

**PEER REVIEW OF THE
ECONOMIC IMPACT OF THE
NORTH BALA FALLS
SMALL HYDRO PROJECT**

**PREPARED FOR TOWNSHIP OF
MUSKOKA LAKES**

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 **Planning for growth**

CONTENTS

	<u>Page</u>
1. INTRODUCTION	
1.1 Terms of Reference	1.
1.2 Description of the Proposed Project	2.
2. CRITIQUE/COMMENTARY	
2.1 Impacts on the Bala Community	4.
2.2 Impacts on Muskoka Lakes Township	7.
2.3 Impacts on Muskoka District and the Province on Ontario	10.
2.4 Issues Not Addressed	12.
3. SUMMARY AND RECOMMENDATIONS	15.

1. INTRODUCTION

1.1 Terms of Reference

Swift River Energy Limited (SREL) proposes to construct a generating station in the Township of Muskoka Lakes. Hatch Energy has prepared an Environmental Screening/Review report on behalf of the proponent that includes findings regarding the net effects of the project. Following the completion of the Environmental Screening Report in October, 2009, the Township of Muskoka Lakes raised concerns regarding the potential economic effects and requested a study be undertaken to specifically address these effects.

An economic impact (EI) study was undertaken by Centre for Spatial Economics (C4SE). The findings of that study are contained in the report, "The Economic Impact of the North Bala Falls Small Hydro Project", November, 2010.

Watson & Associates Economists Ltd. was retained by the Township of Muskoka Lakes to undertake a peer review of the EI report. As noted, the Township has raised concerns regarding the manner in which the study addressed a number of potential impacts including:

- disruption during the construction period which would include at least one summer season;
- impact on the tourism industry both during construction and once the facility is operational;
- impact on businesses both during and post construction;
- concern that the study was undertaken outside of the tourism season; and
- absence of mitigation measures for addressing the anticipated effects.

The purpose of this peer review is to provide a critique of the impact assessment including:

- the approach used to assess impacts on businesses (survey instrument, method used to identify, contact and follow up with respondents, and the way in which the survey was administered);
- the way in which the survey data was interpreted and the conclusions drawn;
- the validity and reasonableness of assumptions used throughout the analysis;
- the overall findings of the study and, where applicable, failure to provide conclusions; and
- the reasonableness and thoroughness of the mitigation measures.

In addition, this peer review is to identify any areas of omission in the economic impact study and indicate where further study is recommended. It should be noted that the purpose of the peer review is not to generate original research or produce an alternative impact assessment.

Chapter 2 of this peer review provides a detailed review of each component of the economic impact study. The assessment of economic effects in the C4SE report included consideration of:

- the potential impact on businesses in Bala;
- the potential impact on Muskoka Lake Township;
- the potential impact on Muskoka District and the Province of Ontario.

In addition, Chapter 2 includes a discussion of the factors that were not considered. Chapter 3 summarizes the findings and recommendations of the peer review.

1.2 Description of the Proposed Project

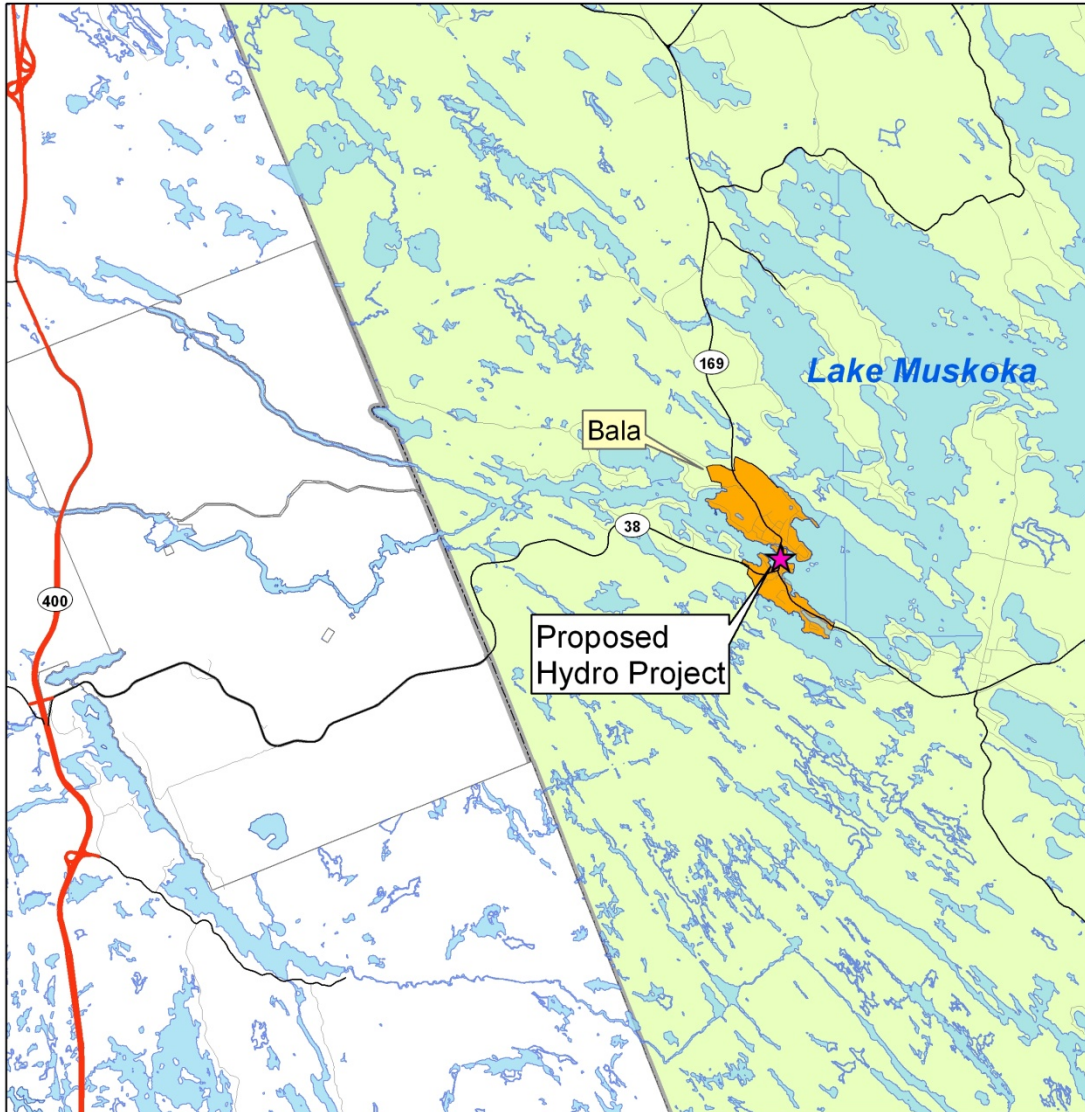
The North Bala Falls Small Hydro Project involves the construction of a 4 to 5 MW generating station south of the existing North Bala Dam on the Moon River in the Township of Muskoka Lakes. The proponent of this project is Swift River Energy Limited (SREL).

Some of the key project characteristics, as described in the economic impact report prepared by C4SE, are:

- the project will involve the construction of an intake pipe to be installed on Lake Muskoka which will divert water to a powerhouse that will be constructed approximately 35 metres south of the Bala Falls (North Dam);
- the powerhouse will be buried underground following construction and the area will be developed with public lookout areas and walking paths;
- the anticipated construction timing is a period of 12 to 18 months between October 2011 and April 2013;
- During construction, certain interruptions to travel on Muskoka Road 169 are planned including two nights of road closures – one in November 2011 and one in April/May 2012, as well as four weeks of reduction to a single lane of traffic at both the beginning and end of the construction period.

In addition, the Environmental Screening/Review Report noted that once the generating station is in operation, there will be reduced flows over Bala Falls, resulting in a long term change in community character (Table B1). Figure 1 illustrates the location of the proposed hydro project in relation to Bala and the Township of Muskoka Lakes.

Figure 1
Location of Proposed Hydro Project



2. CRITIQUE/COMMENTARY

2.1 Impacts on the Bala Community

2.1.1 *Summary of the C4SE Discussion*

Section 2 of the C4SE report, “Survey Evidence Regarding the Impacts on the Bala Community” documents the attempt to “quantify the expected economic impacts of the construction and operational phases of the project by the Bala Community”. The following is a summary of the approach used to assess impacts on the Bala community and the conclusions presented in the EI report. Our review on this section is provided in 2.1.2.

The key element of the assessment of potential impacts was a survey of businesses. The report notes that a 20 question survey instrument was developed by C4SE in consultation with SREL, the Township and the Muskoka Lakes Chamber of Commerce, and that a list of 119 businesses to be surveyed was developed by the Township, the Chamber of Commerce and SREL.

The survey was initiated in mid-September. Most businesses were contacted by email and asked to participate in an “on-line survey.” Those businesses for which no email address was available were sent a copy of the survey by mail. Follow-up emails were sent to non-respondents by the Chamber of Commerce and a reminder was broadcast on Moose FM. Overall, the response rate was just less than 40%.

The survey requested background information about the location and type of each business, operating periods, number of staff per shift, market served, etc. In addition, respondents were requested to answer questions about whether certain characteristics of the project were likely to affect their business both negatively (e.g. road closures during construction) and positively (e.g. opportunities to provide services to the project).

The authors conclude, on page 33, that the project could have negative effects on the economy of Bala, particularly those businesses that serve tourists. The report also states that it is “next to impossible to assign a financial value” to the business losses, and as a result “it is impossible to draw up any kind of fair direct payment compensation scheme”.

2.1.2 *Commentary*

The report notes that the survey included businesses in Ward A of the Township. It would be helpful if the report included a map showing the boundaries of Ward A, the location of businesses and the location of the project. This map should also clearly delineate the total

boundary of the Bala settlement area, which relates to population, housing and employment/business data referenced for this area. In addition, a list of all businesses identified, information on their location relative to the project and some form of categorization of the type of businesses similar to what was presented in Figure 4, Survey Respondents by Type of Business, would be helpful in order to provide a more complete picture of the nature of the business community and its proximity to the proposed undertaking.

The authors expressed disappointment regarding the rate of participation and noted that some of the responses provided by those who did participate in the survey indicates “a significant misunderstanding” of the proposed project. This misunderstanding was considered to have affected their responses regarding concerns about the project. In our opinion, it suggests that the use of an on-line survey was not effective in either achieving a high participation rate or in explaining the characteristics of the project to the business community. It is expected that an in-person or telephone survey would have increased participation rates and addressed any misunderstandings. Direct contact with the survey respondents provides an opportunity to clarify any aspects of the project that are unclear and to probe about the reasons for any concerns expressed. At a minimum, follow-up phone calls to non-respondents should have been made to improve the participation rate.

Carrying out a survey of businesses is an important component in the conduct of an economic impact assessment. It serves to provide baseline data about the existing environment to produce a profile of the community and the individual receptors that may be affected. However, little analysis is undertaken in the economic impact assessment to relate the information obtained from the survey to the characteristics of the project, including anticipated impacts that would affect properties offsite. Typically, a survey such as this would be used as information to be applied against the anticipated nuisance and other impacts – traffic, noise, etc., as well as professional judgement to assess the potential effect that the project would have on the businesses. It is necessary to consider the type of businesses involved and the way in which they will be affected. For example, restaurants that offer outdoor seating are more sensitive to nuisance impacts such as noise and dust than a business such as an office where the clients are not served on site. This classification of the businesses in Bala has not been done.

Further, in order to provide a more complete picture of the entire universe of businesses, some characteristics should have been attributed to the non-respondents including type of business and size as measured by estimated employment. Employment estimates could be made using a range of sources including industry standards of average employment for the type of businesses involved, average employee per sq.ft. assumptions or field observations. Figure 4 provides a chart of the number of survey respondents allocated by type of business. It would be helpful to know what percentage of the businesses in each category responded to the survey. For example, how many non-food retail establishments are there in the Bala Community and what was their participation rate in the survey.

The chart in Figure 5 illustrates the percentage of survey respondents whose businesses operate during each month of the year. In order to understand the importance of the monthly variation, it would be helpful to know the percentage of employment or gross annual sales that are accounted for by the number of businesses shown for each month. For example, instead of simply noting that 66% of businesses operate during the month of November, a better indicator would be, “Businesses operating during the month of November account for x% of the total employment.” We note that the survey did compile information regarding annual sales; however, it did not include a question that would provide information about the total full time equivalent employment of each business. Nor did the survey collect information regarding relevant operating characteristics, such as outdoor seating areas or dependence on the external environment (e.g. vistas).

Generally, some measure should be applied so that larger businesses or businesses that are more sensitive to the potential effect of the project are given more weight. Sensitivity could be rated through an initial categorization of type of business and then refined by a review of the businesses’ operating characteristics. Businesses that are likely to be more sensitive include those:

- whose customer base is composed largely of tourists;
- where sales are made in person versus over the phone;
- who rely on the ambience of the external environment to enhance attractiveness; and
- businesses that prepare and/or serve food.

With regard to the prediction of the effect on businesses, while it is acknowledged that it is difficult to definitely quantify the magnitude of the potential impact on businesses in advance of the project, the report should indicate generally how many businesses are likely to be affected and what the employment is at these businesses. Employment provides an important indicator of the magnitude of the operation. Impacts on businesses can be expected to vary based on type, proximity to construction activities, general nature of the operation, etc. For example, page 15 notes that there will be noise and dust impacts during the construction and that these impacts are “not readily mitigated”. It would be helpful to summarize the findings of the noise and air quality experts as they relate to potentially affected businesses so that the potential magnitude of the effects could be understood. For example, list which businesses and recreational properties are expected to experience a reduction in air quality and describe the level of impact.

In summary, an economic impact assessment should provide a more detailed depiction of the potential impacts to businesses, such as:

“x number of businesses that account for x% of the employment in Bala, are likely to experience significant impacts due to their sensitivity to the effects of the project (e.g. dependence on tourism for a large portion of their business) and the anticipated negative effects of the project (e.g. noise impacts)”

In this way, it is possible to understand what share of the Bala economy is potentially affected.

While not directly addressed in the report, it is understood that at least one business, Purk's Place, will be permanently displaced. Displacement of businesses is an important component of any economic impact assessment and should be directly referenced as an impact. Consideration should also be given to whether the loss of this operation which is considered an iconic feature of Bala, is likely to affect other businesses. This key omission points to the potential that there may be other impacts that have not been fully addressed. Some of these potential impacts have been raised in submissions made by the Township, the Moon River Property Owners Association, and others. Examples of these potential impacts include loss of parking and impact on docking facilities. In order to ensure that the impact assessment is comprehensive, it would be helpful if the report contained a list of potential impacts that might result from a project such as this, potentially compiled based on experience with similar projects elsewhere and concerns raised by stakeholders and survey respondents, with an indication as to whether or not each concern was applicable in the case of the subject project.

Finally, as mentioned earlier, it was concluded by the authors, that the project could have negative effects on the economy of Bala but that it would be difficult to assign a financial value to the business losses. Given the difficulty of forecasting potential impacts on businesses, a plan for monitoring should be developed as part of the mitigation measures.

2.2 Impacts on Muskoka Lakes Township

2.2.1 Economic Base of Muskoka Lakes Township

While considerable effort is made in this section of the subject report to describe the nature of the Muskoka Lakes economy, relatively little attention is given to understand or describe the Bala economy and the nature of the existing businesses within the subject area.

We agree that the use of Statistics Canada Census data can be problematic in providing accurate demographic information at this level of geography; however, other data sources such as Municipal Property Assessment Corporation (MPAC) data can be used to further cross check the existing permanent housing base.

Based on our review of available information sources, we estimate that Bala has a 2011 population of approximately 550 persons, who are accommodated in approximately 250

households. MPAC provides information regarding the number of existing seasonal dwellings in Bala, which is currently estimated at approximately 130 dwellings. Assuming an average number of persons per unit of approximately 3.77¹, the estimated number of seasonal residents directly residing in Bala is approximately 490 as of 2011.

When considering the surrounding seasonal area, the number of seasonal residents located on waterfront properties, and to a lesser extent rural backlots, outside of the Urban Centres of Bala and Port Carling in Muskoka Lakes is estimated at approximately 24,900 in 2011. As identified in the 2004 Muskoka District Second Home Study, these seasonal residents are very affluent on average, with approximately 56% of existing second home owners in Muskoka District earning more than \$100K per year, and approximately 19% earning more than \$250K year. This affluence has significant economic spin-off effects for the Bala Community, which serves as one of two major hubs within Muskoka Lakes to these seasonal residents. Many seasonal residents within the surrounding area frequent the Bala community to buy goods and supplies (i.e. food, fuel, banking, etc.) while vacationing at their cottages. They also frequent the Bala community as a source of entertainment and recreation (i.e. shopping, restaurants, meeting with friends and visits to community facilities and recreations centres).

The subject economic impact study makes no reference to these surrounding seasonal residents in terms of their magnitude, income level, or travel patterns to the Bala community. The subject report states,

“At best we can say the construction phase of the project is likely to impact tourism-related businesses more than cottager-related and local-resident-related businesses since tourists can choose to avoid Bala altogether whereas cottagers and local residents cannot because of their ties to the Community”. Pg. 3

It is our opinion that the subject report understates the potential economic impact resulting from the decrease in cottage visitors from the surrounding area during the construction phase of the project. Given both the magnitude and affluence of cottagers within the surrounding area, the induced economic impacts of these residents on the Bala community are believed to be significant. It is foreseeable that a large number of seasonal residents within the surrounding area will alter their travel plans to the Bala community during the construction phase of the proposed hydro project, utilizing other urban centres such Gravenhurst or Port Carling as an alternative designation for goods, entertainment and other local services.

Similar to permanent and seasonal population data, accurate data regarding the current employment base in Bala is difficult to ascertain from Statistics Canada Census data. However,

¹ The District Municipality of Muskoka, Second Home Study, 2004

there are other information sources which provide insight into Bala's existing employment base. These include:

- Muskoka Lakes Business Retention and Expansion Study (BRES) – Provides a list of larger employers in Bala (including estimated employees). Several of the identified larger employers are located in Bala;
- Muskoka Lakes On-Line Business Directory – Provides a list of other businesses located in Bala not provided by the BRES (does not provide employment estimates);
- The C4SE business survey should also have formed an important data source regarding local employment in Bala; and
- Chamber of Commerce.

Available 2006 employment data from the Statistics Canada Census for Muskoka Lakes also provides the overall number of land-based and work-at-home employees by employment sector for the municipality of Muskoka Lakes as whole. Based on the above information source, we would estimate that approximately 15-25% of the Muskoka Lakes employment base (including work-at-home) is located in Bala. It is our opinion that the subject report understates the importance of the Bala economy within the context of Muskoka Lakes and Muskoka District. The subject report states:

“...the Bala Community is not a major employment base within the Township or within the District. The responses to the survey of businesses described in Section 2 suggest that employers in Bala are weighted toward food and beverages, professional services and construction.” Pg. 27

As identified in the Muskoka District Official Plan (OP) and the Muskoka Lakes OP, Bala is one of two designated urban centres in Muskoka Lakes. It has been given this designation because it is one of the two largest settlements in the Township and one of three employment hubs within Muskoka Lakes, which also includes Port Carling and Minett. Similar to the Muskoka Lakes and Muskoka District economy, the Bala economy is weighted toward sectors such as food and beverages, professional services and construction. These sectors are primarily driven by demand from seasonal residents and visitors during the tourist season as well as the permanent population base. The viability of these employment sectors is critical to the sustainability of the Township and Bala's role as a major hub to the surrounding rural/waterfront area.

The Bala community has been planned as a service centre to the rural and waterfront/resort areas which surround it. It offers a variety of choices for living, shopping/business services, recreation and entertainment, given its location in the heart of Muskoka. In addition to providing a cluster of local business operations, Bala contains a range of local services and community infrastructure, such as the Bala Arena, Bala Sports Park, Bala Community Centre, the Lions

Club, the Royal Canadian Legion, a Branch library, the Bala United Church and the Bala Anglican Church.

2.2.2 Potential Economic Impacts of the Construction Phase of the Project on the Bala Community

C4SE concludes that they are unable to quantify the negative impacts of the project on the economic activity in Bala due to the lack of local economic and demographic data for this area. The subject reports states,

“In the absence of information regarding the number of people employed in Bala by place-of-work, and in the absence of information regarding the number of cottages, cottagers, and tourists in Bala, we are unable to quantify the negative impacts of the construction phase of the project on the economic activity in the Bala Community.” Pg. 28

The above statement appears to suggest that if the data was available, the economic impacts on local businesses could be quantified. However, C4SE does not provide any general explanation of what the potential negative impacts on the local economy would be, or more specifically, how they would be calculated assuming further local economic data could be obtained.

Further, there are a number of statements about the potential positive effects of the project; however, without an estimate of the negative impacts, it is unclear as to whether there will be a net positive or negative effect.

Finally, given the importance of tourism to the community of Bala and the Township as a whole, more emphasis should have been placed on understanding the nature and role of tourism in the area and how these may be affected by the project. This omission is discussed in Section 2.4 of our review.

2.3 Impacts on Muskoka District and the Province of Ontario

Section 4 of the report addresses potential impacts on the District of Muskoka and the Province of Ontario. Factors considered in this section include:

- direct impacts associated with project spending on labour and materials;
- induced impacts as a result of respending of income generated by the project; and
- government revenue estimates.

This analysis is undertaken for both the construction and operation phases and summarized in Figures 25 and 26.

The magnitude of these impacts is calculated using the Ministry of Tourism and Recreation's "Ontario Tourism Regional Economic Impact Model" (TREIM). As noted in the guide to the model, which was written by C4SE, the purpose of the model is to calculate the impact of tourism-related activity. The model was not designed to forecast the impact of a hydro electric generating station. The spending patterns of hydro electric construction projects may be very different from other types of construction such as a hotel or marina. The difference is evident in a comparison of the multipliers produced by Statistics Canada's input output model at the worksheet level.

Those multipliers indicate the variation in the impact of investing \$1 million on construction for a non-residential building, which would include most tourism-related facilities, versus a generating station. For example, the 2005 multipliers for Ontario indicate that \$1 million in spending on non-residential construction would generate 7.86 direct person years of employment. By comparison, spending the same amount on electrical power engineering construction would create only 4.77 direct person years of employment in Ontario. This is a significant difference.

Presumably the differences are due, in part, to the availability of the required materials in Ontario. While most of the materials required to construct a non-residential building may be available in Ontario, it may be that the major components required to construct a generating station will be produced outside of the Province. If this is the case, the economic benefits to Ontario and more specifically Muskoka District, will be less than those generated from the TREIM model. Similarly, labour costs may make up a smaller component of the cost of constructing a generating station compared to a commercial building, therefore involving less direct employment.

It is recommended that the authors provide a rationale for how this model is appropriate for calculating the economic effects that would be generated by the construction and operation of a generating station. For example, given the model's ability to calculate benefits at the Regional (sub-provincial) level, it may be a useful tool for assigning the benefits forecast for the Province, using the Stats Can multipliers, to the District. In addition, clarification is required with regard to the employment estimates shown in Figure 25. Presumably, these are "person years" of employment rather than permanent jobs and this should be made clear.

Reference is made in several places in the report to the potential for businesses to benefit from supplying goods and services to the project. The report should provide more detail about the types of products that are available in the Township and the District and how the suppliers could benefit. With regard to direct employment opportunities, a review of the types of job skills that

will be needed for construction in comparison to the labour pool in the District and the Township would be helpful.

A net effects assessment is also required for the forecast employment and labour income benefits in Figures 25 and 26, so that any gains as a result of the construction employment can be measured against employment and labour income losses, both temporary and permanent.

Figure 26 includes a forecast of annual municipal tax revenues; however, the report does not give consideration to the net effect, i.e. revenue less expenditures. To present the forecast tax revenue without including a calculation of the annual cost to the municipality does not provide a complete depiction of the net effect. The assessment should include an analysis of what costs are likely to be incurred by the municipal governments during construction and operation. For example, the municipality has already borne costs as part of participating in the review of the proposal and may continue to incur costs during the construction phase. There may also be lost revenues if taxable properties are displaced. This is particularly important to the Township because, as noted on pg. 30, it is expected that the facility will enjoy a “10 year holiday on municipal taxes”.

Further, if the forecast of municipal tax revenue is derived from the TREIM model, it is presumably based on the assessment and tax rate that would be applied to a tourism or recreation facility. Was any estimate prepared to determine if the assessment and taxation of the hydro electric generating facility would be similar to these types of uses?

Finally, there is a statement in the first paragraph under the heading “Impact of the Construction Phase” regarding the generation of economic activity beyond the construction phase related to proposed changes to the landscape and flows over the falls. The relevance of this statement in this subsection of the document is unclear and the statement is unsupported by any additional discussion. Further elaboration on this point is required.

2.4 Issues Not Addressed

One of the concerns raised by Township Council was that the Economic Impact Study did not adequately address all aspects of potential economic impacts. The Ministry of the Environment has produced a document entitled “Guide to Environmental Assessment Requirements for Electricity Projects,” rev. January, 2011. As indicated in the report, consideration of socio-economic impacts is an important factor in the environmental screening process. The document lists a number of factors that should be considered including:

- negative effects on local businesses, institutions and public facilities;
- negative effects on recreation, cottaging and tourism;

- negative effects on the economic base of a municipality; and
- negative effects on local employment and labour supply.

These criteria are similar to those included in Appendix B of the Environmental Screening/Review Report (ESR) prepared for the project by Hatch Energy. In many cases, the ESR noted that impacts are anticipated but these are not addressed in the economic impact report.

Below is a discussion of the key economic impacts that were not considered.

2.4.1 Construction Impacts

Section 4 of the EI report states that “a large portion of the Bala Community’s business is generated by tourists and cottagers who frequent the area to view and recreate at the falls”. Given the importance of tourism to the economy of Bala, an assessment of the impact on tourism should be undertaken. This analysis would provide a baseline description of visitors to the area (i.e. day trippers versus overnight visitors, spending patterns, etc.) so that a profile can be developed and then an evaluation of whether those visitors are likely to be discouraged as a result of construction-related activities, road disruptions, etc. The potential impacts on events, such as the Cranberry Festival, should be addressed.

The report does forecast that visitors will come to the falls during construction because they will be attracted by the construction activity itself. Evidence should be presented to support this assertion, such as documented experience with similar projects elsewhere.

2.4.2 Operation Impacts

The report does not address the potential for reduced tourism due to the decrease in water flow over the falls. Presumably, much of the attraction of the falls relates to the magnitude of the flow. The ESR report anticipates “long-term change to the community character as the flow over Bala Falls will be reduced.”¹ The effect of this flow reduction on the attractiveness of the falls to tourists is not considered in the C4SE report. As with the assessment of impacts on tourism during construction, an evaluation should be undertaken to assess whether or not the changed character of the falls will have a net positive or negative effect on tourism in Bala.

¹ Table B1 of ESR Report.

Other factors that should be addressed include:

- impact on cottagers/docks due to higher water levels above the dam;
- property value impacts;
- potential loss of parking and public recreation areas; and
- municipal finance impact as a result of the project, particularly the ten year tax holiday (pg.30).

3. SUMMARY AND RECOMMENDATIONS

The foregoing review discusses the approach, method and conclusions of the C4SE report and identifies areas of concern and areas where additional analysis is recommended. The three components of the impact assessment were reviewed.

Section 2 of the EI report discusses impacts on businesses in the Bala Community. With regard to the assessment of impacts on local businesses, it is necessary to develop a comprehensive inventory of the businesses in the study area, including type, location and size. In addition, a full exploration of the range of potential impacts is required, including a discussion of whether there are any businesses that may be affected. A description of the specific impacts that are anticipated and how these would affect individual businesses (either negative or positive) should be provided. An economic impact assessment should provide a fulsome discussion of the potential range of impacts and address those impacts, either in detail, where applicable or in a cursory fashion where the impacts are not relevant to the proposed project. Finally, to the extent that negative impacts are anticipated, it is necessary to identify mitigation measures to address these. Where the magnitude of the impact is difficult to predict, monitoring measures need to be put in place to track impacts during construction.

The peer review found that:

- the report does not provide a full picture of the businesses in Bala, their location relative to the project and a description of the effects that individual or groups of businesses are likely to experience. Throughout the analysis, all businesses are treated the same regardless of the size, type or location relative to the project;
- use of an in-person or telephone survey would likely have improved the participation rate and reduced the level of misunderstanding about the proposed undertaking and its likely effects;
- despite the fact that negative effects on the economy of Bala are anticipated, no mitigation measures are recommended because it was determined that it was not possible to assign a financial value to the impacts. The report should indicate how compensation would be determined if adequate information was available;
- the displacement of businesses, i.e. Purk's Place, including the secondary effect on the Bala Community, was not addressed in the report despite the fact that this is a significant impact as a result of the project. Further, the report should address all unresolved economic issues raised by others and either dismiss these as not applicable or address them.

Section 3 of the EI report provides an assessment of impacts on Muskoka Lakes Township. In order to assess the effect, an EI study should describe the local economy of the Township and Bala's role within the Township.

- The report does not provide a meaningful description of the economy of Bala. Suggested additions for the report include an inventory and maps of the businesses to illustrate their location relative to the project;
- A number of potential sources were not used to prepare an economic profile for Bala. As a result of these omissions, the report fails to accurately represent the importance of Bala to the economy of Muskoka Lakes;
- Given the importance of tourism to the local economy of Bala and the Township, an analysis of the anticipated net effect on visitors to the area, both during and after construction, should be provided. It is recommended that a local tourism survey be conducted, that collects information about the characteristics of tourists to the area and examines how the proposed project would potentially affect their travel plans to Bala.

Section 4 of the EI report addresses the impact on the District and the Province. As with other components of the study, impacts on Muskoka District and the Province of Ontario should be presented on a net basis and should put the magnitude of the impact into context with the economy involved. For example, if employment and revenue estimates are made, these should be compared with the total employment in Muskoka and Ontario. This was not done. Further, some of the specific concerns identified with the analysis are:

- The model used to estimate the impacts on the District of Muskoka and the Province is not designed to measure the effects of an engineering project. This raises questions about the accuracy of the conclusions drawn.
- The forecast of municipal tax revenues is not complete in that it includes gross revenues without any consideration of potential municipal expenditures required to service the project. This should be addressed in the context of the anticipated ten year tax holiday. In addition, it is not clear that the basis for the estimated quantum of the municipal tax payments is specific to the project.
- A similar concern is noted with regard to the forecast economic benefits in terms of local employment and spending. These benefits should be compared against potential losses in order to illustrate the net project effects.

In conclusion, it is our opinion that the economic impact assessment prepared by C4SE, as set out in their November, 2010 report, does not adequately identify and assess the potential economic effects of the proposed project. For this reason, the report cannot be used as a basis for concluding that the project will have a positive effect on Bala, the Township of Muskoka Lakes or the District of Muskoka. It is our recommendation that the economic impact analysis be revised to address the concerns identified in this peer review in order to produce a comprehensive assessment of the economic impacts.