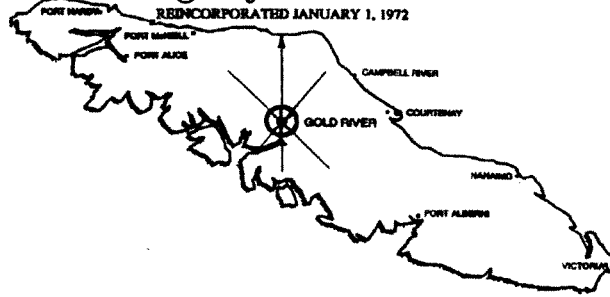


Village of Gold River



0185-34
(10)

June 23, 2009

Mayor and Council
District of West Vancouver
750 17th Street
West Vancouver, British Columbia
Canada V7V 3T3

Dear Mayor and Council,

I understand that the subject of the Region's Solid Waste will be a topic of discussion at this weekend's Council of Council meeting.

I would like take this opportunity to remind you of a project in our community that can be a large part of the solution to your region's solid waste management challenges.

The Gold River Power Project being developed in our community is a green energy initiative that will be fueled by Refuse Derived Fuel (processed residuals from the solid waste stream). The project will generate 90 MW of green energy and will be able to receive 650,000 tonnes of RDF which approximates the volume of waste currently being hauled from the Metro Vancouver to the Cache Creek Landfill.

Attached to this letter is an economic analysis prepared by Dr Roslyn Kunin that highlights the tremendous economic impact that this project will have on our community and region. Gold River suffered the closure of its Pulp Mill in 1999 and this project will help rebuild our tax base, bring skilled trades to our community and create lasting well paying jobs.

In this time of economic uncertainty when our traditional industries are in steep decline, this project represents one of the most significant economic opportunities that have been possible for Vancouver Island in many years.

We believe this green power opportunity is a made in B.C. option to Metro Vancouver's solid waste management challenges and will assist other B.C. Communities with an environmentally responsible opportunity to manage their solid waste issues.

Sincerely,

Craig Anderson
Mayor

Economic Impact of Covanta Energy's Gold River EfW Facility

British Columbia

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May 2009

Summary Analysis

At this time, the British Columbia economy is suffering from the global economic slowdown with weak demand for resources, rising unemployment and falling government revenue. Rural areas in the province are particularly affected.

The BC economy has been strongly dependent on natural resources, primarily forestry, but also mining and minerals and different forms of energy. They have been the backbone of the heartlands (non-metro areas) of the province. Today, all resource markets are weak and unstable.

This means that BC must diversify its economy, particularly in rural areas, if it is to provide the output, jobs and tax base on which the province can continue to thrive. This diversification must meet the additional constraint of being compatible with maintaining or improving the natural environment.

Projects like the Gold River Energy-from-Waste (EfW) project proposed by Covanta and Green Island Energy exemplify what can be done in BC.

The three year construction phase of the Gold River project will boost economic activity in the province of British Columbia by \$793 million and increase tax revenue in BC by \$32 million. The project will generate 1,625 person years of employment during construction. Once in operation, the facilities will add \$32 million to the provincial economy, \$1.5 million to provincial tax revenue and 195 full time jobs in BC per year.

The project will provide many benefits. First, it will have a positive environmental impact. On the economic side, the fact that it will convert a disused pulp mill clearly shows how the project will help BC start to replace the vanished forestry-based jobs with other jobs supported by an ongoing supply of renewable resources producing a product (clean energy) with strong continuing demand.

Ongoing, permanent jobs in areas such as Gold River where other economic opportunities are limited are especially valuable. This is reflected in the support of this project by the Gold River community.

The production of relatively low cost, clean energy will help BC remain competitive and attractive to additional investors and job creators in the parts of the province where they are needed. In particular, it will help offset the energy deficit faced on Vancouver Island.

Economic development opportunities for First Nations especially in the more rural areas of the province are very important to the on-going well being of BC. The Mowachaht/Muchalaht First Nations in the Gold River area have already agreed with the proponents of the project and stand to benefit from training, internships and other economic opportunities in a community that has an unemployment rate of over 50%.

The timing of the project is ideal in that increased economic activity, job creation and rising tax revenues are exactly what the BC economy needs right now.

Basic Assumptions

In this report, we provide an estimate of the economic impact of the proposed Gold River Power Project on the BC economy. We begin with the underlying assumptions/factors that laid the ground for impact analysis.

To formulate this analysis, we relied on data provided by Covanta Energy Corporation, in conjunction with an analysis conducted by Dr. Thomas Conoscenti of New York University. This data indicates that during the construction phase of the Gold River facility (including both the redevelopment of the Gold River Pulp and Paper Mill into a 2350 MTPD EFW facility and a resource recovery facility in the Lower Mainland) the value of labour, material, and other inputs that will come from within the province is \$515 million (including \$175 million for labour and \$340 million for building construction, engineering planning, etc.)

To estimate the contribution of constructing the Gold River Power Facility to provincial GDP, employment and government revenue, we have made use of provincial economic multipliers for different industries in the BC economy, derived from the BC Input-Output Model (BCIOM) as described in Chapter 2 in the publication *British Columbia Provincial Economic Multipliers and How to Use Them (BC Stats, 2008)*.

During the operation of the Gold River Power Facility (including the resource recovery facility), we have also been informed by Covanta Energy Corporation that all the cost incurred within the province includes expenditure for payroll (\$11.5 million per year) and purchase of Canadian manufactured materials (\$10.7 million per year).

Quantitative Impact

Construction Phase

We have allocated expenditure incurred on labour and material associated with constructing the EFW facility on Vancouver Island including the resource recovery facility in the Lower Mainland to the construction industry in the input-output model. The amount is \$515 million. The Table that follows summarizes direct and indirect impact during the construction phase on the provincial economy.

Table 1 *Direct and Indirect Impact of Constructing the Gold River EfW Facility on Provincial Economy*

Construction Phase	Direct	Indirect	Total
Economic Activity	\$515,000,000	\$278,100,000	\$793,100,000
GDP at Factor Cost	\$180,250,000	\$123,600,000	\$303,850,000
Employment (Person Years)	1,050	575	1,625
Provincial Taxes	\$24,720,000	\$7,210,000	\$31,930,000

Source: RKA

In Table 1, we have shown estimates of two economic output variables – economic activity and GDP at factor cost. The first refers to total industry output, while GDP at factor cost accounts for the value added to the economy.¹

On employment, we have been advised by Covanta Energy Corporation that it is expected 350 jobs will be created each year during the construction phase. Over the three year period of this phase, total direct employment impact is therefore 1,050 person years. Using data available from the BCIOM, the multiplier derived here is 1.55. Therefore, total employment impact is 1,625 person years of employment.

In addition to economic impact variables such as industrial output and GDP and employment, we have also estimated the impact of taxes. We have not included federal taxes in our estimate of economic impact due to the fact that we are estimating benefits within the province of BC. We note that the provincial taxes calculated with the BCIOM include provincial personal income taxes, indirect taxes less subsidies, and corporate income taxes.

Operation Phase

Ideally, for the operational phase of the facility, we would have been able to obtain data pertaining to labour and material cost estimates for two separate operations: the resource recovery facility, and the EfW facility. Given that this

¹ Total industrial output refers to the value of outputs produced, whether the products are used as an intermediate product (think of a log cut down from a tree for the purposes of building houses, for example) or used as a final product (think of a beam in a completed house). If we calculate gross domestic product at the provincial level, or GPP, this way, the cost of the log will be counted many times, as it moves from a raw product to its eventual use as a beam, and it is wrong. The value of total industrial output thus includes both the value of intermediate inputs and primary inputs - the latter being the labour and the capital in production. It is the sum of the latter, which is also referred to as the value added, that is equal to gross domestic product at the provincial level.

information is currently unavailable, we have estimated the economic impact based upon the assumption that 20% of the economic activity is attributed to the industry of "Electric Power Generation, Transmission and Distribution" within the BCIOM, and 80% of the economic activity goes to "Waste Management and Remediation Services".

The amount of total expenditure during the operation phase is \$22.2 million per year (including \$11.5 million annual payroll and \$10.7 million for purchases of goods and services that we know will occur in BC). The Table that follows summarizes direct and indirect impact during the construction phase on the provincial economy.

Table 2 *Direct and Indirect Impact of Operation of the Gold River EfW Facility on Provincial Economy per Year*

Operation Phase	Direct	Indirect	Total
Economic Activity	\$22,200,000	\$9,412,800	\$31,612,800
GDP at Factor Cost	\$13,186,800	\$4,306,800	\$17,493,600
Employment (Person Years)	125	69	195
Provincial Taxes	\$1,265,400	\$266,400	\$1,531,800

Source: RKA

Over a period of 20 years of operation, the estimated direct and indirect economic impact is shown in Table 3.

Table 3 *Direct and Indirect Impact of Operation of the Gold River EfW Facility on Provincial Economy Over 20 Years*

Operation Phase	Direct	Indirect	Total
Economic Activity	\$444,000,000	\$188,256,000	\$632,256,000
GDP at Factor Cost	\$263,736,000	\$86,136,000	\$349,872,000
Employment (Person Years)	2,508	1,390	3,897
Provincial Taxes	\$25,308,000	\$5,328,000	\$30,636,000

Source: RKA

We note that if the jobs in the operation phase are assumed to be permanent jobs, total employment impact should be 195 jobs for 20 years.

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