

7.0 ECONOMIC SPIN-OFF BENEFITS

The direct and immediate benefits of an All-Weather Road are reduction in costs of transporting goods and people. The “spin-off” economic benefits are the opportunities for capital investment, income, and employment created by the improved access. This is a scoping study; therefore, there is no estimate of the economic dislocations that could impact the existing air transport industry.

The estimated benefits (capital investment and employment) for an All-Weather Road have been incorporated into the Manitoba Bureau of Statistics, Economic Impact Assessment Model that estimates the overall provincial impact.

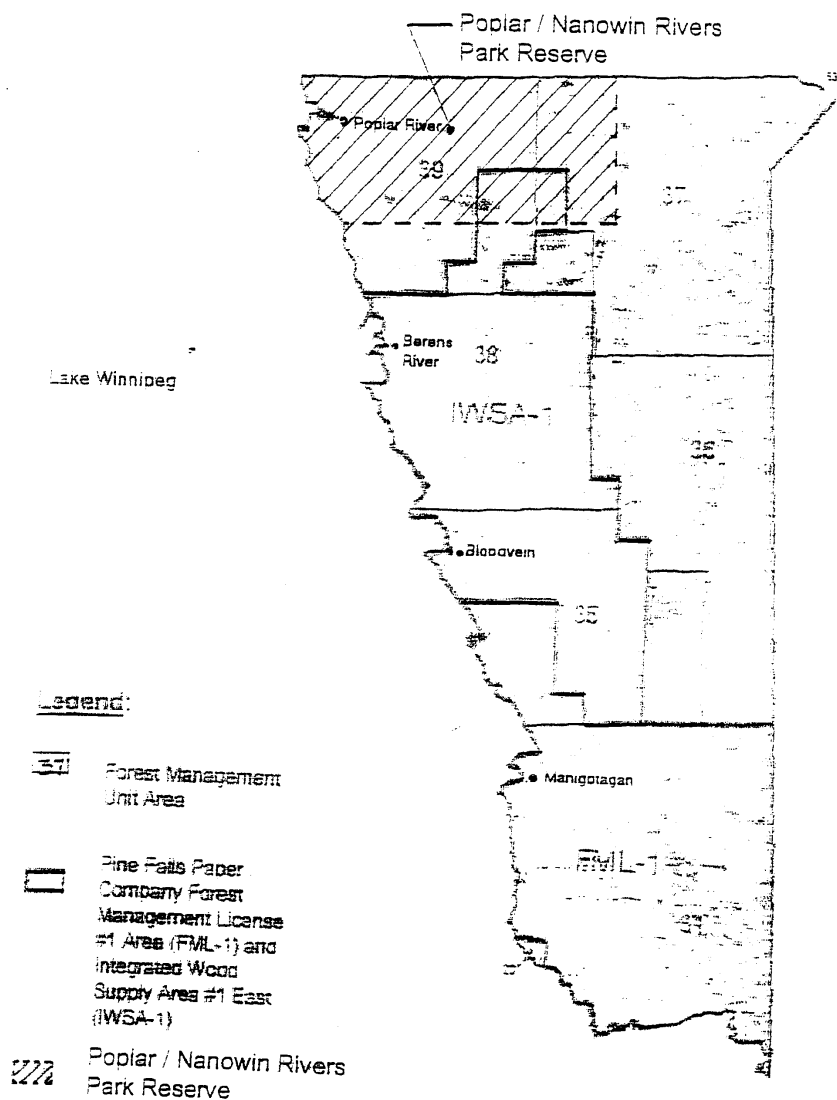
The **Context** of the “spin-off” economic benefits is important. The communities to the east and north of Lake Winnipeg have extremely high unemployment rates. These unemployment rates reflect the lack of opportunities outside traditional pursuits. Without access to gainful employment, these people and communities are supported by transfer payments. The social dependency rate in these communities ranges from 30 to 80 percent. The cost of social assistance payments is a large and growing annual payment, currently amounting to approximately \$20 million per year.

Forest Resources to the east and north of Lake Winnipeg represent the most significant development opportunity within the study area. **While there is no approval or implied approval to date**, there is a detailed proposal to develop resources in the southern section of the study area. **For the purposes of this study we have assumed that there is a degree of probability that the southern study area forests will be developed.** The northern forests in the Island Lake/Gods Lake area are not expected to provide any forestry benefits within a 20-year time frame.

Within the Southern Road Section, PFPC is the primary forestry stakeholder on the east side of the lake. Through a Forest Management Licencing Agreement (FML), PFPC holds FML#1 and has the first right of refusal on softwoods harvested in the Integrated Wood Supply Area (IWSA) illustrated on the following page. It should be noted that the IWSA appears to overlap the Poplar/Nanowin Rivers Park Reserve to a small extent.

The PFPC plans call for the construction of a new thermal mechanical pulping plant at Pine Falls, increasing the speed of the paper machines, a 130 million board foot sawmill at Pine Falls, and a sawmill at Berens River. The sawmills at Pine Falls and at Berens River are both contingent on the All-Weather Road access, project licencing, and environmental permits.

Pine Falls Paper Company Integrated Wood Supply Area

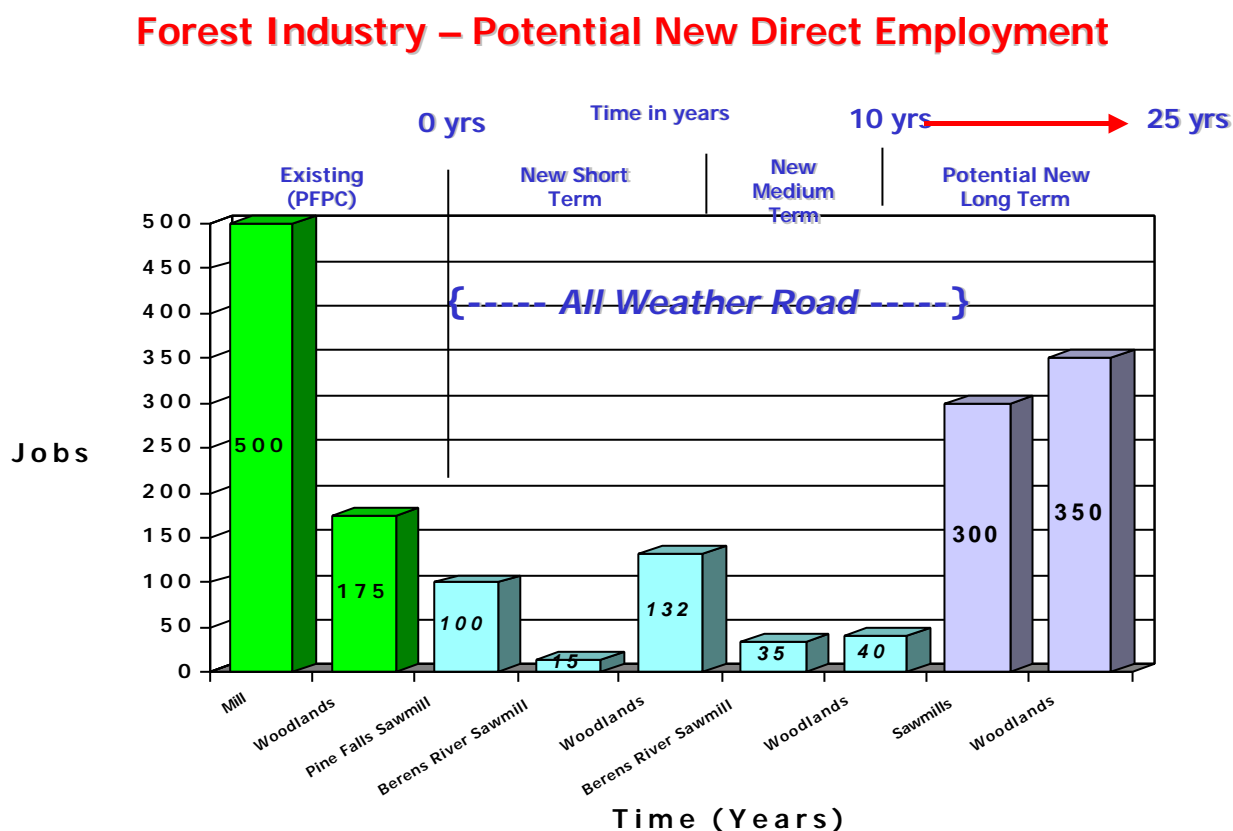


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Timing Assumptions for the implementation of these new facilities:

- **Short-Term** (Assuming the All-Weather Road to Berens River would be complete by January 1, 2003)
 - The Berens River sawmill would be commissioned January 1, 2001
 - The Pine Falls sawmill would be commissioned January 1, 2002 and in full production January 1, 2003
- **Medium-Term**
 - The capital investment to the Pine Falls mill (paper machine speed-up) and the upgrade to the Berens River sawmill would be completed by January 1, 2005.

The Overall Forest Industry Potential for New Direct Employment is illustrated below:



Within the Northern Roads Section of the Study Area, the Forestry Branch of Manitoba Conservation has estimated the annual allowable cut of the forests in Sections 2 and 3 of the Hayes River section as follows:

**Annual Allowable Cut
Areas 2 and 3 Hayes River Forest Section**

Area	AAC (m ³) Softwood	AAC (m ³) Hardwood	AAC (m ³) Total
2	519,220	170,490	689,710
3	331,950	91,570	423,520
Total	851,170	262,060	1,113,230

Source: Forestry Branch, Manitoba Conservation

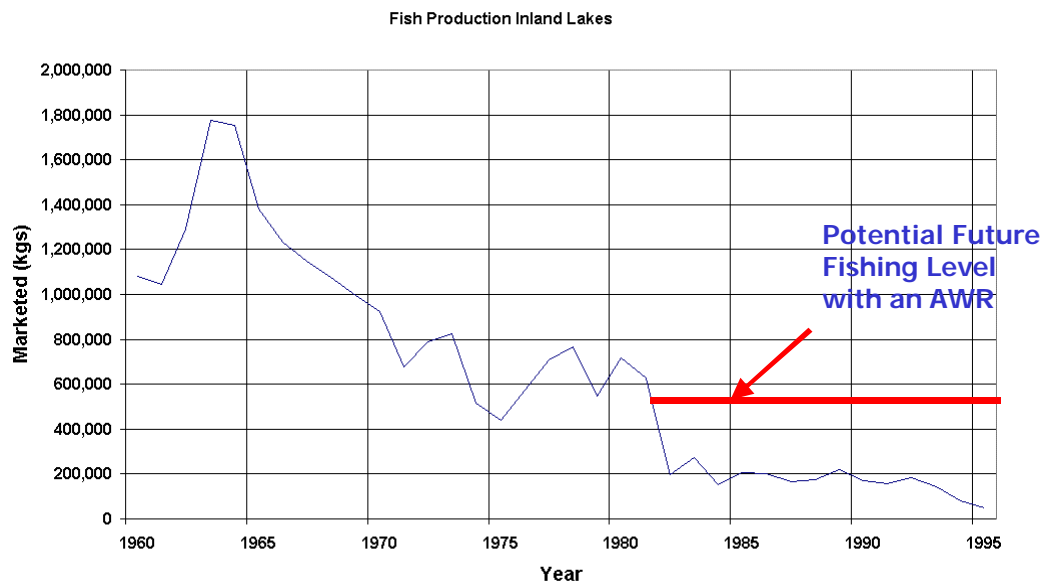
If these more remote resources were developed, the result would be employment opportunities at least two times that shown for the southern section. However, until there is a commitment from communities, government, and industry, the resource only represents a potential benefit and is not included in the Manitoba Bureau of Statistics impact assessment model for a potential All-Weather Road.

Commercial Fishing on Lake Winnipeg is a significant issue. The Lake Winnipeg communities depend on a summer fishery. For the communities of Bloodvein, Berens River, and Poplar River, average annual deliveries have been in the order of 940 000 kg per year, although at times, production has been significantly higher. Fish from these stations is delivered to Islandview via the Goldfield (a boat owned by FFMC) or via the Department of Highways ferry.

The ability to deliver Lake Winnipeg fish by road, with back haul opportunities, would have an immediate reduction in transportation costs of \$115,000 per year, which would be realized directly by the fishers. The indirect impact would be to increase the viability of the current fishery, with greater rewards for effort and potentially expanding the fishery by some 150 000 kg per year. The value of the increased harvest is expected to be \$450,000 per year.

Commercial Fishing on Inland Lakes within the study area currently produces some 50 000 kg per year. An All-Weather Road would increase commercial fishing by some 350 000 kg per year, or returning the fishery to the level experienced in the early 1980s, as illustrated on the figure below. The gross value would be some \$1,050,000 with net income to fishers of \$250,000.

Economic Fishery Spin-offs

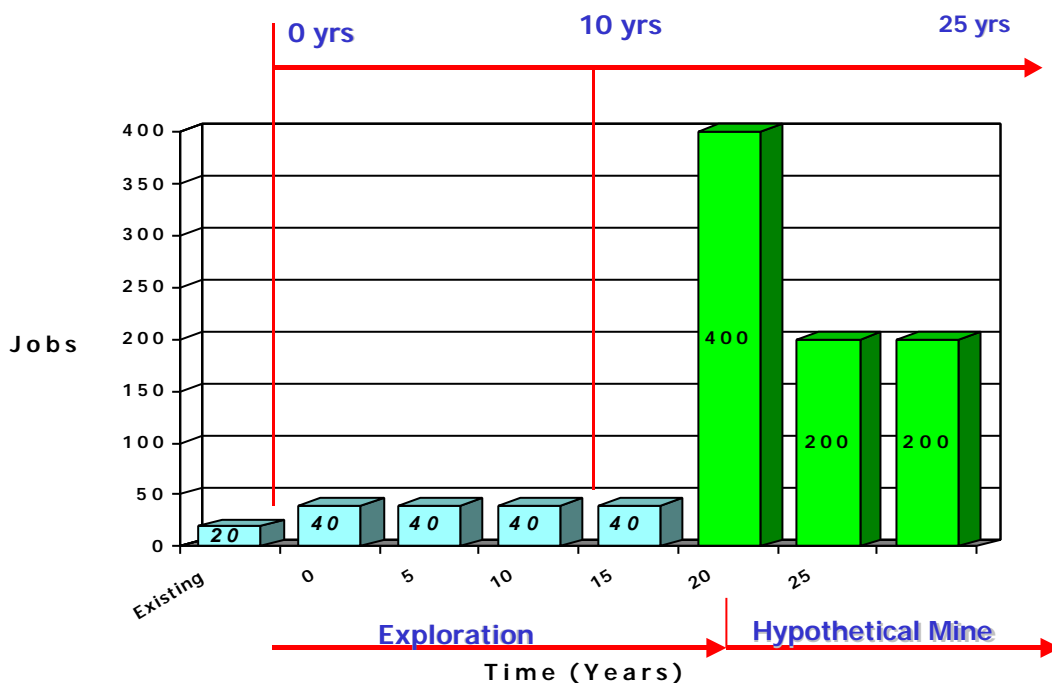


Mineral Exploration and Mining are potentially large opportunities within the Study Area. The Mining Association of Manitoba and the Prospectors and Developers Association of Manitoba are both supportive of developing an All-Weather Road. Neither association, however, is confident in forecasting the economic impact on their industry.

The immediate impact of an All-Weather Road for the mining industry would be to reduce exploration costs. This will attract more exploration to the study area, shifting money from the transportation to more productive activities (e.g., more geophysics or drilling). Further, mineral deposits that are uneconomic without a road system in place, may become economic if a road was available. Transportation is a significant cost to the mining industry. The presence of a road can turn a marginal deposit into a viable operation by reducing the cost of shipping materials into the mine site, and concentrate out. The current lack of infrastructure is a major disincentive to mineral exploration and development on the east and north of Lake Winnipeg.

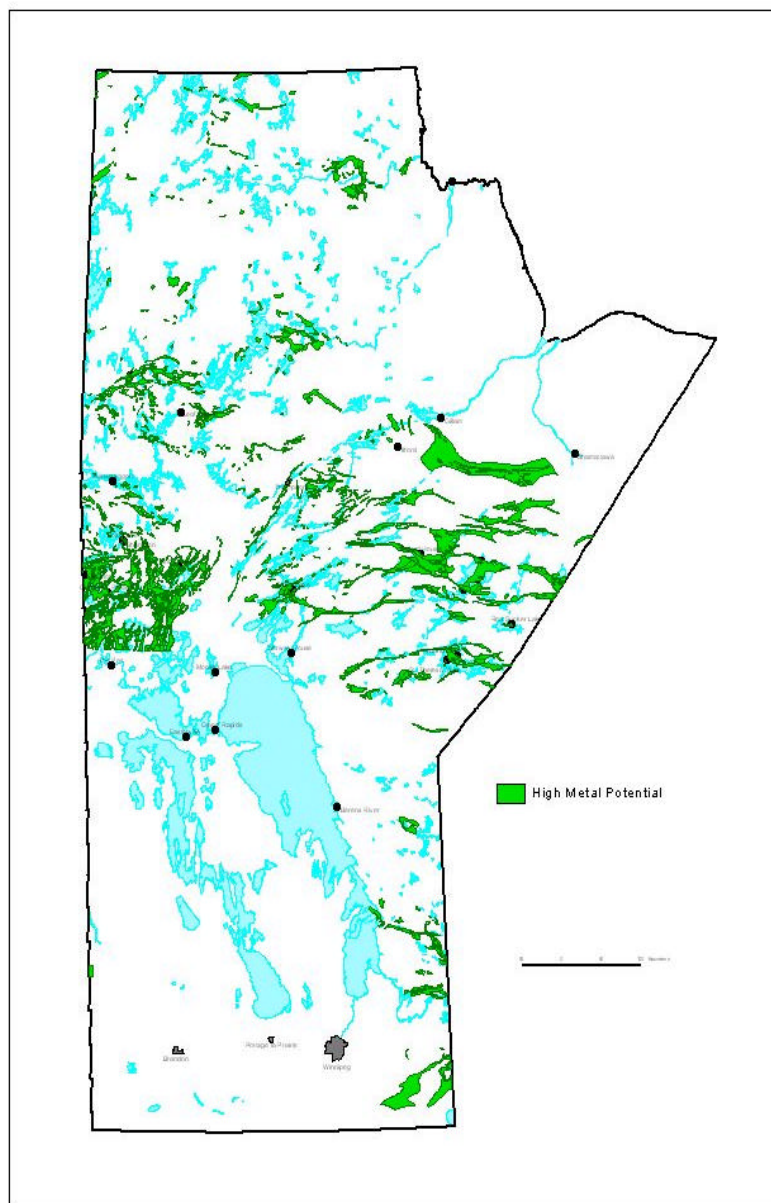
The following figure provides an estimate of potential new direct employment in the exploration field plus the impacts of a hypothetical mine which may not necessarily materialize even with an All-Weather Road.

Mining Industry – Potential New Direct Employment



The map below shows “greenstone” belts, which are considered to be areas of high mineral content. Most of these belts occur in the northern part of the study area in the proximity of Island Lake, Gods Lake, and Oxford Lake. It is widely believed by the mining industry that as an all-weather road reaches these locations that new mines will be brought into production.

High Mining Potential Areas



Tourism Development opportunities will be created by an All-Weather Road. Manitoba has unique resources along the shores of Lake Winnipeg and other large inland lakes. Atikaki Park is known as a world-class natural resource. Most of the visits involve access by float-equipped aircraft.

The current tourist infrastructure consists primarily of “lodges,” which have traditionally been hunting and sports fishing facilities. On the East Side of Lake Winnipeg, these pursuits have been broadened to include wilderness canoeing, rafting and some “ecotourism” activities.

There are 30 lodges with a bed capacity of 864 in the study area. These lodges are the backbone of the tourism industry and account for the vast majority of all tourism revenue. Adventure travel and ecotourism, however, represent a growing opportunity in the industry.

Manitoba Tourism is of the opinion that the largest tourism benefits are derived from existing fly-in fishing lodges. They have said “The fishing and outdoor adventure markets are attracted to the rivers, lakes, and associated pre-Cambrian shield country on the east of Lake Winnipeg by the untouched wilderness characteristics of the region, which would be seriously impacted by the development of road access and increased number of visitors.”

This study assumed that there would be net tourism benefits associated with an All-Weather Road and that the road would result in 20 to 40 full-time equivalent jobs within the region and a total capital investment of \$5 million. *These levels of benefits are only achievable but could be significantly enhanced if the road was located in conjunction with a Tourism Development Plan.*

Service Sectors will evolve following the construction of an All-Weather Road. However, an All-Weather Road is expected to have a neutral overall impact on the services component of the economy.

The All-Weather Road will have the effect of reducing transportation costs and making business less expensive. The same road, however, will give a broader part of the community easier access to shops and services in larger population centers. The expectation is that the retail/service sector in study area communities will shrink with an All-Weather Road. Compensating for this will be an expansion in local transportation and travel-related services.

The Manitoba Bureau of Statistics - Economic and Tax Revenue Impact Model was used to identify the “spin-off” economic benefits/opportunities for capital investment, income and employment created by the improved access. These benefits (capital investment and employment) have been incorporated into the Manitoba Bureau of Statistics, Economic Impact Assessment Model to estimate the overall provincial impact within the geographic borders of Manitoba. These total provincial impacts are shown below.

Summary of Provincial Impact of Spin-off Benefits
Manitoba Bureau of Statistics Economic Impact and Tax Revenue Assessment Models

	One-Time Capital Impacts	Annual Operations Impacts (Medium-Term)
Labour Income	\$46,500,000	\$33,500,000
Provincial Taxes	\$13,000,000	\$5,900,000
Federal Taxes	\$14,900,000	\$7,000,000
Employment (person years)		
Direct Employment	700	380
Indirect and Induced	540	520
Total Employment	1,240	900

Construction of the All-Weather Road (over a 10 to 15 year period) and subsequent maintenance/operation will result in savings in social assistance payments. It is estimated that one - third of direct employment, as shown in the table below, will be local and would largely accrue to the federal government. *

Summary of Highway Construction Benefits

	One-Time Capital Impacts	Annual Operations Impacts (Medium-Term)
Labour Income	\$220,000,000	\$2,000,000
Provincial Taxes	not defined	not defined
Federal Taxes	not defined	not defined
Social Assistance Savings*	\$45,000,000	\$800,000
Employment (person years)		
Direct Employment	3700*	40*
Indirect and Induced	2500	20
Total Employment	6,200	60

Source: Calculated using MBS guidelines for highway construction in Manitoba.