



# Panel on the Future of the Trent-Severn Waterway

## Commission sur l'avenir de la voie navigable Trent-Severn

### DISCUSSION PAPER #4 THE WATERWAY'S CONTRIBUTIONS TO SUSTAINABLE COMMUNITY ECONOMIC DEVELOPMENT

*These discussion papers do not represent the conclusions or positions of the Panel. They are intended to stimulate discussion of some of the broad issues facing the waterway.*

#### **Context**

A key topic of interest is the role of the waterway in the economic life of the urban and rural communities along it. Obvious contributions involve expenditures by boaters and land visitors who use the lock stations, as well as Parks Canada's funding of waterway operations. Beyond such tourism and operational expenditures, little is known of the waterway's contribution to the so-called lifestyle economy of housing developments, commerce, and industry that has grown up because of proximity to the waterway and the role of water in lifestyle choices. With the increasing popularity of this lifestyle, one assumes that the economic contributions of the waterway are substantial.

A study examining the broad economic contributions of the waterway is underway as part of the panel review. In the meantime, this paper explores the various facets of economic benefit the waterway provides to the communities along it, issues that are a barrier to economic sustainability along the waterway, and some ideas to help attain it.

#### **Current Situation**

##### The waterway's direct contributions

A 2000 Parks Canada study estimated that in 1997, direct expenditures of \$49.7 million were associated with the operation of the waterway. Boaters spent about \$28.2 million (including the purchase of 15,000 lockage permits), land-based visitors \$10.6 million, and Parks Canada \$10.9 million (including dams in the Haliburton reservoir lakes). These expenditures generated an estimated \$96.7 million of economic activity, including more than 1,600 jobs directly and in support industries.<sup>1</sup>

The waterway's economic contributions go far beyond tourism and Parks Canada expenditures. According to a 2003 report, the economic value of water-based activity on Lake Simcoe alone approached \$200 million annually.<sup>2</sup> Although there are no precise surveys, rough estimates suggest that up to 40,000 boaters use portions of the

<sup>1</sup> Parks Canada, *Economic Impact Study of the Trent-Severn Waterway: Summary*, Cornwall, 2000.

<sup>2</sup> Lake Simcoe Environmental Management Strategy, *State of the Lake Simcoe Watershed*, 2003, p. 3.12.

waterway but do not purchase lockage permits.<sup>3</sup> More than 400 commercial marinas (one-half the number in Ontario) and resorts derive revenue from the waterway. The number of food, accommodation, and beverage establishments along the waterway increased by 15% between 1988 and 1996, and this was accompanied by 31% employment growth in this sector (with the largest increase around Rice Lake). These service industries attributed 37% of their sales to visitors.<sup>4</sup>

### The Larger but “Hidden” Economic Picture

Beyond the above statistics, little is known of the magnitude of economic benefit generated by the waterway. Property values and other measures suggest that the waterway’s natural attributes and its proximity to the growing Greater Toronto Area make it a highly valued amenity. Other, less recognized benefits such as flood control underpin the economic and social life of waterway communities. Hydro-electric power generation also provides local economic benefit. Of this wide range of factors, two interlinked factors stand out:

#### *Water management*

Many seasonal and all-year residences would not exist or be as desirable without managed water levels. The 160 dams and water control structures along the navigation corridor and in the Haliburton reservoir lakes are essential to both the waterway’s continued presence and the economies of the communities along it. Without water control there would be less shoreline and lake area, limited – or no – access to adjacent lakes, and a greater risk from fluctuating water levels and flooding. The attractiveness of the area for boating and lifestyle residential activity would be significantly reduced.

#### *Lifestyle economy*

Perhaps the waterway’s most significant economic contribution is to the so-called “lifestyle” economy. The waterway attracts people because of its natural setting. In addition to tourists, the waterway hosts seasonal and permanent residents on 132,000 private properties that abut the waterway,<sup>5</sup> not including Couchiching.<sup>6</sup>

The “lifestyle economy” refers to economic activity derived from the combined attraction of the natural environment and leisure as the prime motivation for people to live, visit, and work in a particular region. Along the Trent-Severn Waterway, this includes:

- Leisure accommodation (e.g., waterfront seasonal and year-round dwellings, retirement communities, resorts, trailer parks, and campgrounds/trailer parks);
- Commercial uses (e.g., marinas, golf courses, leisure retail);
- Non-leisure businesses (e.g., high-tech, home-based business); and
- Other traditional businesses (e.g., food retail, building supply, real estate, insurance).

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<sup>3</sup> East and Chamberlain, 2004, cited in Parks Canada, *State of Environmental Health*, 2005, p. 13, vol. 1 of *Indicators of Environmental Health and Long-Term Monitoring Strategy, Trent-Severn Waterway National Historic Site*.

<sup>4</sup> Parks Canada Business Survey, cited in Parks Canada, *Economic Impact Study*, p. 2.

<sup>5</sup> East and Chamberlain, 2004, cited in Parks Canada, *State of Environment Health*, p. 13.

<sup>6</sup> In 2003, 12,000 cottages fronted the Lake Simcoe shoreline (LSEMS, *State of Lake Simcoe*, p. 3.14).

The 2000 Parks Canada economic impact study found that waterway visitors were responsible for half of the local real estate and insurance industry sales, and 63 percent of the revenue of the transportation and storage industries.<sup>7</sup>

Lifestyle economies require a high standard of environmental quality. For the waterway, this might include:

- Good water quality for recreation (e.g., swimming, fishing) and drinking (e.g., wells);
- Absence of overcrowded boating conditions on lakes and rivers;
- Conserving scenic beauty of lakes, backshore lands, and natural landforms;
- Protecting natural habitat along shorelines and adjacent lands;
- Minimal presence of invasive species that impair recreational use of lakes and lands;
- Access to water and recreational opportunities.

#### *Cost-Avoidance*

Some of the waterway's economic contributions come in the form of cost avoidance rather than added economic activity. For example, the management of water levels provides the essential public service of flood control. Without it, the economic (and social) costs of flooding from major storms and annual spring runoffs would be both considerable and frequent.

### **Issues and Opportunities**

#### What the decline in lockages means in economic terms

Lockages have declined by 50% since 1988, and in 2006 was at a level not experienced since 1967. While recreational boating along the waterway in general is likely increasing, boating in general is changing. Another indicator of change is that three marinas along the waterway have recently closed, partly because the land they occupy is more valuable for condominium or other development. This comes at a time when anecdotal reports from boats dealers and marina operators suggest that there is increasing demand for larger boat mooring along the system as an alternative to prohibitively expensive cottages.

The waterway's traditional role in navigation seems to be less important than in the past. The factors behind changes in lock use and boating in general are not known nor is it understood if they signal a longer-term trend.

#### Where the economic value of the Waterway really lies

While the economic study should help illuminate the larger economic picture, the decline in lockages suggests that navigation is only one of several ways the waterway contributes to local economies. There are many more land-based visitors using the locks than boaters, and they may offer better economic opportunities for local communities. It is also possible that the economic contributions of seasonal and permanent waterfront development exceed those of tourism. Water management and taking advantage of the waterway's amenity value for local communities may be keys to deriving long-term sustainable economic benefit.

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<sup>7</sup> Parks Canada, *Economic Impact Study*, p. 2.

## Generating sustainable economic benefit

New residential development and the conversion of seasonal residences into year-round housing generate employment, revenue, and increased taxes for all levels of government. Yet continued waterfront development has increased stress on the waterway by reducing water quality, natural habitat, scenic character, and public access, and by increasing the amount of nutrients in the water that encourage weed growth. If not carefully managed, continued increases in waterfront development could eventually reduce the appeal of the waterway, and by extension its economic contributions.

## How other waterways see themselves in economic terms

Other waterways have recognized other roles beyond those of recreational boating and tourism. New York State's Erie Canal has undergone a massive reinvestment of more than \$200 million U.S. that focuses on the canal as a tool for revitalizing communities along its length.<sup>8</sup> Recreational boating is only one component of this economic vision. In building attractive waterfronts in communities large and small along its length, the canal is expected to stimulate public and private investments that bring more sustainable and locally-based economic growth that serves also to attract tourism. In addition to investment in the canal infrastructure, the State offers matching grants to municipalities and others to facilitate the realization of their vision.

## Challenges

Lack of recognition of the broad economic contributions of the waterway: The stereotypical view of the waterway economy revolves around boating and tourism. One suspects that the waterway plays a much larger role in the economy of communities along its length. If the economic study confirms this, the challenge will be to shift commonly-held perceptions to match a more subtle but pervasive economic reality. This would be a first step in fully realizing the waterway's sustainable economic potential.

The absence of an overarching economic development vision for the waterway: Many locally-based visions for economic development have been developed by communities along the waterway. But there is no larger, strategic vision that builds on the existence and values of the waterway as a contributor to community economic sustainability along its entire length. This situation leads us to the next challenge.

No agency is charged with or has assumed an oversight role in economic development along the waterway: Many local and area agencies such as community futures corporations, chambers of commerce, and the economic development arms of municipal governments promote economic development in communities along the waterway. But no agency is focused on the broad, strategic role of the entire waterway in the economic life of south-central Ontario. While Parks Canada's manages the waterway, its mandate is one of cultural resource management, not economic development. This institutional gap means that no broad, integrated economic goals are in place to which governments can contribute in a holistic, coordinated way.

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<sup>8</sup> Erie Canalway National Heritage Corridor Commission, *Manifest for a 21<sup>st</sup> Century Canalway: Highlights of the Draft Preservation & Management Plan*, New York: 2005, p. 7.14.

## Ideas

Develop an economic development vision and supporting strategies based on sustainable principles: Such a vision implies a long-term, corridor-wide perspective that links economic activity along the waterway to its social and environmental health. For example, activities that contribute to the waterway's natural environment and facilitate public access to the shoreline would help maintain the lifestyle attractiveness of the waterway. Development of the vision and its implementation would best involve a broad range of interests, with local and area community leaders playing a key role.

Strategies could focus on investments in public infrastructure and other public amenities in waterway communities; "soft" investments to stimulate economic activity such as promotion and designation of scenic routes; and policies, such as in the areas of waterfront development and open space provision.

Monitor economic activity and its effects on the Waterway environment: Monitoring would help communities to learn which (and how) economic strategies and activities enhance the waterway's economic, social, and environmental sustainability. Parks Canada's 2005 State of the Environment report and the economic study currently underway could provide useful starting points. A coordinating body would be one way to approach this task.

How growth in the Greater Toronto Area will affect the future economy of the Waterway: The continued and rapid expansion of the Toronto region has fuelled growth along the waterway. The Greater Golden Horseshoe (GGH) is expected to grow to 11.6 million by 2031, up 3.7 million from 2006.<sup>9</sup> Waterway communities should prepare for – and shape how – an expected influx of people – permanent residents and visitors – from the GGH can be sustainably accommodated as part of an economic vision. To do so, we need to first understand how trends in technology and work, the upcoming wave of retiring baby boomers, ethno-cultural diversity, and trends in boating and other recreational activity will influence the GGH and its relationship to the waterway corridor.

A broader tourism perspective: The waterway attracts boaters and land-based visitors. Yet it is part of a broader heritage corridor that offers many recreational, natural, cultural, and heritage opportunities. An integrated tourism perspective that serves local residents and visitors could create new opportunities. Examples might include the concept of "mixed-mode" vacations – combining boating along the waterway with hiking or cycling along the corridor's expanding trail network; a posted scenic "byway" along the waterway corridor; and marketing materials that include attractions and events throughout the entire waterway corridor.

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<sup>9</sup> Ontario Government. Ministry of Public Infrastructure Renewal, *Places to Grow: Growth Plan for the Greater Golden Horseshoe*, Toronto: Queen's Printer for Ontario, 2006, p. 12.