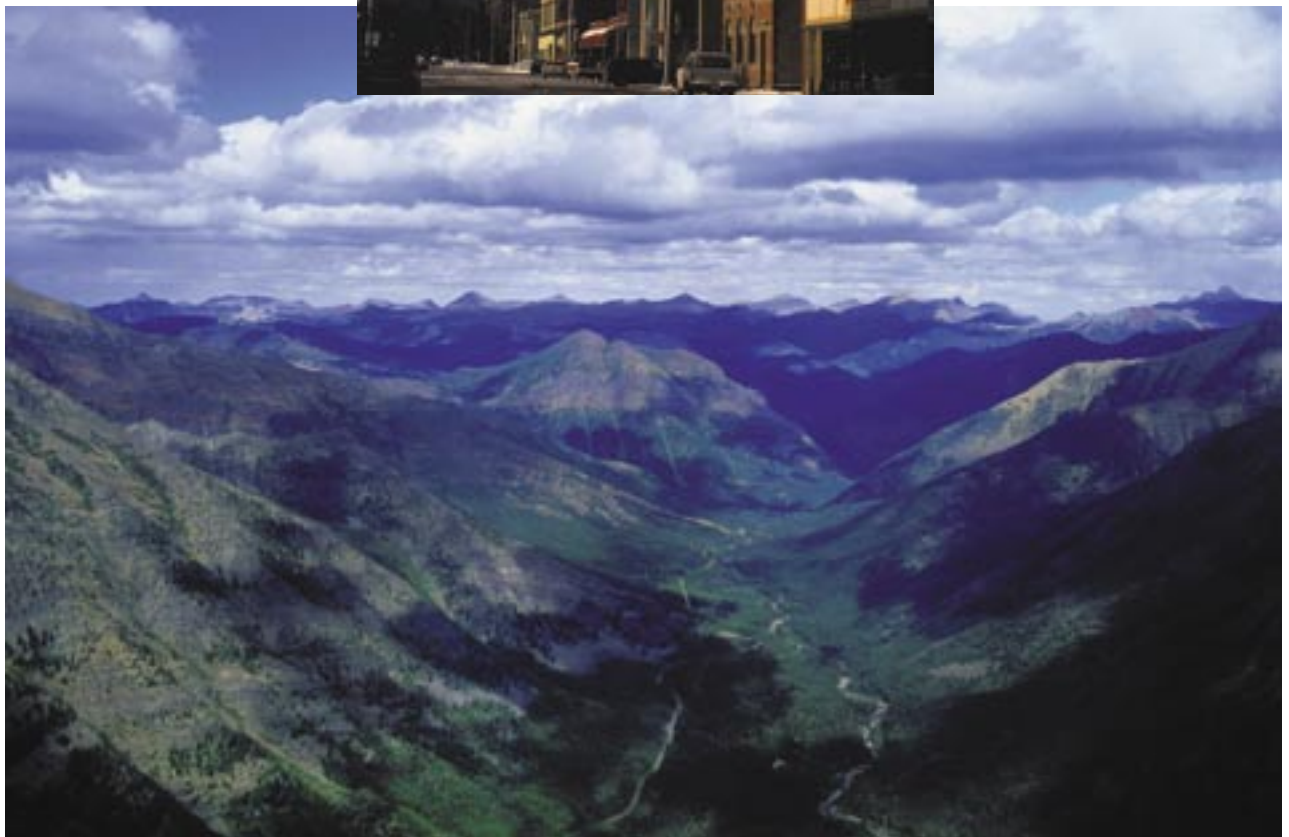


# Waterton-Glacier International Peace Park: The Economic Implications of Expanding into the Flathead Region of BC



***Waterton-Glacier International Peace Park:***

The Economic Implications of Expanding Waterton Park into the Flathead  
Region of British Columbia

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Yellowstone to Yukon  
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*"The park expansion promises  
to benefit both the valley  
community and the larger  
region and province."*



**Dr. Laurie Moss speaking in Fernie, BC, Sept. 2004**

## **FOREWORD BY DR. LAURENCE MOSS Ph.D.**

*Around the world, an economic and social force* has arisen that is providing new opportunities for mountain communities. Places with high environmental quality and distinctive cultures are increasingly attracting amenity migrants. These migrants typically come from our planet's highly urbanized centres. In western North America they are seeking to be near well-protected places of natural beauty and relatively pristine mountain landscapes that still support an abundance of wild-life, like national parks. They come for both active recreation and passive contemplation, commonly are economically active, reside in their new homes intermittently, seasonally or permanently, and usually need a developed information/communications support system and relatively convenient access by air to their chosen new homes.

Global analysis of amenity migration\* shows that many of these newcomers bring the ability and means to support and diversify local and regional economies away from exclusive dependence on cyclical resource extraction industries. They have the appropriate motivation, knowledge, entrepreneurial skills and means. And if the growth they bring is strategically managed the outcome can be long term economic, environmental and social sustainability. By strategically managed I mean planning for the long term with ecological knowledge and perspective, accepting change as the normal condition, and local collaboration in decision-making. When properly planned for and engaged, these migrants can be real assets to building vibrant communities.

From my recent visit to the Elk Valley and Cranbrook in 2004 and my discussions about its future with local residents, expanding Waterton Lakes National Park is a sound strategic thrust to take advantage of the obvious fit between the global amenity-driven new economy and local resources. The park expansion promises to benefit both the valley community and the larger region and province. This report is well aligned with the opportunities of amenity migration. However, based on my assessment of the region's fine potential to attract amenity migrants, it likely understates the associated economic benefits of the park expansion.

\* L. A. G. Moss (ed.) *The Amenity Migrants*, CABI Publishing, Wallingford, UK and Cambridge, USA, 2005 (forthcoming).

# Waterton-Glacier International Peace Park: The Economic Implications of Expanding into the Flathead Region of BC

## EXECUTIVE SUMMARY

The Government of Canada's *Action Plan for National Parks* contemplates the expansion of Waterton Lakes National Park into approximately one third of the Flathead Valley in southeastern British Columbia. The purpose of this report is to make an impartial assessment of the economic impacts of the proposal.

There are costs and benefits to the park expansion proposal. The primary cost is a reduction in logging activity, while smaller costs are a potential loss of hunter-based outfitting activity, a small rock quarrying operation, and some loss in mechanized recreation.

There are a number of offsetting benefits to the regional economy. These include increases in amenities migration, general entrepreneurship, Parks Canada spending, and wilderness tourism. The overall conclusion is that increased economic activity would more than offset any declines.

One proposal, (the Mill Upgrade Option) would offset the largest loss by investing approximately \$15 million from public and private sources in redesigning and upgrading Tembec's Elko sawmill (or another mill in the East Kootenay). This would increase the mill's efficiency, keeping it financially viable and globally competitive. In return, Tembec would surrender logging rights in the affected third of the Flathead Valley. This would enable the Federal and Provincial Governments to declare the southeastern third of the Flathead Valley as Waterton Lakes National Park Reserve and eventually a full national park. The costs and benefits of this option are discussed in the report using the Elko mill as an example. Other approaches are possible.

The conclusion that the park expansion would be a net economic benefit to the region is independent of whether or not the mill upgrade is pursued. If it is, there would be an additional modest economic benefit to the region, but the upgrade or some other fair approach is important to mitigate Tembec's loss. Keeping existing mills viable in the region through investments is important to the regional economy.

Thus, from a regional economic perspective, the park expansion is a win-win solution resulting in increased economic activity particularly in the Elk Valley, and increased wildlife habitat protection associated with reduced resource development and other human use impacts. Most importantly, the park expansion would provide significant economic opportunities to surrounding communities by lessening the dependency on traditional resource extraction, taking advantage of protected natural amenities and technological advances in transportation and communications.



## KEY FINDINGS

The economic benefits associated with the park expansion far outweigh the economic costs. Over the last few years the regional economy has shifted toward a more sustainable base. Protecting one third of the Flathead Valley in an expanded Waterton Lakes National Park can potentially assist in this shift and reinvigorate the economy of southeastern British Columbia.

This report has identified the economic costs and benefits of expanding Waterton Lakes National Park into the Flathead area of British Columbia. Three theoretical costs were identified:

- the loss in logging activity;
- the potential loss in guided hunting activity; and
- the potential loss in mining and oil and gas activity.

In our assessment of these costs, only the first two, reduced logging and guided hunting, would actually impact on the economy. The total aggregate costs are equal to \$2.4 million in GDP and 40 FTE jobs, although we also indicate that the costs estimated in this report for the loss in hunting are likely much higher than what would be actually realized.

Two economic benefits that the park expansion would generate more than offset the costs:

- the increased ongoing economic activity due to an increase in amenity migrants moving to the area;
- the increased economic activity due to Parks Canada spending for capital and annual operations.

Other smaller costs and benefits are also examined in the report.

The aggregate of these benefits totals \$3.8 million in GDP and 63.1 FTE jobs. To summarize then, the net gain in GDP is \$1.44 million and some 23 FTE jobs.

Although the provincial government may experience a small reduction in tax revenues, (\$69,000) the Elk Valley would enjoy a substantial net benefit from the establishment of the new national park. Not taken into account in these net benefits are potential First Nations investment activities or benefits to the Cranbrook area.

### Approach to the Analysis

This cost-benefit analysis of the Waterton Park expansion assessed current economic conditions in the East Kootenay region and the province of British Columbia. The key specific findings of this report include:

1. Over the last twenty years the economies of the Elk Valley communities (Fernie, Sparwood and Census Subdivision C), which are the closest communities to the proposed park expansion, have significantly under-performed compared to the economy of British Columbia as a whole. In contrast, Invermere, a town in southeastern BC equally as dependent on natural resource extraction in the early 1980s, but which is near protected natural amenities, outperformed the province during the 1990s.
2. While there are both costs and benefits to the proposed park expansion, the benefits to the regional economy clearly outweigh the costs.
3. Over the long term, the benefits from the park expansion would continue to accrue annually, while most of the costs would not. The cost and benefit analysis focuses on the short term only.



*“From a regional economic perspective, the Waterton Park expansion is a win-win solution resulting in increased economic activity particularly in the Elk Valley, and increased wildlife habitat protection associated with reduced resource development and other human use impacts.”*



*“A unique community of carnivore species resides in the Transboundary Flathead region that appears unmatched in North America for its variety, completeness, use of valley bottomlands, and density of species which are rare elsewhere. ...”*

**- John Weaver**

4. Contrasting the net benefits with the Mill Upgrade Option against the net benefits without it, confirms that the Elko mill upgrade is not necessary for the park expansion to have substantial economic benefits to the region (though Tembec's loss must be fairly mitigated).

**Costs:** the Waterton Park expansion into the Flathead Valley would reduce economic activity through elimination of logging in that part of the Flathead; elimination of a small quarrying operation, and the closure of hunting and mechanized tourism/recreation in the park area.

Specifically:

- a. The annual economic loss including all spin-off impacts to provincial GDP due to reduced logging in the Flathead is estimated at \$2 million, employment is reduced by 28 FTE jobs, and provincial government revenues are reduced by \$484,000.
- b. The maximum annual total provincial GDP loss due to the proscription of hunting and mechanized activities in the new park is estimated at \$361,000, 12 FTE jobs, and \$55,000 in provincial government revenues. However, academic literature suggests that this loss is unlikely to occur.

**Benefits:** the Waterton Park expansion into the Flathead Valley would increase economic activity in several different ways. These include increased in-migration of amenity migrants and entrepreneurial activity due to proximity to the park, one-time investment in capital assets and ongoing spending for park maintenance by Parks Canada, increased visitation to the Elk Valley area, one-time investment in sawmill upgrading (Mill Upgrade Option) and increased activity from upgraded sawmill operations.

Specifically:

- a. The proximity of a national park is expected to increase the number of in-migrants by 200 families within 10 years and this would translate into increased annual GDP of \$2.3 million, employment of 33 FTE jobs, and provincial government revenues of \$328,000.
- b. The one-time investment by Parks Canada in capital assets would increase total provincial GDP by \$499,000, total employment by 6 FTE jobs, and provincial government revenue by \$59,000.
- c. Parks Canada spending would increase total provincial GDP each year by \$1.43 million, employment by 25 FTE jobs, and provincial revenues by \$122,000.
- d. The increase in visitors to the region is projected to increase annual provincial GDP by \$101,000, employment by 3 FTE jobs and \$13,000 in provincial government revenues.
- e. If pursued, investment in the Mill Upgrade Option would generate a one-time total impact on provincial GDP of \$13.3 million, 168 FTE jobs, and \$728,000 to the provincial government.
- f. The increased activity from the upgraded sawmill would contribute an additional \$27,000 to total provincial GDP annually, 2 extra FTE jobs, and an additional \$11,000 to provincial government coffers each year.

In total, all one-time capital expenditures of the Mill Upgrade Option and the capital acquisitions by Parks Canada to develop the new park would increase provincial GDP by an estimated \$13.8 million for one year, increase employment for that year by 173.9 FTEs, and provide provincial government revenues of an additional \$787,000.

**Overall, the annual net economic benefits from ongoing activities related to the park are projected to increase the net provincial GDP by a total of \$1.44**



*“Despite the conservative nature of the analysis, the economic benefits associated with extending Waterton Lakes National Park into the Flathead area of British Columbia far outweigh the economic costs.”*

**million, and employment by 23 FTEs.** Provincial government revenues, however, are projected to be slightly lower (by \$68,900) due to the loss in stumpage revenues.

Overall the analysis suggests that when considering just the impacts of ongoing operations, the Elk Valley region would enjoy substantial net benefits from the extension of the national park, although the provincial government may experience a small reduction in tax revenues. It should be noted that the net benefits exclude potential First Nation investment activities. As well, the economic costs associated with the loss in logging activity are biased upwards and the loss in hunting activity is likely exaggerated. Consequently, the net benefits outlined above are conservative estimates.

It is important to note that the benefits of the park are not dependent on the Elko sawmill upgrade, although the benefits without the mill upgrade are somewhat reduced. This is because, although the one-time investment benefits are fairly large, the benefits from the upgraded mill are small, since the major impact of the upgrade is to increase labour efficiencies by reducing employment.

Despite the conservative nature of the analysis, economic benefits associated with extending Waterton Lakes National Park into the Flathead area of British Columbia far outweigh the economic costs. Protecting one third of the Flathead Valley as part of Waterton-Glacier International Peace Park has the potential to reinvigorate the economy of southeastern British Columbia.

## INTRODUCTION

### OVERVIEW OF THE ECONOMY OF BRITISH COLUMBIA

Over the last quarter century, the economy of British Columbia has undergone profound changes: significant international migration has altered dramatically the population makeup of the province; the emergence of high-tech industries and products has fundamentally changed the way many people work; and globalization, with its associated trade effects, out-sourcing and cost pressures, all have deeply affected corporate, and at many levels, government policy and investment decision-making. From the perspective of the more rural areas of the province, however, perhaps the most important transformation has been the emergence of the “dual economy”, where more urban areas relying heavily on services and higher-end manufacturing industries have achieved economic success, while many rural areas dependent on traditional “boom and bust” resource extraction have fared poorly.

The “dual” nature of the BC economy (and other, similar economies in North America) has been recognized for some time. What has been less appreciated is how many rural-based economies have escaped or avoided this “dualism” by transforming their economies away from extractive enterprises and toward natural amenity-based growth. As a result of their competitive advantages in natural amenities (easy access to relatively pristine parks and recreational opportunities, clean air and water, friendly, small-town character, and open, natural settings), these regions have developed vibrant, high-quality economies that act as beacons for retirees, young families and entrepreneurs alike who seek stable, safe communities in which to live, work, and invest.

The presence of a national or provincial park nearby is not a pre-requisite for a region to develop a natural amenity-based economic strategy. Nevertheless, studies have found that such parks do enhance a region’s potential for economic success. Reasons that parks assist in economic development are partially linked to park activity itself and an increase in tourism, and therefore may be obvious to the reader:



- Parks attract outdoor enthusiasts who spend money not only within the park itself but also in the region on such items as accommodation, food and restaurants, rental equipment, and small business outdoor services such as nature guiding.
- Parks require a level of annual upkeep and maintenance that generates jobs and high-quality incomes in the region, and often results in park staff and their (usually younger) families locating to the region on a permanent basis.
- A national or provincial park acts as a natural marketing focus for the area and often the region benefits from marketing by Federal and/or Provincial Parks Departments.

While all these are economically important reasons why a nearby park can be important to the vitality of a community, many studies have found that tourism, important as it may be, is rarely the driving force within thriving communities that have developed natural amenity-based development strategies. Rather, economic growth is driven largely by the influx of people into the community: retirees seeking lower-cost, lower-stress lifestyles; younger families searching for safe and stable neighbourhoods in which to raise their children; and entrepreneurs and knowledge workers who, having the transferable skill-sets so important in the 21<sup>st</sup> century, see opportunities to live, work and invest in communities that provide high-quality nature-based lifestyles.

To re-iterate, then: the evidence suggests that the most important reason as to why the presence of a National or Provincial Park is beneficial to nearby communities is the attraction of amenity migrants:

*A nearby park presents a special appeal to people seeking a high-quality lifestyle emphasizing access to outdoor opportunities and natural settings. These people are disproportionately well educated, financially established often with “transferable” sources of income (e.g., investment incomes, pensions) and have work skill sets that easily transfer to smaller communities. These people bring with them jobs, income and/ or the capital to start new businesses in the community. They also bring with them demands for housing, household services, education and health services. This increase in consumer demand presents business opportunities for established residents, resulting in growing incomes and declining rates of poverty and unemployment.*

## OVERVIEW OF THE ELK VALLEY STUDY AREA

The Study Area consists of the Elk Valley, an area in southeastern British Columbia that is home to the communities of Fernie, Sparwood and Elkford. The Elk Valley is an area of the province whose economy traditionally has depended heavily on resource extractive industries, particularly on coal mining and logging and milling. During the 1980s and middle 1990s, these extractive industries faced serious competitive pressures, with consequential closures and reductions in employment due to investment in labour-saving machinery. The result was a general deterioration in the economy, a fall in overall employment, and a cessation of people moving into the surrounding communities, particularly the towns themselves. Employment recovered somewhat in the late 1990s and early 2000s, partly due to the recovery of commodity prices and partly due to the expansion of the Fernie ski resort. However, the region’s economic performance relative to the province was poor.

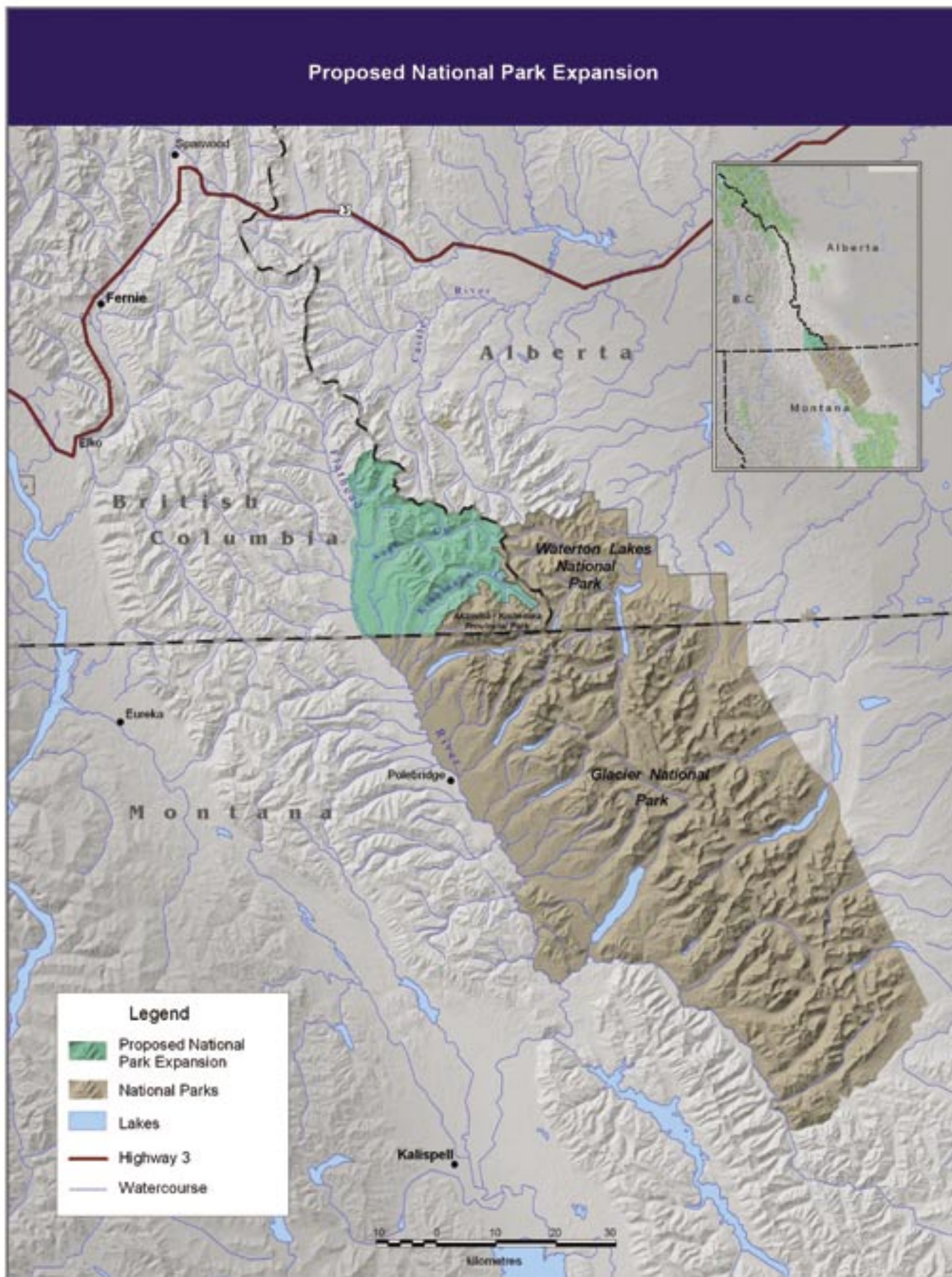
The question facing residents of the Study Area is: what economic strategy should the region follow in order to develop a robust, stable and high-income economy given that forestry and mining are cyclical? Some residents believe that the region should continue its historic dependence on coal mining and forestry,



*“I moved my family to Fernie as an amenity migrant and started a business. I am confident that the Waterton Park expansion into the Flathead would help the local economy.”*

**- Pat MacKay, Fernie  
Business Owner**

AREA OF PROPOSED WATERTON PARK EXPANSION  
Map by Miistakis Institute for the Rockies



develop coalbed methane, and attempt to attract greater investment through more relaxed land use plans. Others see the success that other, similar economies such as Invermere have enjoyed through natural amenities-based growth, and believe that an economic plan including some forestry and mining but linked to the unique natural qualities of the region is a better long-term strategy - one that would result in a more robust and stable economy without complete dependence on the ups-and-downs of traditional resource activity. Part of that strategy would include ensuring that the region's natural environment is adequately protected.

## THE PROPOSED PARK EXPANSION

The Study Area includes the Flathead Valley, described as the single most important basin for carnivores in the Rocky Mountains and home to a large number of wildlife species (especially grizzly bears, wolves, lynx, marten and wolverine). These animals travel between the protected area to the east (Waterton Lakes National Park in Alberta) connecting to Glacier National Park in Montana to the south (the two parks are collectively known as the Waterton-Glacier International Peace Park), and to the north (the National Parks of Banff, Kootenay and Yoho). The absence of protected areas in the study area to offset development pressures – logging, open pit mining, coal-bed methane development, mechanized recreation, hunting, and the like - has put vulnerable wildlife species at risk, and these pressures are likely to increase in the absence of protective legislation.

For a number of years now the Federal Government has been considering the possibility of extending Waterton Lakes National Park into the Flathead River area (see map opposite for the exact configuration of the proposed expanded park).

The expansion of Waterton Lakes National Park into British Columbia could result in a short-term loss of economic activity for the region under ordinary circumstances. However, two characteristics of the proposal limit that loss.

First, although one acknowledges that coal mining in general is on the up-swing in the province, the boundaries of the park expansion explicitly avoid any area that has recognized coal potential. There are no active hard rock mines in the area either. As a consequence, no obvious loss in extractive mining would occur except for the small quarrying operation there.

Second, in order to reduce any negative impacts of the park creation on the one significant economic interest in the area, logging, the Canadian Parks and Wilderness Society (CPAWS), which supports the park expansion, and Tembec Inc. the forest company holding the timber rights in the Flathead Valley, have developed a creative solution. Acknowledging the values of this portion of the Flathead, Tembec has agreed that it could surrender its forest tenure over some 18,000 hectares of commercial forestland in the Flathead in return for investment assistance estimated at \$14.9 million to upgrade its sawmill in Elko, BC. This upgrade would enable Tembec to make use of smaller dimension timber and therefore increase its efficiency and financially overcome the loss in timber supply while maintaining lumber production at historic levels.

The park expansion proposal is a winner from many perspectives: a significant proportion of the environment would be protected; there would be an overall increase in economic activity in the nearby Elk Valley that would strengthen and diversify the economy; and the major economic interest would be treated fairly. In particular, there would be increased efficiency in the use of valuable wood resources; the Elko sawmill would be more cost-efficient and competitive, thus ensuring the long-term viability of the mill and a stable labour force while keeping Tembec's Elko operations financially secure; and, although there would be a small reduction in forestry employment, this would be more than compensated for by increases in



*“In North America, Europe, and Asia, grizzly (brown) bears are likely to persist in greatest numbers in areas where management strategies give a high priority to the maintenance of naturally functioning ecosystems. Such places tend to be designated as national parks or wilderness areas where the maintenance of naturally functioning ecosystems is given a high priority for management.”*

**- James Peek et al.**

employment in other sectors of the local economy.

To enable the park expansion, the Province of British Columbia would transfer the lower third of the Flathead Valley to the Government of Canada and the Federal Government would create a National Park Reserve that is an extension of Waterton Lakes National Park. National Park Reserve status provides legal protection for park values while recognizing the outstanding land claim of the Ktunaxa First Nation in southeastern BC.

## **DEMOGRAPHIC AND ECONOMIC TRENDS**

Over the last several decades, there has been considerable flux in the global economy, affecting many regions, including the East Kootenay area of British Columbia and its communities. In 1981, demand for commodities, including lumber and coal was at record levels, and globalization was barely an issue. As a consequence, both forestry and mineral production in BC and in the East Kootenay enjoyed a major boom in activity in the later 1970s and early 1980s.

The 1980s and 1990s witnessed a generalized deterioration of global markets and prices for commodities that led to the closure of several mines in the East Kootenay, severe cost-cutting pressures on the logging and wood products sectors, and a general retrenchment of local economies that were dependent on traditional resource extraction. The effect of these poor economic conditions has been a noteworthy shift in the makeup of the East Kootenay population and industrial structure.

### **THE STUDY AREA COMPARED WITH INVERMERE**

In this section we contrast the historical dynamism (or lack of) of the Study Area with that of Invermere, a somewhat similar community located in the East Kootenay north of Cranbrook. Invermere is “similar” because it was heavily dependent on resource extraction in the early 1980s, and experienced a significant and prolonged recession due to the collapse in resource extraction and processing. Invermere and the Study Area are roughly equidistant from the fairly large Calgary market. However, the similarity is only “somewhat” because starting in the late 1980s and early 1990s, Invermere underwent a pronounced structural change in its economy, transforming from a community dependent on a shrinking traditional natural resource base into a town with a much greater diversity in economic activity, much of which is dependent on its surrounding natural amenities.

The superb natural amenities like Windermere Lake, the close proximity of Kootenay National Park, the Purcell Wilderness Conservancy, and a nearby ski hill allowed Invermere to expand its tourism base, with a heavy emphasis on winter activities such as skiing and sustainable wilderness tourism pursuits. Expanding tourism has led to greater activity in the hospitality, recreation, and retail sectors and to some extent to an increase in construction activity. At the same time, many individuals in Invermere, seeing their traditional work opportunities evaporate, chose to create new businesses, some focusing on providing services to visitors, but many offering non-traditional products and services.

As important, the beauty of the area proved attractive to a number of individuals who can be described as amenity migrants: retirees bringing both wealth and pension incomes, “footloose” workers who were easily able to work out of more remote towns (information/knowledge workers, people who work out of the province, etc.), and individuals with entrepreneurial skills who foresaw the opportunities a changing economic structure could bring.

The economic success of Invermere is similar to the success that Flathead County in northwest Montana has achieved over the last decade and is consistent with the



literature on amenities migration. Due to the natural advantages that Invermere possesses, the community has prospered in the face of ever-more-difficult times for traditional resource sectors. In contrast, the communities in our Study Area have maintained their dependence on traditional resource extraction. There are no protected natural amenities nearby that act as a draw, and the result has been a slow, but steady decline in the region's economic dynamism. The one exception has been winter benefits from the Fernie ski hill, but there has been no corresponding summer attraction. The following sections outline this decline and the contrasting dynamism of Invermere.

## POPULATION GROWTH AND CHANGE

Between 1981 and 2001, British Columbia experienced a modest population boom, rising from fewer than 2.74 million to 3.91 million, an increase of some 42% or an annual average increase of 1.8%. This increase in population was fed by significant net in-migration, averaging some 42,000 persons per year over the twenty-year period.

The experience of our Study Area was not the same. Here, total population witnessed a marked decline of 11% over the same time period (an annual average decline of -0.6%). Fernie exhibited a continual decline over the twenty-year period, while Sparwood's population began declining after 1986. The unincorporated area Sub-Division C (including Elkford) had a considerable decline in population between 1981 and 1991, but since has experienced a modest increase in population, perhaps due to the increased demand for a rural lifestyle expressed by many British Columbians during the last two decades and the success of the Fernie ski hill. In comparison, Invermere saw its population remain stable in the early 1980s, but since has benefited from a significant population increase, with overall population 45% higher in 2001 than in 1981. Since 1986, Invermere's population growth rate has exceeded that of BC for each Census. In short, while the Study Area's population faced severe downward pressures during the difficult 1980s and 1990s, Invermere rebounded with a vibrant population base.

An important indicator of the health and vitality of smaller communities is the number of children under 19 years. A relatively large proportion of these children reflects that the community is an attractive place for younger families and influences the types of services (particularly education and health) that are provided in the community. When an economy is doing poorly and employment opportunities are shrinking, younger families and their children are more likely to move than older people. Consequently, a relatively faster decline in the proportion of children in the population is an indicator of longer-term economic problems. In contrast, a vibrant community of younger families reflects optimism about employment and lifestyle and has important impacts on particular sectors of the economy, the most important being education.

Compared to the BC average, our Study Area experienced a precipitous decline in the number of children residing in its communities. This decline was witnessed in all three communities, with Fernie recording a very steep decline in 2001 over 1996 proportions. In contrast Invermere fared much better, outperforming the province in all census years, suggesting a community with long-term economic viability.

## THE STUDY AREA OF FERNIE/ELKFORD/SPARWOOD HAS UNDERPERFORMED THE PROVINCIAL ECONOMY

An extensive review of the economic literature has provided substantive evidence that regions that reduce their dependence on traditional natural resource extraction and take advantage of their natural amenities do better both economically and socially than those that continue with exclusive reliance on resource extraction.



*“Due to the natural advantages that Invermere possesses, the community has prospered in the face of ever-more-difficult times for traditional resource sectors. In contrast, the communities in our Study Area have maintained their dependence on traditional resource extraction.”*



*“Numerous studies have documented the social consequences to neighbouring communities of a national park, but only a few have been able to identify accurately the economic impacts associated with a park. Generally this economic stimulus comes about through two sources. One would be the in-migration of relatively footloose people looking for a community in which to live that respects the natural amenities that a national park provides. These “footloose” individuals include retirees seeking a less expensive lifestyle replete with easy access to natural amenities.”*

It is clear that the economy of our Study Area (and each of its communities) has seriously under-performed the province and that recent trends suggest that this would likely continue in the absence of structural changes in the economy. The trends in data also show that the town of Invermere, an economy that was similar to our Study Area in the 1980s and that underwent structural changes to its economy in the late 1980s and early 1990s, has had a dynamic and vibrant economy in the last decade and indeed has out-performed the province.

## **COSTS AND BENEFITS ANALYSIS**

In most proposals to change the land use of an area there are associated economic costs and benefits. A proposal has a positive economic impact when the benefits exceed the costs. There are some definite costs of the park expansion proposal and some that are less definite. There are also significant economic benefits.

### **ECONOMIC COSTS OF THE WATERTON EXPANSION**

The expansion of Waterton Lakes National Park into one third of the Flathead Valley would displace some existing economic activities. There are some definite costs to the park expansion and some that are less definite. The definite ones are the loss of forestry and hunting. Less definite is the potential loss of mining and oil and gas activity, if any. The elimination of off-road vehicle use has a negligible economic impact.

Overall, the total loss in provincial GDP is estimated at \$2.39 million and the loss in employment at 40 person-years. The total cost to the provincial government is estimated at \$543,000. Note that these costs assume that the elimination of hunting would incur all costs, even though much evidence suggests many of these costs would unlikely occur. Thus, the cost is likely over-estimated. The analysis follows.

#### **Elimination of off-road vehicles**

Motorized sport, including snowmobiling in the winter and all-terrain vehicle (ATV) use in the summer would be excluded from the park expansion area. These activities, however, are generally undertaken by recreational clubs and/or by individual recreational users. There is some guided snowmobile business but this area is remote from its base in the Elk Valley and the loss of access to the park expansion area is unlikely to materially impact that business. Therefore, although the prohibition may result in a loss of participant satisfaction, there would not be an actual loss in local economic activity and thus no loss in local incomes would be expected.

#### **Elimination of hunting**

Hunting in the park expansion area, both commercial (i.e., guided non-resident) and non-commercial (i.e., non-guided BC resident) would be prohibited and this could lead to a loss in local economic activity. We calculate the reduction in hunting could result in an annual loss of \$361,000 in provincial GDP, the elimination of 12 jobs, and cost the provincial treasury an estimated \$55,000. What is not clear is whether all of this activity would be lost to the local and provincial economies with the expansion of the park or whether some (or all) would be preserved.

##### *a. Commercial guide outfitting*

According to the Ministry of Water, Lands and Air Protection, two guide outfitter territories overlap the proposed park area, although not all activity of each takes place wholly within the expanded park area. In 2002, these two guide outfitters had a total of 46 clients covering a total of 376 hunting days and employed 20 assistant guides during the hunting season. The most prominent species hunted were black bear (224 hunt-days), wolf (211 hunt-days), deer (202 hunt-days) and elk (187 hunt-days). The number of grizzly hunt days was 29 (2 grizzlies were harvested).



*“It is clear that the economy of our Study Area (and each of its communities) has seriously under-performed the province and that recent trends suggest that this would likely continue in the absence of structural changes in the economy.”*



**The Flathead Valley on the Canada/US border (the border is the line in the middle of the photograph). The area on the right is protected in Glacier National Park, Montana, the area on the left is unprotected and is the missing piece of Waterton-Glacier International Peace Park.**

The value of guide outfitting activity in the Flathead region is based on detailed regional data (total hunter expenditures are approximate in order to maintain confidentiality). Total spending by non-resident hunters for guide outfitting services, including all the taxes and gratuities paid out, is estimated to have reached \$269,000 in 2002. This results in direct GDP in the province of \$165,000. It should also be noted that, since the clientele of guide outfitters are almost exclusively non-British Columbians, this spending (and GDP) is almost a pure export of BC services and therefore does not differ in kind from an export of say, lumber or coal. The person-year employment is estimated at 5.3, while the provincial government revenues directly attributable to guide outfitting in the Flathead region are estimated at \$20,000.

Taking into account the indirect and induced effects, guide outfitting in the park expansion area contributed over \$361,000 in GDP to the provincial economy and was responsible for roughly 9 person-years of employment. The total value of provincial government revenues stemming from this activity and its spin-offs totalled \$55,000 in 2002. These revenues could be lost due to the park expansion, however, these losses would not necessarily occur.

The economic benefit of hunting activity could be retained despite the park expansion for two reasons. First, non-resident clients of present guide outfitting operations could book their hunting trips with other guide outfitters, either in the same region (there are a total of 11 guide outfitters within the East Kootenay Regional District) or elsewhere in BC.

Second, the establishment of the park with its attendant protection for wildlife would increase the number of large game animals. In the literature, national parks have been identified as reservoirs of large mammal populations. The implication of these scientific findings is that, with the establishment of a new park and the consequent reduction in hunting pressure and other habitat protections, large mammal populations inside the park potentially would increase, and with the wide-ranging nature of most larger mammals, it is highly likely that hunting *opportunities* outside the park also would rise. Whether this would translate into greater economic activity for the respective guide outfitters is less determined, but clearly the net economic impact on the community of eliminating hunting in the *park expansion area* would be relatively minor.

#### *b. Non-commercial (resident) hunting*

From a strict economic perspective, resident hunting does not directly contribute to the local economy since there is no direct exchange between sellers and buyers. Of course, local hunters may spend on local goods and services and clearly, hunting is of “value” to local residents as a recreational pursuit, and therefore one could value it by a “willingness-to-pay” assessment. On the other hand, if any resident hunters travel from outside the local economy (and therefore stay in hotels/motels, eat in restaurants, and make other purchases), their activity does contribute to the local economy.

The number of BC residents living outside the study area who travel to the Flathead to hunt is not known. Assuming 100 non-local hunters come to the park expansion area each year, (certainly an over-estimate) and using approximate spending estimates from a previous study in the Babine area, it is estimated that these hunters would spend approximately \$34,000 in the local economy, resulting in employment gains of 0.6 FTEs.

#### **Fishing continues**

There is some commercial (guided) angling occurring in the proposed park expansion area at the present time. However, this activity would be permitted under park regulations, so no decrease in fishing activity should occur.



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*“Hunting in the park expansion area would be prohibited but economic losses would not necessarily occur.”*



*“A core reserve in the upper Flathead River in British Columbia would improve security in that jurisdiction for several species of carnivores and contribute significantly to vital protection provided by Waterton Lakes National Park in Alberta and Glacier National Park in Montana.”*

**- John Weaver**

## Loss of timber harvesting

Logging would be eliminated from the park expansion area. The area is currently provincial crown land, and is part of the Cranbrook Timber Supply Area (TSA). The total area for the proposed park expansion area is 48,178 hectares (119,000 acres), which includes the small Akamina-Kishinena Provincial Park, comprising 10,921 ha (27,000 acres). Not all of the area has trees nor is logging allowed in all of the treed areas. After environmental and economic netdowns are taken into account, the area of forestland within the Timber Harvesting Land Base classified as available for logging is 18,094 hectares (44,692 acres), or 37.6% of the total area. The end of logging in this area could result in an annual loss of \$2.0 million in provincial GDP, the elimination of 28 jobs, and cost the provincial treasury an estimated \$484,000. The analysis follows.

### *a. Amount of wood harvested from the park expansion area*

According to forest planners in the Ministry of Forests and Tembec Inc., the average contribution to the Annual Allowable Cut for the Flathead is 2.4 m<sup>3</sup>/ha/year (ranging between 2.0 and 2.7 m<sup>3</sup>/ha/year). These planners say this is reasonable because the Flathead is a wetter valley with greater forest productivity than the drier lower elevation sites found in the main valley in the Timber Supply Area south of Cranbrook. The 1999 Cranbrook TSA data indicate the average m<sup>3</sup>/ha/year would be 1.98 m<sup>3</sup>/ha/year.

Using the 2.4 m<sup>3</sup>/ha/year value the AAC reduction for the park expansion would be 2.4 m<sup>3</sup>/ha/year X 18,094 ha = 43,426 m<sup>3</sup>/year. Using 1.98 m<sup>3</sup>/ha/year the AAC reduction would be 35,824 m<sup>3</sup>/year. In recent years, however, Tembec has only harvested on average 29,236 m<sup>3</sup>/year. Hence, using the larger figure of 43,426 m<sup>3</sup>/year in this analysis errs on the side of maximum reduction of the AAC for the park expansion area.

### *b. Actual and potential annual loss in provincial stumpage revenue*

Stumpage is money paid to the provincial crown for logging public land. Over the period 1995 to 2002, the average stumpage paid to the provincial government was \$7.29/m<sup>3</sup>. Consequently, the average annual stumpage paid over that time period for timber taken from the park expansion lands was 29,236 m<sup>3</sup>/year X \$7.29/m<sup>3</sup> = \$213,131/year. In terms of the potential annual stumpage that could be paid if logging reached the AAC limits and stumpage rates remained at the average, this is calculated as 43,426 m<sup>3</sup>/year X \$7.29/m<sup>3</sup> = \$316,573/year.

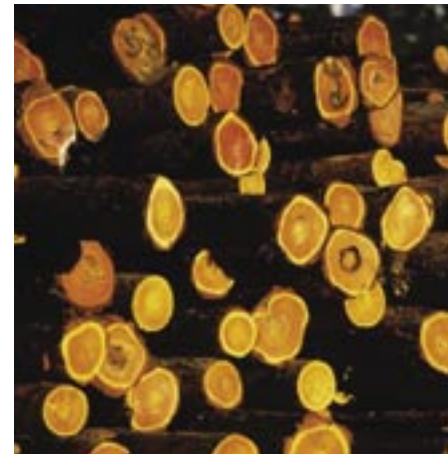
### *c. Other economic impacts of logging in the area*

According to representatives of Tembec Inc. the historic cost of logging in the Flathead area is equal to \$67.22/m<sup>3</sup> (including wages, hauling and the like, and stumpage), while the expected future costs of logging is \$68.66/m<sup>3</sup>. Using this expected cost of harvesting multiplied by the average harvest of 43,426 m<sup>3</sup> per year gives an expected loss in economic activity of \$2,981,602 per year.

After subtracting stumpage costs, this leaves a total value of \$2,665,029 which, if logging is stopped in the park expansion area, would not be spent by Tembec Inc. in the region. This spending would have generated approximately \$1.1 million in local GDP and 12.9 direct jobs. In addition, the spending would have indirect and induced impacts on the provincial economy for a total impact of \$2.0 million in GDP and 27.6 FTE jobs.

## Loss of actual mining activity

Mining would be excluded from the park expansion area. There are no active mines in the area and therefore no quantifiable loss to the regional economy from mining being excluded from the park expansion area apart from compensating a small rock quarrying operation.



*“Logging would be eliminated from the park expansion area. This is the largest current economic activity that would be displaced.”*

### **Loss of actual oil and gas activity**

Many years of oil and gas exploration in the area has yielded no production. Only reserves of carbon dioxide have been identified in the park expansion area and these have been uneconomic to develop. No oil and gas companies are currently active in the area. As a result, there is no quantifiable loss from excluding actual oil and gas activity from the park expansion area.

### **Loss of potential oil and gas and mining**

At present there is no quantifiable loss to the regional economy from excluding oil and gas and mining in the park expansion area except for the loss of the small quarrying operation. However, we cannot rule out definitively the presence of any mineral or oil and gas deposits.

Mineral and oil and gas potentials are notoriously speculative when no commercial deposits have actually been developed. The feasibility study that is a required step in new park establishment could provide a more detailed analysis of the cost of lost potential. The following review of evidence thus far indicates that the potential values are low and thus exclusion of mining and oil and gas would not reduce economic activity in the region.

The area covering roughly the western third of the park expansion area land base has low mineral potential according to the BC Geological Survey Branch (GSB). The remaining two-thirds of the park expansion area are also unlikely to host economically viable mineral deposits. All of the known mineral occurrences in the area are classed by the GSB as “showings” of minor in-situ mineralization that by definition do not warrant further exploration (analysis by EcoTech Geoscience Consulting).

The Southern Rockies Management Plan does rate the mineral potential of parts of the park expansion area as high, but at present there is little or no exploration activity and no active mines to substantiate this view. Significant regional and site-specific exploration on the showings over the past half-century has involved a variety of exploration techniques including geochemical and geophysical surveys and subsurface core drilling. Despite exploration by a number of mining and exploration companies which assessed the area for various deposit types, nothing close to an economically viable mineral deposit has been developed. There are no active mineral mines in the area despite it having been road accessible for many years.

The near surface coal deposits in the Flathead Valley are on the west side of the Flathead River and not in the park expansion area (see Southern Rocky Mountain Management (2003) Plan App. 3., Coal– Bearing-Lands). There is no coalbed methane potential without the presence of coal and therefore there is no present or potential coal mining or coalbed methane in the park expansion area and therefore no loss.

There are no active oil and gas operations in the area. Many years of oil and gas exploration in the area has yielded no production. Only reserves of carbon dioxide have been identified in the park expansion area and these have been uneconomic to develop. One study by P.A. Monahan (2000 b) suggests enormous oil and gas potential in the Flathead area but no company has pursued this despite the study being public for over three years.

At present, there are no quantifiable losses from potential oil and gas or mining activity being excluded from the park expansion area.

### **Total costs of the Waterton Park expansion**

In summary, the total quantifiable reduction in economic activity due to the Waterton Park expansion into one third of the Flathead Valley is an annual



loss of \$2.39 million in provincial GDP, the elimination of 40 jobs, and a cost to the provincial treasury an estimated \$543,000. These costs are more than offset by the ongoing benefits that would result from the expansion.

## **ECONOMIC BENEFITS OF THE WATERTON PARK EXPANSION**

The potential economic benefits of the Waterton Park expansion are many and exceed any potential costs. The primary benefit is the economic activity that would stem from proximity to a national park. In addition, there are the benefits of Parks Canada spending (for asset acquisition and for ongoing operations) and the expected increase in tourism. Additional benefits would accrue from the technological upgrade to the Elko sawmill (benefits stemming from the one-time capital investment and ongoing benefits stemming from the more efficient mill operations), if that option is pursued.

### **Economic activity due to proximity to park**

Numerous studies have documented the social consequences to neighbouring communities of a national park, but only a few have been able to identify accurately the economic impacts associated with a park. Generally this economic stimulus comes about through two sources.

The first is the creation of new or enhanced businesses and jobs by locals as a response to opportunities opened up by the new park. Some of these businesses may provide services to potential park users directly, for example, by providing additional accommodation, restaurant, or retail trade services and some may arise out of the natural amenity climate that the park stimulates.

The second would be the in-migration of relatively footloose people looking for a community in which to live that respects the natural amenities that a national park provides. These “footloose” individuals include retirees seeking a less expensive lifestyle replete with easy access to natural amenities. As retirees, these people bring to the community not only annual incomes, but as well, wealth (savings) that is generally (partly) invested in property. “Footloose” individuals also include younger families looking for a more community-based lifestyle in which to bring up their children. And finally, “footloose” people can be entrepreneurial individuals who see opportunities for developing businesses in a community that values its surrounding wilderness areas. The value of these natural amenities may be to the entrepreneur, to the business s/he wishes to develop, or to the employees that the business may employ.

A recent definitive report assessing the impacts of natural amenities to community well-being is *Gateway to Glacier: The Emerging Economy of the Flathead County*. The US Flathead Valley is located just south of the BC Flathead Valley and forms a contiguous link to Glacier National Park. The report documents the Valley’s outstanding economic performance over the last decade and attributes their success to the region’s natural environment and small-town character. It concludes that Glacier National Park is the anchor for Flathead County’s robust economy and that being a gateway to the park has provided many (often unforeseen) business advantages to the surrounding communities. Other important studies with similar findings include *Ecological Causes and Consequences of Demographic Change in the New West*, *Mountain Passages*, and *Post-Cowboy Economies*. The positive impact on protected parks and wilderness areas on regional economies is also discussed at length in *Prosperity in the 21<sup>st</sup> Century West: The Role of Protected Public Lands* (see References).

### **New business development by community members**

It is almost impossible to predict the job-creation dynamism of community



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*“The Gateway to Glacier report concludes that Glacier National Park is the anchor for Flathead County’s robust economy and that being a gateway to the park has provided many (often unforeseen) business advantages to the surrounding communities.”*



*“What is clear from both the academic literature and experience in similar locations such as Invermere and the Flathead County in the US is that new business opportunities would emerge from the park expansion. Many of these new businesses would cater to a wilderness tourism product. However, one of the more important findings of the many economic studies that have examined the impacts of national parks on local communities is that the majority of new jobs created are neither in the traditional resource extraction sector nor in the direct tourism sector. Rather, the majority of jobs are in non-traditional jobs in light manufacturing and services that take advantage of the technological improvements in transportation and communications that have occurred in the last decade or so.”*

members if the park expansion is approved. What is clear from both the academic literature and experience in similar locations such as Invermere and the Flathead County in the US is that new business opportunities would emerge. Many of these new businesses would cater to a wilderness tourism product. However, one of the more important findings of the many economic studies that have examined the impacts of national parks on local communities is that the majority of new jobs created are neither in the traditional resource extraction sector nor in direct tourism. Rather, the majority of jobs are in non-traditional, light manufacturing and services that take advantage of the technological improvements in transportation and communications that have occurred in the last decade or so. Not only do these jobs provide stable, high-income employment, but they afford the community much greater economic diversity and the ability to better weather downturns in the economy. As mentioned, quantifying the economic impacts of this business development is difficult. Consequently, the impacts are subsumed under the impacts discussed in the next section.

### **Increased immigration of amenity migrants**

The academic literature strongly suggests that the presence of a national park nearby is sufficient by itself to attract individuals who bring new businesses or who come in order to expand and enhance already established businesses. Like the creation of new businesses, estimating the level of in-migration into the Flathead communities is difficult. Consequently, we make a conservative projection, then, based on equally conservative estimates of household income and spending patterns, we calculate the economic impacts.

Invermere experienced an *increase* in in-migration between 1986 and 2001 of approximately 700 people or say, 200 families. That is, if in-migration patterns between 1986 and 2001 had been the same in Invermere as occurred between 1981 and 1986, the population of Invermere would have been about 700 less in 2001.

The population of Fernie in 2001 was approximately 75% higher than Invermere's, so using a figure similar to what Invermere experienced is conservative.

Consequently, we propose a reasonable projection of 200 families moving into Fernie/Elk Valley over the next decade (that is, 20 families per year) due to proximity to the expanded park. After that, given present trends, the number of in-migrants would continue to rise.

These 200 families would, by their very presence, create economic opportunities in the community. They would spend money in the community for goods and services, including for shelter, food, entertainment, and the like. The average household income in 2001 for all private households in the region was approximately \$45,000 per year. This figure includes retired, single person, and single parent households, all of whom historically have relatively low incomes. Using this conservative figure, we first subtract taxes and savings amounting to 25% of income. This leaves \$33,750 in disposable income. Assuming that 25% of this disposable income is spent outside the community, this leaves approximately \$25,000 per household that would be spent in the community each year. In total, then, expenditures by these migrant families to the Elk Valley communities would reach \$5.0 million each year for the first 10 years.

The \$5.0 million in expenditure each year would result in an increase in GDP of \$2.3 million and over 33 person-years of employment. Revenues accruing to the provincial government would reach \$328,000. In future years, these benefits would continue and likely increase due to further in-migration.

### **Economic benefits of Parks Canada spending**

In order to bring the park expansion into operation, Parks Canada is anticipating a one-time commitment of \$700,000 for capital acquisitions (office equipment,



*“The academic literature strongly suggests that the presence of a national park nearby is sufficient by itself to attract individuals who bring new businesses or who come in order to expand and enhance already established businesses.”*



### **Airports and National Parks**

Waterton Glacier International Peace Park is world famous. The mere fact of a national park in a region is a major draw for international visitors. Many communities in North America have recognized this and have named their airports for national parks in their region:

Kalispell, Montana has Glacier Park International Airport

Fresno, California has Yosemite International Airport

Calgary International Airport is often referred to as Calgary/Banff International Airport and is sometimes referred to as Banff International Airport.

vehicles, etc.) and, as well, has estimated an annual operations budget of \$1.51 million. The economic impacts of these spending proposals are discussed below.

### **One-time economic impacts of Parks Canada capital acquisitions**

Parks Canada would make a one-time capital expenditure estimated at \$700,000 in order to set up operations in Fernie/Elk Valley and around the national park area. Some of this capital would be imported from outside the province, and therefore would not create any economic activity in British Columbia. Nevertheless, there are one-time impacts stemming from the wholesaler and retailer activity generated by the purchases.

The estimated one-time capital spending by Parks Canada of \$700,000 for infrastructure development around the Flathead area would result in a total Gross Domestic Product impact of \$500,000 and would generate a total of approximately 6 additional person-years in that year, most of which would be in the local community. The province, through commodity taxes like Provincial Sales Tax and personal income taxes levied on earned wages, would receive approximately \$59,000.

### **Economic impacts of Parks Canada operations**

With the extension of the park, Parks Canada would have to fund operational activities in and around the new park area. These activities would include resource protection and management, trail maintenance, undertaking scientific studies, planning, and establishing a communications outreach programme for the Elk Valley.

The wages of \$1,040,000 translate into 7 full-time positions and approximately 30 seasonal jobs (for a total of 17.0 person-years), many of whom would be based out of the Fernie/Elk Valley region. As well, a further \$470,000 per year will be spent on goods and services for a total spending of \$1.51 million. This additional operations spending, coming as it does from Federal sources, represents new dollars to the local, East Kootenay and British Columbia economies, and consequently one can expect considerable spin-off impacts. In order to calculate these spin-offs, the spending breakdowns were entered into the BC Input Output Model and the indirect and induced impacts calculated.

Overall, Parks Canada operations spending of \$1,510,000 per year in the Fernie/Elk Valley area would result in a total GDP impact on the province of \$1.43 million and would generate, besides an increase in new Full Time Equivalent positions in the Fernie/Elk Valley region, an additional 8 jobs around the province, some of which would be in the Fernie/Elk Valley region itself. From the provincial government's standpoint, revenues would increase by some \$122,000 including the province's share of personal income taxes. It should be emphasized that this spending is made annually; the impacts outlined here therefore would influence the provincial economy annually, with a cumulative impact of millions of dollars over the ensuing decades.

In summary, Parks Canada operations spending could result in a gain of \$1.43 million in provincial GDP, a gain of 25 jobs, and would add to the provincial treasury an estimated \$122,000 each year. In addition, there would be a one-time injection of \$500,000 in GDP, 6 jobs and \$59,000 in provincial government revenues stemming from Parks Canada capital acquisitions.

### **Economic benefits of increased tourism in and around the park**

The extension of Waterton Lakes National Park into the Flathead region is not predicated on attracting more visitors to the park; rather the main purpose is to preserve the natural environment in order to maintain and enhance the ecological



*“Glacier National Park has been a great thing for Montana’s Flathead Valley. The park is the centerpiece of an outstanding natural environment that has attracted new residents and lots of entrepreneurial energy and that now makes our area the most economically vibrant part of the state.”*

**Joe Unterreiner,  
President Kalispell  
Area Chamber of  
Commerce**



*“The economic benefits of extending  
Waterton Lakes National Park into the  
Flathead are significant to both the region  
and the province.”*

diversity now found in the area. Therefore, the economic impact of this kind of tourism is expected to be modest. Nevertheless, it is expected that the creation of the park would attract more visitors looking for a pristine wilderness experience. This is particularly true since there is great expectation that Cranbrook's airport would be upgraded to enable large commercial jets to land, thereby widening the international tourist appeal of the area. Numerous studies have documented the links between good airport facilities, good park facilities, and increases in tourism activity and the Cranbrook airport upgrade should be no different.

It is difficult to provide an accurate projection of the number of new visitors to the region that the park would generate. However, since the rationale of the extension into the Flathead is to preserve the local environment, the expectation is that the number of visitors to the park would not be high. For the sake of this calculation, we have projected 1,000 visitors per year with an average length of stay of 1 day. We also estimate 200 overnight campers staying an average of 3 days per year, for a total of 1,200 visitors and 1,600 visitor-days per year inside the park (note: this level of visitation is not predicted, but is for illustrative purposes only). Given a summer opening of 4 months, this translates into the park accommodating on average roughly 13 additional visitors at any one time during the summer. It is believed the ecology of the park could not handle significantly more than this number camping within the park without harm being done to local wildlife and flora.

With the exception of camping fees (assumed to be in the \$10 per night range) there would not be any spending *within* the park. However, visitors to the park would be travelling to and from the park, likely staying in the vicinity (i.e., in Fernie or Elko) prior to and/or just after their park visit, and procuring supplies needed for their stay.

In 1996, Tourism BC undertook a survey of visitor characteristics, including estimates of expenditures. According to that survey, the average expenditure per visitor per trip in the East Rockies region was \$111.51. Since 1996, inflation likely has increased this spending to the \$125 - \$135 range. At the same time, most of the additional overnight visitors to the Waterton Park extension would be camping within the park (and thus paying little for "accommodation"), and therefore it is likely that this level of spending over-estimates the expected spending by visitors. For the purposes of this report, we use a value of \$100 per trip (that includes camping fees, all travel and procurement of supplies, plus some accommodation *en route*) in order to assess the expected benefits to the local economy.

Given our assumptions of 1,200 additional visitors and average expenditures of \$100 per visitor, the park extension would generate \$120,000 in additional spending annually in the province, resulting in approximately 2.2 direct person-years of employment.

In terms of the value contributed to the local economy, BC STATS has developed indices of local tourism impacts. From this publication, the additional visitor spending is estimated to generate 0.6 direct FTE jobs, 0.1 indirect jobs and 0.1 induced jobs. In total, then, the additional spending by visitors of the new park would generate 0.8 FTE jobs in Fernie/Elk Valley.

### **Capital investment to upgrade the Elko sawmill**

A one-time investment of \$14.86 million is required to upgrade the Elko sawmill.

### **Increase in economic activity from the upgraded sawmill operations**

Under the terms of the park expansion proposal, Tembec would give up its logging rights in the park extension area of the Flathead (about one third of the valley), and in exchange the company's Elko sawmill would be upgraded in order to improve



*“Numerous studies have documented the links between good airport facilities, good park facilities, and increases in tourism activity and the Cranbrook airport upgrade should be no different”*



*“Overall the analysis suggests that when considering just the impacts of ongoing operations, the Elk Valley region would enjoy a substantial net benefit from the establishment of the new national park, although the provincial government may experience a small reduction in tax revenues.”*

lumber recovery. The upgrade would result in a net increase in the amount of lumber produced, as well as in the output of finger joints and residual shavings, without requiring any of the timber removed from the wood supply due to the park expansion. Putting into place the new large log line and the edger optimizer in the upgraded Elko sawmill would require reconstruction of the existing mill and adaptation of the electrical system to serve the new technology.

In summary, more efficient sawmill operations could result in an annual gain of \$27,000 in provincial GDP, a gain of 2 jobs, and would add to the provincial treasury an estimated \$11,000. While the impact of the sawmill upgrade is largely neutral to the economy, it is important to note that, given the on-going consolidation of sawmills throughout the province, the improvement in efficiency could result in the continued competitiveness of the Elko mill in the face of potential future market difficulties.

### **First Nations activities**

The Ktunaxa First Nation has land claims in the Flathead region. It is not the mandate of this report to assess the outcome of those negotiations. The Ktunaxa First Nations traditional use of the park expansion area would continue under Parks Canada Policy. It is also possible that some benefits might flow to the First Nations as a consequence of the park expansion, however, those potential benefits are speculative in nature and have not been considered here.

### **Cranbrook area**

The City of Cranbrook is the closest regional centre to the park expansion area. It has a regional airport that many desire to see upgraded to an international airport. The park expansion would help spur economic activity in the Cranbrook area. Many other regional centres rely on the national park draw to spur economic activity and support their airports. However, that benefit has not been quantified here. The park feasibility study should consider it.

## **CONCLUSION**

**The economic benefits of extending Waterton Lakes National Park into the Flathead are significant to both the region and the province.**

This report has identified the economic costs and benefits of expanding Waterton Lakes National Park into the Flathead area of British Columbia. Three theoretical costs were identified:

- the loss in annual logging activity;
- the potential loss in annual guided hunting activity; and
- the potential loss in annual mining and oil and gas activity.

In our assessment of these costs, only the first two, reduced logging and guided hunting, would actually impact on the economy, although we also indicated that the costs estimated in this report for the loss in hunting are likely much higher than what would be actually realized.

More than offsetting these costs are three economic benefits that the park creation would generate:

- the increased ongoing economic activity due to an increase in in-migration;
- the increased economic activity due to Parks Canada spending for capital and annual operations; and
- the increased ongoing economic activity due to the increase in visitors to



**Steve Duerr speaking in Fernie, BC,  
Sept. 2004**

*“Having a national park in your backyard is great for your economy. Last fall I visited Waterton Park and the Elk Valley. I have no doubt that this region would profit from the park expansion just as my home community of Jackson Hole has prospered because of its proximity to Yellowstone and Grand Teton National Parks. People love to live near these places.”*

**Steve Duerr, Executive  
Director, Jackson Hole  
Chamber of Commerce**



*“Despite the very conservative nature of the analysis, the economic benefits associated with extending Waterton Lakes National Park into the Flathead area of British Columbia far outweigh the economic costs.”*

the park.

There is also the potential for two more benefits if the sawmill option is pursued.

- the one-time \$15 million investment in the Elko sawmill; and
- the increase in economic activity due to enhanced Elko sawmill annual operations.

Overall the analysis suggests that when considering just the impacts of ongoing operations, the Elk Valley region would enjoy a substantial net benefit from the establishment of the new national park, although the provincial government may experience a small reduction in tax revenues. It should be noted that the net benefits exclude potential First Nation's investment activities and benefits to the Cranbrook area. As well, the economic costs associated with the loss in logging activity are biased upwards and the loss in guided hunting activity is likely exaggerated.

It also is important to stress that, although the Elko sawmill refurbishment is a partial component of the park expansion proposal, the overall benefits to the region and the province are not predicated on the sawmill being refurbished. Indeed, the ongoing annual benefits without the sawmill refurbishment are almost the same as with the refurbished sawmill (due to increased labour productivity) although the benefits of the capital investment are lost. Nevertheless, the overall impacts are positive and they emphasize the economic potential to regions of protecting wilderness areas and national parks.

When assessing the overall benefits to the region, a number of points should be underlined. One, the estimates of direct and total costs include the full negative impacts of the loss in hunting activity, even though it is likely that little or no loss would occur. Two, the assumption regarding the number of new visitors to the park and their daily spending is very conservative, since the aim of the park is to preserve wilderness and provide secure wildlife habitat. Three, the assumption concerning the potential in-migration of families is again conservative compared to the performance of Invermere, a town that has benefited from its proximity to natural amenities, including protected landscapes. And four, the impacts of First Nations investment activities have not been included in the benefits.

Despite the very conservative nature of the analysis, the economic benefits associated with extending Waterton Lakes National Park into the Flathead area of British Columbia far outweigh the economic costs. The economy of the Flathead region has, in the last few years, begun a shift toward a more sustainable base. Protecting one third of the Flathead Valley in an expanded Waterton Lakes National Park has the potential to assist in this shift and to reinvigorate the economy of southeastern British Columbia.



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*“Protecting one third of the Flathead Valley as part of Waterton-Glacier International Peace Park has the potential to reinvigorate the economy of southeastern British Columbia.”*

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*About the Author*

The primary author of this report is Jim Johnson, Managing Principal of Pacific Analytics Inc. He is a Chartered Financial Analyst with an M.A. specializing in Natural Resource Economics from the University of British Columbia.

Prior to entering the consulting field, Mr. Johnson worked at BC STATS where he was responsible for both the development of the provincial GDP Accounts and the BC Econometric Forecasting Model. As well, he undertook a large number of economic impact studies using the BC Input-Output model. He worked (and continues to work) extensively with custom Census data, regional industry data, and in developing regional impact assessments based on Statistics Canada's BC Input-Output model.

Jim has a strong background in the economics of mining, logging and fisheries; however, he is particularly known for his work in tourism impact assessments and sustainable tourism development. He recently completed regional impact assessments for the South Chilcotin area, the Babine River Corridor Park, the North Coast, and the Chilko region of BC, as well as undertaking a regional economic assessment of the Guide Outfitting Industry in BC.

Internationally, Mr. Johnson developed a detailed tourism Input-Output model for Jamaica in 1994 (updated in 1998), worked on a Tourism Master Plan for Jamaica in 1999, and was involved in a large-scale sustainable development project for the South Coast of Jamaica in 2002. In addition, Jim has undertaken several assessments of offshore oil and gas exploration and production, one in Brazil and another in Ireland.



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*“The economic benefits associated with expanding Waterton Lakes National Park into the Flathead area of British Columbia far outweigh the economic costs. The economy of the region has, in the last few years, begun a shift toward a more sustainable base. Protecting one third of the Flathead Valley in an expanded Waterton Lakes National Park has the potential to assist in this shift and to reinvigorate the economy of southeastern British Columbia.”*

***This Report Prepared by:***

**Jim Johnson, Managing Principal of Pacific Analytics Inc.**