
ECONOMIC IMPACT STUDY OF THE NORTH BALA FALLS SMALL HYDRO PROJECT

A PROPOSAL FROM

THE CENTRE FOR SPATIAL ECONOMICS

AUGUST 3, 2010

NORTH BALA FALLS ECONOMIC IMPACT STUDY

Section 1 INTRODUCTION

This document represents the response of the Centre for Spatial Economics (CSE) to the recent request from Swift River Energy Limited (SREL) for proposals to carry out an independent economic impact study of the North Bala Falls Small Hydro Project on the Town of Bala, the Township of Muskoka Lakes, the District of Muskoka and the Province of Ontario.

Our proposal is divided into the following sections:

- Section 2: Our Understanding of Your Research Requirements
- Section 3: Our Proposed Approach to this Assignment
- Section 4: Our Consulting Team
- Section 5: Related Experience and References
- Section 6: Resource Requirements
- Section 7: Conclusion

Section 2

OUR UNDERSTANDING OF YOUR RESEARCH REQUIREMENTS

Swift River Energy Limited proposes to construct and operate a small hydroelectric generator adjacent to North Bala Falls in the Township of Muskoka Lakes. SREL requires the assistance of a consulting team to carry out an economic impact study of the project on the area.

A large portion of Bala's business is generated by tourists and cottagers who frequent the area to view and recreate at the Falls. The study should pay particular attention to the positive and negative impacts of the project on those businesses in close proximity to the Falls that service the area's visitors.

Specifically the consulting team is being asked to assess the following:

- The positive and negative economic impacts of the construction phase of the project.
- The positive and negative impacts of the operating phase of the project.

The impacts of both the construction and the operating phases of the project are to be assessed for the immediate area surrounding the project (the former Town of Bala), the Township of Muskoka Falls, the District of Muskoka and the Province of Ontario.

We understand that the construction phase of the project will cover a period of between 12 and 18 months. The economic impacts of the construction period will include:

- The direct impacts from labour and materials associated with the project.
- Indirect impacts on local businesses due to road closures and other construction-related interruptions, reduced access to the Falls area, etc.

The economic impacts of the operating phase will include:

- Direct impacts from operating outlays.
- Indirect impacts related to changes in the landscape, the flow of water over the Falls, the creation of new parkland, etc.

Drawing on the above assessment the consulting team will make recommendations regarding potential mitigation measures that might be taken by SREL to offset the negative impacts stemming from either the construction or operating phases of the project.

Section 3

OUR PROPOSED APPROACH TO THIS ASSIGNMENT

We will approach this assignment using three different procedures of economic impact assessment.

- To assess the economic impact of both the construction and operating phases of the project on local businesses in the Town of Bala we will undertake a detailed survey of upwards of 100 or so of local business operators.
- To assess the broader impacts of both phases on the Township of Muskoka Falls we will build a profile of the Township's economic base using Census data in order to assess the relative importance on the local economy of traditional economic drivers such as agriculture and manufacturing and of non-traditional drivers such as tourism. This assessment will place into context the importance of tourism – short-term visitors and cottagers – to the Township's economic base.
- To assess the broader impacts of both phases on the District of Muskoka and on the Province of Ontario we will use our input-out model for the District and the Province.

The Survey of Local Businesses

A survey will be developed jointly by the consultant and SREL and will be reviewed by the Township prior to distribution.

A list of Bala businesses will be prepared by the consultant and SREL and reviewed by the Township and the Muskoka Chamber of Commerce.

The consultants will take the responsibility for addressing and stuffing envelopes, mailing out the survey, receiving all completed surveys, generating a follow-up reminder, capturing the survey responses electronically and assessing the survey results.

Based on our analysis and assessment we will prepare a report revealing the impacts expected by Bala's business community on the local economy from both the construction and operating phases of the project.

Assessment of the Economic Base of the Township of Muskoka Falls

Drawing on detailed Census of Canada information for each of 2001 and 2006 regarding employment by place-of-work for some 35 or so industries we will determine which industries are the key drivers of the economy of the Township of Muskoka Falls, which are growing, etc.

We will decompose the area's employment by place-of-work into its economic-base and community-base components. Economic base jobs are those that drive the prosperity of an area (the goods they produce are primarily exported to other countries, provinces or regions or the services they provide are primarily consumed by people living elsewhere) while community base jobs are those serving the local population (the services they produce primarily satisfy the needs of local residents).

This decomposition of employment for the Township will reveal the relative importance of tourism – that is of servicing both short-term visitors and cottagers to the area – to the economic base of the Township as compared to tourism's importance to the District of Muskoka and to the Province of Ontario as a whole.

As part of this exercise one of the consultants will travel to Bala and spend a day gaining a perspective on the geographic extent of the potential economic impacts of the proposed project on the nearby community. This data and site evaluation assessment will serve as important background information to our analysis of the results of the survey of local businesses.

Assessment of the Economic Impacts of the Project on Muskoka and Ontario

The economic impacts from both the construction phase and from ongoing operations will be assessed using a purpose built, augmented input-output model that explicitly models the economy of the Muskoka Census Division and the province of Ontario as a whole. The model has been augmented to include induced economic impacts arising from the re-spending of income generated by the project and also includes a complete set of government revenue estimates by revenue source for each level of government. The analysis will provide estimates of the impacts, by region, on GDP, labour income, employment and government revenue (by level of government and source) at the direct, indirect and induced level of impact.

Our economic impact analysis based on this input-output framework will evaluate both the construction phase and ongoing operations impacts of the proposed project. The construction phase impacts will include the direct impacts from labour and materials associated with the project plus the associated indirect impacts to local business from disruptions due to road closures, reduced access to the Falls area adjacent to the site, and general construction interruptions. Beyond the construction phase, the project will continue to generate direct economic activity from operating outlays for the project and indirect impacts from the proposed changes to the landscape and flows over the Falls.

In addition to carrying out the above input-output assessment we will draw on publicly available documents to place the proposed project into a province-wide context. In that regard we will assess the impact of this project and numerous others like it throughout Ontario on the Province's ability to generate environmentally sensitive electric power.

Preliminary and Final Reports

Drawing on all of the above avenues of research we will prepare a preliminary report including an executive summary that will describe our methodology, report on our findings and offer suggestions as to how SREL might mitigate the negative impacts of the proposed project on business activities in the immediate Bala community.

Our preliminary report will be circulated to the Township and to the Environmental Assessment and Approvals Branch (EAAB) of the Ontario Ministry of the Environment (MOE) for comment prior to finalizing. A conference call will be held with the Township, the Muskoka Chamber of Commerce, SREL and the consultants to discuss the preliminary report.

Our final report will be issued to the Township and to the MOE EAAB.

Section 4

OUR CONSULTING TEAM

Tom McCormack, a partner of the Centre for Spatial Economics (C4SE) and President of Strategic Projections Inc., will serve as the project manager for this assignment. Tom will oversee the carrying out of the local businesses survey and of the input-output assessment. He will carry out the Township of Muskoka Lakes economic base analysis and the assessment of the importance of this project in a provincial context. He will assemble all of the research into a preliminary report; will participate in the conference call with the Township, the Chamber and SREL discussing the preliminary report; and will prepare the final report.

Robin Somerville, a partner of C4SE and the President of Quantitative Economic Decisions, Inc., will carry out the input-output assessment of the economic impacts of the project on the District of Muskoka and the Province of Ontario.

Gerald Bierling, a research associate of C4SE and a teacher of research methods and statistics courses in the Political Science department at McMaster University, will carry out the survey of local businesses in the Bala community.

Tom McCormack

Tom McCormack is the President of Strategic Projections Inc. and a partner of the Centre for Spatial Economics. He has an MA degree in economics from the University of Western Ontario (1970). He established Strategic Projections Inc. (SPI) in 1989 and his partnership with C4SE in 2000. He has more than thirty-five years of experience in economic, demographic and market potential forecasting at the national, provincial and metropolitan area level. Prior to establishing SPI two decades ago he held a variety of positions with the federal government in Ottawa (Ministry of Finance; Anti-Inflation Board; Ministry of Industry, Trade and Commerce) and in the private sector in Toronto (Data Resources Inc.; Compusearch).

Tom is the immediate past Chairman of the Pragma Council, a multi-disciplinary group of planning and legal professionals that meets twice annually at the University of Waterloo School of Planning to discuss land planning and related issues. He is a former member of the board of directors of the Greater Toronto Airports Authority, a past-president of the Canadian Association for Business Economics and the founding Chairman of the Oakville Economic Development Alliance. In recent years he served as a member of the Province of Ontario's *Panel on Smart Growth Strategy*, the *Ontario Jobs and Investment Board*, the Province of Ontario's *Who Does What Panel*, and the *Task Force on the Future of the Greater Toronto Area*.

Robin Somerville

Robin Somerville is the President of Quantitative Economic Decisions, Inc. He has over 20 years of experience in economic analysis, modeling and forecasting. Prior to joining C4SE, Robin was a consultant with DRI-WEFA (1990 to 2002) and a research associate with the Bank of Canada (1986 to 1988). Robin has an MA degree in economics from the University of Western Ontario (1989). He has extensive experience managing and conducting work for public and private sector clients with assignments typically focusing on either policy analysis or forecasting.

Robin's policy analysis work is in such areas as the costs of GHG mitigation, regional economic competitiveness strategies, and the economic impact of tax and regulatory changes or infrastructure projects. Robin has also built econometric models to forecast activity such as sales by type of restaurant, commercial floor space additions, tourist visits and spending, as well as national and regional macroeconomic models.

Gerald Bierling

Gerald Bierling has an MA degree in political science from McMaster University. He works as a consultant to various public and private sector organizations. He specializes in the areas of survey design and analysis, demographic modeling, and report writing. Gerald's studies at McMaster included specialization in research design, program evaluation, and Canadian Public Policy. Gerald also teaches the research methods and statistics courses in the Political Science department at McMaster University, and provides research and instructional support to faculty and graduate students in the Sociology department.

THE CENTRE FOR SPATIAL ECONOMICS

C4SE specializes in assessing the long term economic and demographic potential of individual communities throughout Canada for a variety of clients in the private and public sectors. Our assessments measure local area labour market, industrial market and socio-economic potential. They are used by government agencies to support the development of land use, economic development and labour market strategies and to support the development of strategic plans, official plans, etc.; and by private developers to evaluate the financial and/or market potential of existing or newly proposed projects.

C4SE is a leader in Canada in compiling historical databases, assessing current conditions and developing long-term projections with respect to the economic and demographic progress of Canada, its provinces, its regions and counties, and its municipalities.

C4SE is based in Milton, Ontario and was formed in 2000 as a partnership between Strategic Projections Inc. and Stokes Economic Consulting.

A copy of our C4SE corporate brochure is attached.

Detailed resumes for each of the team members and additional information regarding the Centre for Spatial Economics can be provided if required.

Section 5

RELATED EXPERIENCE AND REFERENCES

Related Experience

The Centre has had extensive experience in recent years assessing the economic impacts of individual projects and/or the economic potential of various future development paths on community growth including the following:

- Tom McCormack is currently completing an assignment with the Hamilton Training and Advisory Board (HTAB) evaluating the economic and demographic potential of the City of Hamilton and assisting HTAB in developing a workforce development strategy. His research for HTAB included an assessment of the current economic drivers of the Hamilton area, of the potential for job creation in those industries against a backdrop of expected national and provincial industrial trends, of the future need for in-migration to meet the area's future labour market requirements, and of the implications of those trends on employment by occupation.
- In 2009 Tom assessed for the Town of Caledon the potential positive and negative economic and municipal finance implications within the Town of the development of a proposed new quarry, including an assessment of the impact on property values, etc.
- In 2008 Tom assessed the economic potential of the City of Temiskaming Shores in Northern Ontario and participated in a round-table discussion with community leaders to evaluate the opportunities for, and challenges to, growth in the community.
- For the District Municipality of Muskoka in 2007 Tom carried out an assessment of the district's economic and demographic potential taking into account its existing economic base and its potential for future economic development. This assessment assisted Malone Given Parsons in the creation of an economic development strategy for the community.

Tom has worked with both Robin Somerville and Gerald Bierling on numerous assignments in the past including, most recently, on a manufacturing sector potential assignment for the City of Brampton with Robin in 2005 and on a tax credit impact assessment for the Fitness Institute of Canada with Gerald in 2008.

References

Judy Travis, Executive Director
Hamilton Training Advisory Board
judy@htab.ca
905-521-5777

Doug Barnes, Chief Administrative Officer
Town of Caledon
doug.barnes@caledon.ca
905-584-2272

Section 7
CONCLUSIONS

We wish to thank SREL for providing us with this opportunity to respond to its research needs. We believe we have the professional skills, data access and technological resources required to provide SREL with the economic impact assessment it requires relating to the North Bala falls Small Hydro Project in a timely and professional manner.

If we have misunderstood in any way your needs in this regard we would be pleased to discuss them with you and to adjust the tasks, deliverables and budget accordingly.

We look forward to your response to our proposal.

For the Centre for Spatial Economics



Thomas W. McCormack
Partner of C4SE

You can contact Tom McCormack directly as follows:

- Phone: 1-888-774-9009
- email: tmccormack@c4se.com