

**Water: CEOs and Business Leaders on Business Panel  
Back Strongly C. D. Howe Reform Proposals**

**BDO Dunwoody Weekly CEO/Business Leader Poll**

**By COMPAS in *Canadian Business***

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## 1.0 Introduction

By wide margins, the CEOs and business leaders on the COMPAS business panel back all but one of the proposals for reforming municipal water utilities in Canada that are contained in a C.D. Howe study. Immense majorities back universal use of water meters, full cost accounting, and adequate revenue to allow full updating of equipment and processes.

A more than three-fourths majority embraces the report's "general conclusion of poor management of costs, underfunding of water agencies, aging infrastructure, excessive consumption and stifled innovation." The only recommendation on which support exceeds opposition but is tepid is the C.D. Howe recommendation for seasonal surcharges "to better reflect the marginal costs of water use during peak summer months."

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.

## 2.0 Support for C.D. Howe Proposals for Reforming Water Utilities

Tables 2a and 2b provide evidence of the strong support from the business panel for the C. D. Howe proposals. For example, 67% back while 12% oppose "moving to a full cost accounting approach for water pricing," as shown in table 2a. Meanwhile, 78% back the report's general conclusion of poor management with 8% disagreeing with that conclusion, as shown in table 2b.



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*Table 2a: (Q1) A recent study for the C.D. Howe Institute concluded that the current state of municipal water pricing in Canada is significantly flawed. On a 7 point agreement scale where 1 means strongly disagree and 7, strongly agree, please indicate how much you agree with the following recommendations from the report.*

	Mean	7	6	5	4	3	2	1	DNK
Universal use of water meters so that agencies can track the consumption of the 25% of residences without meters	5.6	37	24	13	9	2	1	6	8
Adequate revenue to allow fully up to date equipment and processes	5.5	25	24	28	8	3	2	2	8
Moving to a full cost accounting approach for water pricing	5.3	29	17	21	11	6	3	3	9
Seasonal surcharges to better reflect the marginal costs of water use during peak summer months	4.3	14	12	21	17	9	9	9	9

*Table 2b: (Q2) To what extent do you agree with the report's general conclusion of poor management of costs, underfunding of water agencies, aging infrastructure, excessive consumption and stifled innovation?*

Mean	7	6	5	4	3	2	1	DNK
5.6	24	24	30	3	3	2	2	13



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The following verbatims provide a nuanced sense of opinion:

Water charges include sewerage charges, which is very unfair for those industries that incorporate water into the product and send very little down the sewers. Most of that water never does go into a sewer.

Water is the next oil commodity. As populations grow and as the effect of global warming proceeds, water becomes more valuable. The entire infrastructure, just like most government, developed, managed and operated systems are cumbersome and lack the business nuances they require. This should be run by private enterprises and governments in partnership, with proper cost controls. In saying that, the 407 and the nuclear programs left a lot to be desired as far as controls are concerned. It is time governments got into the real world and to allow all the services they provide to be open to competition and better management. It is also a means to control labour costs as that is an ever increasing burden on the tax payers who have no say in what gets granted to unions.

Get it out of the hands of municipalities as they have no concept of cost efficiencies. Get it into the private sector and apply some light handed regulation to ensure appropriate accountability.

The current system of water management does not fully take into account the different risk factors that operate. In some cases that result in over design and excessive costs.

Consultants should focus on putting costs where they belong - water safety, quality and quantity, not on superfluous frills.

As a contractor that has built water treatment plants, the degree of additional costs for float finishing concrete in a remote basement corridor was in my opinion outrageous. No one had the audacity to try and pass those types on costs on 50 years ago. Consultants and owners need to use cookie cutter plants with few frills. I have recommended alternative



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sampling methods to our City and have the feeling that the Ontario government is not able to react or even discuss these types of suggestions. The main problem seems to be ignorance and lack of time and money to address issues caused by the ignorance. It really is a vicious circle.

Municipalities already collect and waste far too much taxpayer money so; simply allowing them to collect more revenue from taxpayers on the basis that additional funds will be efficiently and wisely spent to assure improved public water systems is a myth. The provision of water should be through properly regulated private systems - people and companies who will invest to operate the system on a business-like basis, charge consumers the true costs and take politics and politicians out of the equation. The idea that municipalities will do this is illusory.

Like any other governmental agencies, there is only one solution for these monopolistic and poorly managed companies, pass the inefficient operations to the end-users. Sounds familiar? Another bail out of poor managers at the expense of tax payers/consumers!

Canadians are known to be huge water wasters - hitting them in the pocketbook is one way to draw attention to this - perhaps increase charges coupled with discounts for conservation efforts.

The water supply situation should remain as simple as possible and not just become another department which has to be funded. Much of the problems today are those of not carrying out the regulations that are already in place.



### **3.0 Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted February 10 – 12, 2009. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=129 are deemed accurate to within approximate 8.7 percentage points 19 times out of 20. The principal investigator on this study is Conrad Winn, Ph.D.

