	52	6%	2%
Nova Scotia/P.E.I	36774	3%	101	13%	3%
Newfoundland/Labrador	16909	2%	36	4%	2%
YT	1597	0%	-	-	0%
NWT	1714	0%	-	-	0%
Nunavut	624	0%	-	-	0%
Region					
West	394371	37%	231	29%	37%
Ontario	356619	33%	217	27%	33%
Quebec	239311	22%	171	21%	22%
Atlantic Canada	79838	8%	189	23%	7%
Total	1070139	100%	808	100%	100%
*Source: Statistics Canada, Canadian Business Patterns, June 2006					

Industry Canada 2007 Business Survey

The sample was also reviewed for sector distribution. As the tables below reveal, the sectoral distribution is close to the Statistics Canada data, although some variations are evident as would be expected

Sector				
	Actual Pop.*		Survey Data*	
Indeterminate Excluded	N	%	N	%
Accommodation/Food Services	74140	7%	89	11%
Administrative/Support	49974	5%	5	1%
Agriculture/Forestry	56961	5%	42	5%
Arts/Entertainment/Recreation	18608	2%	34	4%
Construction	119459	11%	52	6%
Educational Services	12190	1%	-	-
Finance and Insurance	39231	4%	42	5%
Health Care/Social Ass.	84595	8%	5	1%
Inform/Cultural Industry	13941	1%	14	2%
Management of Companies	13405	1%	5	1%
Manufacturing	60766	6%	140	17%
Mining/Oil, Gas Extraction	9374	1%	32	4%
Other Services	96688	9%	111	14%
Profess/Scientific/Tech	122247	11%	52	6%
Public Administration	7975	1%	-	-
Real Estate	42850	4%	20	2%
Registered charity		0%	-	-
Retail Trade	134372	13%	83	10%
Transportation/Warehousing	48062	4%	47	6%
Utilities	1369	0%	5	1%
Wholesale Trade	63932	6%	29	4%
DK/NR		0%	1	0%
Total	1070139	100%	808	100%
*Source: Statistics Canada, Canadian Business Patterns, June 2006				

INDUSTRY CANADA 2007 BUSINESS SURVEY

Hello, may I speak to _____. (USE CONTACT NAME/POSITION FROM LIST)

- IF PERSON IS AVAILABLE, CONTINUE.
- IF NOT AVAILABLE, SCHEDULE CALL-BACK. IF NEEDED, EXPLAIN PURPOSE OF THE STUDY (USE INTRODUCTION).

Hello, my name is _____. I'm calling on behalf of Phoenix, a public opinion research company. We've been commissioned by the Government of Canada to conduct a survey with senior corporate executives. The purpose is to explore the perceptions of business leaders on a number of important issues facing businesses and the Canadian economy. The survey is registered with the national survey registration system.

Would you be willing to take part in this survey? Your participation is voluntary, but would be extremely valuable. The findings will be used to help the Government of Canada better understand the needs of businesses, and to develop effective policies and programs that meet those needs. All responses will be kept entirely confidential. We can do the survey now or at a time more convenient for you.

- [] Yes, now (CONTINUE)
- [] Yes, call later. Specify date/time: Date: Time:
- [] Refused (THANK & DISCONTINUE)

INTERVIEWER NOTES:

PARTICIPANTS MUST BE THE OWNER, CEO, PRESIDENT OR SENIOR DECISION MAKER/ EXECUTIVE FOR SMALL FIRMS, AND VICE-PRESIDENTS OR SENIOR EXECUTIVES RESPONSIBLE FOR GOVERNMENT RELATIONS/ PUBLIC AFFAIRS/OPERATIONS FOR MEDIUM-SIZED AND LARGE FIRMS. ASK FOR APPROPRIATE REFERRAL IF RESPONDENT DOES NOT FIT CRITERIA OR DISCONTINUE INTERVIEW.

IF RESPONDENT ASKS ABOUT THE LENGTH OF THE SURVEY, INFORM HIM/HER IT IS SHOULD TAKE NO MORE THAN 20 MINUTES.

IF RESPONDENT QUESTIONS THE VALIDITY OF THE SURVEY, ASK HIM/HER TO CALL LYNN PATRY OF THE GOVERNMENT OF CANADA AT 613-948-1549 (OR HAVE LYNN CALL THE RESPONDENT).

IF RESPONDENT ASKS ABOUT NATIONAL SURVEY REGISTRATION SYSTEM, SAY:

The registration system has been created by the survey research industry to allow the public to verify that a survey is legitimate, get information about the survey industry or register a complaint. The registration system's toll-free phone number is 1-800-554-9996.

PARTICIPANTS' COMMENTS WILL BE PROTECTED IN ACCORDANCE WITH THE PROVISIONS OF THE PRIVACY ACT. INDICATE THIS IF RELEVANT. ALSO SAY IF RELEVANT: "YOUR REPOSSES TO THIS SURVEY WILL HAVE NO IMPACT ON YOUR DEALINGS WITH THE GOVERNMENT OF CANADA".

SOME QUESTIONS ARE TRACKING QUESTIONS THAT WERE USED IN EARLIER SURVEYS, INCLUDING THE INDUSTRY CANADA BASELINE SURVEY (2002), THE FOLLOW-UP SURVEY

Industry Canada 2007 Business Survey

(2004), OR AN SME INFORMATION NEEDS SURVEY (2001). TRACKING QUESTIONS ARE IDENTIFIED AS FOLLOWS: T04 = TRACKING (T) FROM 2004 BUSINESS SURVEY.

HEADINGS IN BLUE SHOULD NOT BE READ TO RESPONDENTS

FOR ALL QUESTIONS, INCLUDE 'DON'T KNOW/NO RESPONSE' OPTION

1. Before we start, could you please confirm for me your position within your company or business? (DO NOT READ LIST; SEE STUDY REQUIREMENTS; ASK FOR REFERRAL TO APPROPRIATE EXECUTIVE IF NECESSARY) T02 / T04

President/CEO

Owner

VP Public Affairs/Government Relations/Operations

General manager (small business)

Other (specify): _____

2. How many employees work for your company in Canada? By this, we mean both full-time and part-time staff. Please include part-time staff as the number of full-time equivalents. (READ LIST IF HELPFUL) (NOTE: DOES NOT INCLUDE CONTRACT STAFF OR OUTSOURCED WORK) (INCLUDES ALL LOCATIONS IN CANADA) T02 / T04

One (i.e. self employed)

2-4

5-9

10-19

20-49

50-199

200-499

500 and above

INDUSTRY CANADA PRIORITIES & PERFORMANCE

The Government Canada has identified a number of potential priorities it can pursue to support businesses in Canada. For each of the following, please tell me how much emphasis you think should be placed on that particular area. Please use a 7-point scale, where '1' means the lowest priority, and '7' the highest priority. How about...? (ROTATE) T02 / T04

3. Encouraging innovation and research and development among Canadian businesses.
4. Promoting and maintaining a fair and competitive marketplace.
5. Supporting the commercialization or market success of products and services that are researched or developed in Canada.
6. Supporting regional economic development.
7. Encouraging investment in the economy and Canadian businesses.
8. Helping small and medium-sized companies take advantage of the Internet and e-business opportunities.
9. Making government services for business readily accessible on the Internet.
10. Ensuring smarter regulations to contribute to economic and business growth.

11. Promoting sustainable development – that is, achieving a balance between economic growth and environmental impact.
12. Promoting inter-provincial trade.
13. Having a tax regime for business comparable to those of Canada’s international competitors.

How would you rate the performance of the Government of Canada in each of these same areas? Please use a similar 7-point scale, where ‘1’ means a very poor job, and ‘7’ a very good job. How about...? (ROTATE) (IF RESPONDENT HAS NO KNOWLEDGE OR BASIS FOR MAKING JUDGEMENT; ACCEPT ‘DON’T KNOW’ AND DO NOT REQUIRE OTHER RESPONSE, BUT DON’T ENCOURAGE THIS) T02 / T04

14. Encouraging innovation and research and development among Canadian businesses.
 15. Promoting and maintaining a fair and competitive marketplace.
 16. Supporting the commercialization or market success of products and services that are researched or developed in Canada.
 17. Supporting regional economic development.
 18. Encouraging investment in the economy and Canadian businesses.
 19. Helping small and medium-sized companies take advantage of the Internet and e-business opportunities.
 20. Making government services for business readily accessible on the Internet.
 21. Ensuring smarter regulations to contribute to economic and business growth.
 22. Promoting sustainable development – that is achieving a balance between economic growth and environmental impact.
 23. Promoting inter-provincial trade.
 24. Having a tax regime for business comparable to those of Canada’s international competitors.
25. In your view, what is the main role the federal government currently plays in the Canadian economy? Is it that of...? (READ LIST; DO NOT ROTATE; ACCEPT ONE RESPONSE) T02 / T04

- One...an economic leader or activist,
- Two...a partner to Canadian business,
- Three...a catalyst to support innovation,
- Four...a minimalist role, or
- Five...some other role. If so, please specify: _____
- No role (VOLUNTEERED)

26. And what role do you think the federal government should play in the Canadian economy? Should it be that of...? (READ LIST; DO NOT ROTATE; ACCEPT ONE RESPONSE) T02 / T04

- One...an economic leader or activist,
- Two...a partner to Canadian business,
- Three...a catalyst to support innovation,
- Four...a minimalist role, or
- Five...some other role. If so, please specify: _____

No role (VOLUNTEERED)

RESEARCH AND DEVELOPMENT / SCIENCE AND TECHNOLOGY

Turning now to research and development, usually referred to as R&D,

27. To what extent does your business undertake R&D activities to improve your products, services or business processes? Would you say a great deal, a moderate amount, only a little, or not at all? T02 / T04
28. What barriers or obstacles, if any, prevent your firm from being more active in R&D? (DO NOT READ LIST; ACCEPT TWO RESPONSES) T02 / T04

None/no barriers
Not appropriate for firm's products/services
Money/cost
Lack of time
Lack of interest
Lack of information
Lack of expertise/necessary skills
Market barriers
Other (specify) _____

IF PERSON SAYS 'NOT APPROPRIATE FOR FIRM' / 'LACK OF INTEREST' AT Q28, SKIP Q29.

29. Where would your business go if you needed help with or access to R&D? (DO NOT READ LIST; ACCEPT ONE RESPONSE) T02 / T04

Business/trade association
Federal government
In-house
Private company
Provincial government
Internet (PROBE FOR SPECIFICS: _____)
National Research Council (NRC)
Bank/financial institution
Hire consultants/experts
Suppliers
Universities
Technology Partnerships Canada
Canadian Technology Networks
Networks of Centres of Excellence
Industrial Research Assistance Program
Industrial or commercialization clusters (e.g. technology and talent groupings at public/private facilities including the NRC, CRC, MARS...)
Other (specify) _____

30. In your view, what are the main benefits of federal government support for R&D to Canada and Canada's economy? Anything else? (DO NOT READ LIST. RECORD FIRST RESPONSE. ACCEPT MULTIPLE RESPONSES) T02 / T04 MODIFIED

Improved quality of life/standard of living of Canadians
Increased competitiveness of Canadian firms/more globally competitive
General economic benefits (PROBE FOR SPECIFICS: _____)
Increased productivity of Canadian businesses
Create new businesses
Reduce brain drain/keep jobs in Canada
Financial benefits
Opening new markets
Nothing/no benefits
Other (specify): _____

31. And what do you think are the main benefits of federal government support for R&D to your business? Anything else? (DO NOT READ LIST. RECORD FIRST RESPONSE. ACCEPT MULTIPLE RESPONSES)

Financial benefits (increased revenues/profits)
Financing options
Create new products/services
Retain skilled employees
Increase size of company
Create new spin-off businesses
Tax breaks
Nothing/no benefits
Other (specify): _____

IF PERSON SAID 'NOT APPROPRIATE FOR FIRM' / 'LACK OF INTEREST' / AT Q28, SKIP Q32-33

32. To what extent does your company need help transforming ideas or research into marketable products or services? Please use a 7-point scale, where '1' means it is not an issue at all for your company, and '7' means it is a very big issue. T04

33. What would be the best way for the Government of Canada to help your company transform ideas or research into marketable products or services? (DO NOT READ LIST. ACCEPT ONE RESPONSE)

Provide financial support
Provide 'how to' information
Help locate buyers/customers for new products/services
Facilitate partnerships (PROBE FOR SPECIFICS: _____)
Encourage commercialization clusters (e.g. MARS)
Efficient marketplace regulations (patents, copyright)
Tax incentives
Other (specify) _____
Don't know / No response

I'd like to turn to issues related to science and technology, often referred to as S&T.

There are a number of initiatives targeting Canadian businesses that the Government of Canada could take or is already taking to support businesses that undertake S&T activities. Please tell me how valuable you think each of the following would be to your industry. To do this, use a 7-point scale, where '1' means not valuable at all, and '7' means very valuable. How about ...? (READ/ROTATE LIST)*

34. Government tax credits for businesses who undertake research in a field of science or technology. (NOTE TO REVIEWERS: THIS PROGRAM IS KNOWN AS SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT TAX CREDIT OR SRED)
35. Government providing business and technical advice, as well as financial support to small and medium-sized businesses who have new products they would like to bring to market (NOTE TO REVIEWERS: THIS PROGRAM IS KNOWN AS THE INDUSTRIAL RESEARCH ASSISTANCE PROGRAM OR IRAP)
36. Providing small and medium-sized businesses with access to government labs and equipment to carry out research and development on new high technology products and allowing these companies to have access to world-class researchers for advice. (NOTE TO REVIEWERS: THIS PROGRAM IS KNOWN AS THE COMMUNICATIONS RESEARCH CENTRE CANADA (CRC) AND NRC LABS AND CENTERS)
37. Government encouraging businesses to work with Canadian universities and colleges for the development of technology.
38. Government supporting the development of science and technology skills in businesses, colleges and universities.
39. To what extent would your company be interested in receiving information on Government of Canada S&T programs targeted at businesses? Would you say very interested, moderately, not very or not interested at all?

VIEWS ON FEDERAL GOVERNMENT INVESTMENTS IN CANADIAN ECONOMY

Turning now to investments in the Canadian economy and businesses, when the Government of Canada invests public funds in the economy, what level of importance would you place on each of the following to ensure responsible investment? Please use a 7-point scale, where '1' is not important at all, and '7' is very important. How about...? (ROTATE) T02 / T04

40. Requiring partnerships with business and other levels of government.
41. Clear reporting of the investments and the anticipated results.
42. Investments in individual companies to be repayable.
43. Decisions on investments to be based on recommendations from independent experts.
44. Equitable regional distribution.
45. Safeguards against political influence on where investments would go.
46. In your view, which sector of the economy will experience the fastest growth over the next few years? (DO NOT READ LIST; ACCEPT ONE RESPONSE) TF94 / T02

Communications technologies

Information technologies/systems
Biotechnology
Restaurant and food services
Environmental technologies and services
Knowledge-based services such as financial and consulting services
Tourism
Aerospace
Agriculture/agri-food
Hydro-electric power equipment/services
Entertainment
Health-care/therapeutic products
Retail
Construction
Other (specify)_____

Please tell me how important you feel each of the following industries are to ensuring that Canada's economy is healthy in the future. For each, please tell me if you feel it is very important that Canada succeeds in this sector, important, not all that important, or not important at all. How about...? (READ AND ROTATE) (MODIFIED: Tracking: Canadian Aerospace Partnership Research, Fall 2005)

47. The Automotive industry
48. The Aerospace industry
49. The Information Communications Technology (ICT) or Telecommunications industry
50. The biotechnology industry
51. The natural resources sector
52. The Environmental technologies industry

VIEWS ON TELECOMMUNICATIONS

Turning now to telecommunications, (TF05 – Tracking; asked in Decima Survey)

Please tell me whether you are very satisfied, satisfied, dissatisfied or very dissatisfied with the following aspects of telecommunications services in Canada today. How about...? (READ/ROTATE LIST)

53. A high degree of technology, product and service innovation.
54. Strong Canadian owned telecommunications companies.
55. Access in rural areas to the telecom services that people need.
56. Canadian-based research and development on new telecom technologies.
57. A telecom system that helps our economy compete with the rest of the world.

The Government of Canada can choose different approaches to meet its goals. I will present two situations to you, each one involving two different approaches. Please tell me which approach you would prefer:

58. Government should have detailed rules that spell out what services telecommunications companies can and can't offer and the prices they can charge *or...* Government should

provide general rules and rely on oversight and competition in the marketplace to produce the best mix of services and pricing.

59. Whenever a company wants to introduce a new telecommunications service into the marketplace it should be approved by, and have its price set by, government before it can be offered to customers, *or* ...Telecommunications services should be offered to customers without prior government approval, as long as government has the ability to oversee the market and intervene to make changes when necessary.

RESPONDENT/CORPORATE CHARACTERISTICS

I have two last questions for statistical purposes. Please remember that your responses to these and other questions will be kept confidential.

60. Approximately how many years has your business been in operation? T02 / T04

Record year: _____

61. In which industry or sector does your business operate? If you are active in more than one sector, please identify the main sector. (DO NOT READ LIST; ACCEPT ONE RESPONSE) T02 / T04

Agriculture/Fishing/Hunting/Forestry
Oil/Gas/Mining
Utilities
Construction
Manufacturing
Wholesale Trade
Retail Trade
Transportation and Warehousing
Information and Cultural Industries
Finance and Insurance
Real Estate and Rental/Leasing
Professional, Scientific and Technical Services
Management of Companies and Enterprises
Administrative and Support, Waste Management, Remediation Services
Art, Entertainment, Recreation
Accommodation and Food Services
Other (specify) _____

That completes the survey. Thank you very much for taking part..

Record Through Observation/Database:

- Gender
- Province
- Urban vs. rural location
- Language