The Conference Board of Canada | Le Conference Board du Canada

Who Benefits?

A Summary of the Economic Impacts That Result From the Trans Mountain Expansion Project

At a Glance

- This briefing builds on previous work conducted by The Conference Board of Canada to estimate additional economic and fiscal benefits associated with the Trans Mountain Expansion Project.
- Overall, these additional benefits would generate 678,000 person-years of employment and $18.5 billion in fiscal benefits over the first 20 years of the TMEP's operations. This is equivalent to 33,900 jobs and $925 million per year over this period.
- Alberta receives the largest share of these economic benefits, accounting for 55 per cent of the employment impacts and 41.5 per cent of the fiscal impacts. British Columbia accounts for 23.6 per cent of the employment impacts and 12.1 per cent of the fiscal benefits.

BRIEFING DECEMBER 2015

The estimates provided here can be considered conservative.

Executive Summary

This briefing builds on previous work conducted by The Conference Board of Canada to estimate additional economic and fiscal benefits associated with the Trans Mountain Expansion Project (TMEP, or "the Project"). The Conference Board's previous research was completed as part of the National Energy Board's (NEB) regulatory process, and thus its scope was limited by the NEB's list of considerations, which explicitly excluded any upstream and downstream impacts associated with the Project. However, it is reasonable to expect that additional upstream and downstream economic impacts will occur as a result of the TMEP.

In this briefing, we examine the impacts of three additional activities. The first two involve the impacts associated with the higher prices that oil producers would receive as a result of the TMEP. In particular, we consider what oil producers would do with the additional after-tax cash flows that would result from higher prices—either distributing them as dividends or reinvesting them. The third involves the impact of additional tanker traffic in Port Metro Vancouver.

It is important to note that these additional benefits do not exhaust the list of potential impacts associated with the project. For example, additional investment in the oil and gas sector would be expected to lift production beyond what it would otherwise be. This would lead to significant operational and fiscal impacts associated with incremental production that are not measured in this briefing. As such, the estimates provided here can be considered conservative.

Previous analysis by Muse, Stancil & Co. has found that oil company revenues would rise by $73.5 billion[1] over the first 20 years of the TMEP's operations as a result of higher netbacks attributed to the market access provided by the Project.[2] Once royalties and corporate income taxes are deducted from the increased revenues, oil producers will have an additional $49.8 billion in after-tax profits to distribute or invest between 2019 and 2038. The first two impacts described in this briefing are based on how businesses would allocate these profits. In order to do this, we consider a variety of factors, including the split between dividend payments and additional investment, the regional distribution for these disbursements, and the degree of foreign leakage of these disbursements given the high degree of foreign ownership in Canada's oil and gas industry.

As well, Trans Mountain estimates that 348 additional Aframax-size tankers will visit Port Metro Vancouver each year as a result of the TMEP. Current estimates suggest that each of these tankers will spend an average of $366,000 in the Vancouver metro area. This equates to $127 million per year of additional spending, or $2.5 billion over the first 20 years of operations for the TMEP.

Combined, these three impacts would generate 678,000 person-years of employment and $18.5 billion in fiscal benefits over the first 20 years of the TMEP's operations. This is equivalent to 33,900 jobs and $925 million per year over this period. What is more, these impacts are additive with those previously calculated by The Conference Board of Canada. Once the impacts of building and operating the Project, as well as the fiscal impacts of higher netbacks, are added to the figures estimated in this briefing, the total benefits of the TMEP rise to 802,000 person-years of employment and $46.7 billion in government revenues between 2012 and 2038. (See Table 1.) The vast majority of these impacts occur after the project is built.

1 All figures are in 2012 Canadian dollars unless otherwise noted.

2 Muse Stancil, *Market Prospects and Benefits Analysis of the Trans Mountain Expansion Project* (Dallas: Muse Stancil, 2015).

Alberta receives the largest share of these economic benefits, accounting for 55 per cent of the employment impacts and 41.5 per cent of the fiscal impacts. However, British Columbia also experiences significant benefits. The province accounts for 23.6 per cent of the employment impacts and 12.1 per cent of the fiscal benefits. In other words, excluding construction impacts, the TMEP would support about 7,600 jobs per year in British Columbia once it is operational, with the majority of those jobs being linked to investment in the province's oil and gas sector. This investment would be made possible by the higher prices for Canadian oil that the market access provided by the TMEP would allow.

Table 1
Summary of the Impacts of TMEP
(cumulative effects, 2012–38)

	British Columbia	Alberta	Other provinces/ territories	Canada
Original Impacts				
Employment effects (person-years)	**75,110**	**27,978**	**20,133**	**123,221**
Project development	35,864	14,632	7,541	58,037
Project operations	39,246	13,346	12,591	65,184
GDP effects (2012 $ millions)	**13,937**	**74,851**	**6,818**	**95,606**
Project development	2,789	1,402	660	4,852
Project operations	11,073	5,132	1,069	17,274
Higher netbacks	75	68,316	5,088	73,480
Fiscal impact (2012 $ millions)	**2,956**	**14,461**	**10,812**	**28,230**
Project development	394	239	581	1,214
Project operations	1,191	568	1,546	3,305
Higher netbacks	1,371	13,655	8,685	23,710
Additional Impacts				
Employment effects (person-years)	**114,076**	**413,254**	**151,065**	**678,395**
Dividend payments	11,408	11,194	40,817	63,419
Oil and gas investment	80,405	400,662	107,107	588,175
Additional tanker traffic	22,263	1,398	3,141	26,802

(continued ...)

Table 1 (cont'd)
Summary of the Impacts of TMEP
(cumulative effects, 2012–38)

	British Columbia	Alberta	Other provinces/ territories	Canada
GDP effects (2012 $ millions)	**9,264**	**45,213**	**13,479**	**67,957**
Dividend payments	959	1,187	3,433	5,579
Oil and gas investment	6,484	43,817	9,768	60,070
Additional tanker traffic	1,821	209	278	2,308
Fiscal impact (2012 $ millions)	**2,707**	**4,936**	**10,864**	**18,507**
Dividend payments	566	453	3,165	4,184
Oil and gas investment	1,815	4,430	7,417	13,662
Additional tanker traffic	326	53	282	661
Combined Impacts				
Employment effects (person-years)	**189,186**	**441,232**	**171,198**	**801,616**
GDP effects (2012 $ millions)	**23,202**	**120,064**	**20,297**	**163,563**
Fiscal impact (2012 $ millions)	**5,664**	**19,397**	**21,675**	**46,736**

Note: The "original" impacts were provided in the Conference Board report prepared for the National Energy Board, while the "additional" impacts are estimated in this report. Also, the GDP impacts of higher netbacks were not included in the report prepared for the NEB.
Source: The Conference Board of Canada.

Introduction

Previous work conducted by The Conference Board of Canada[3] assessed three types of impacts associated with the Trans Mountain Expansion Project (TMEP, or "the Project"). These included the following:

- The economic and fiscal impacts associated with the initial investments required to build the pipeline and related infrastructure.
- The economic and fiscal impacts associated with operating the pipeline once it is up and running.
- The fiscal impacts associated with higher netbacks to oil producers that are expected to result from smaller price differentials between Canadian and international oil price benchmarks.

3 The Conference Board of Canada, *The Trans Mountain Expansion Project: Understanding the Economic Benefits for Canada and Its Regions* (Ottawa: The Conference Board of Canada, revised September 2015).

Much of the oil that would be carried by the TMEP would be exported from the Westridge Marine Terminal in Burnaby, British Columbia.

These impacts do not describe all of the potential economic benefits associated with the TMEP. The Conference Board's previous research was completed as part of the National Energy Board's (NEB) regulatory process for the Project. As such, the Conference Board's original research was limited in scope by the NEB's list of issues for the regulatory proceeding, which explicitly excluded any upstream and downstream impacts associated with the Project. However, it is reasonable to expect that additional upstream and downstream economic impacts will occur as a result of the TMEP.

For example, we expect that the additional profits earned by oil producers as a result of higher netbacks would be redeployed in the economy in different ways, primarily in the form of dividend payments and increased investment. As well, it is expected that much of the oil that would be carried by the TMEP would be exported from the Westridge Marine Terminal in Burnaby, British Columbia. It is expected that this would result in 348 additional tankers per year calling on Port Metro Vancouver, which would result in significant additional spending.

The objective of this briefing is to quantify three additional economic and fiscal impacts associated with TMEP. The first two involve the impacts associated with the additional investments and dividend payments that would result from the higher prices that oil producers would receive as a result of the TMEP. The third involves the impact of additional tanker traffic in Port Metro Vancouver. Since these impacts occur beyond what was originally estimated by The Conference Board of Canada, they are additive to the previous estimates.

It is important to note that these additional benefits do not exhaust the list of potential impacts associated with the Project. For example, additional investment in the oil and gas sector would be expected to lift production beyond what it would otherwise be. This would lead to significant economic and fiscal impacts that are not measured here. As well, it is likely that by relieving oil transportation bottlenecks, the Project would make investment in the Western Canadian Sedimentary

Basin more attractive and lead to additional investment beyond what is associated with higher netbacks. As such, the estimates provided here can be considered to be conservative.

In this briefing, we quantify four different types of benefits associated with these additional economic impacts:

1. **Direct effects.** These are the economic effects directly associated with an activity. In the case of investment, this would generally occur in the construction industry; in the case of dividends, they would occur in consumer-oriented industries, such as retail trade.
2. **Indirect effects.** The indirect, or supply chain, effects measure the economic effects associated with the use of intermediate inputs or other support services that are required to undertake and direct activity.
3. **Induced effects.** The induced effects occur when the wages that employees earn from the direct and supply chain effects are spent. As such, the economic impacts associated with induced effects generally occur in consumer-oriented industries, such as retail.
4. **Fiscal effects.** Finally, we measure the fiscal impact associated with the other three economic effects, at both the federal and the provincial level.

What Happens to the Additional Profits From Higher Netbacks?

Previous analysis by Muse, Stancil & Co. found that oil company revenues would rise by $73.5 billion over the first 20 years of the TMEP's operations as a result of higher netbacks attributed to the market access provided by the TMEP.[4] Since these revenues would accrue without additional costs, they translate directly and completely into additional operating profits. The Conference Board of Canada previously estimated that these profits would directly generate total fiscal benefits of $23.7 billion for the federal and provincial governments in Canada.[5]

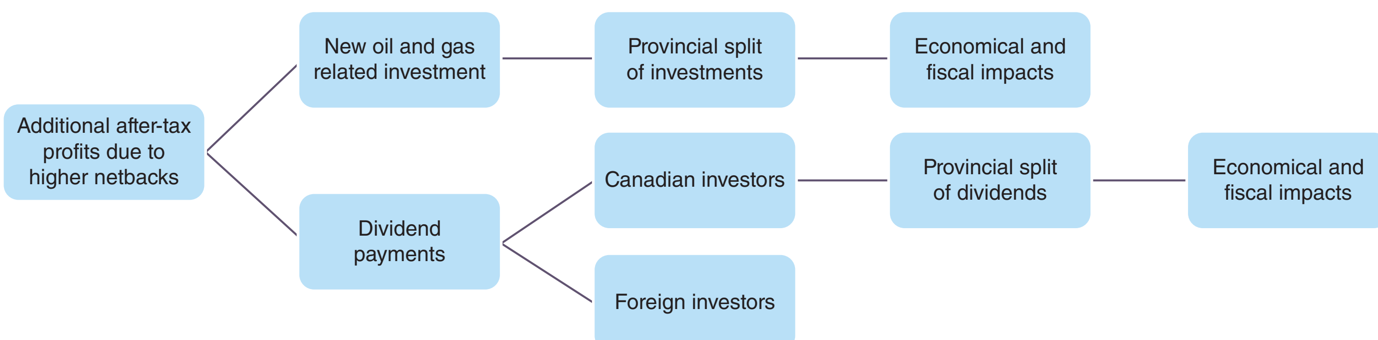
4 Muse Stancil, *Market Prospects and Benefits Analysis of the Trans Mountain Expansion Project.*

5 The Conference Board of Canada, *The Trans Mountain Expansion Project: Understanding the Economic Benefits for Canada and Its Regions.*

These fiscal benefits consist of higher royalty payments and corporate income taxes paid by oil producers in Western Canada. Once the royalty and corporate income taxes are deducted from the increased revenues, oil producers will have an additional $49.8 billion in after-tax profits to distribute or invest between 2019 and 2038.

In order to determine how oil producers will allocate these additional profits, a number of factors need to be considered. For example, it must first be determined how much would be paid out as dividends versus what would be retained for additional investment. As well, given the high degree of foreign ownership in Canada's oil and gas industry, foreign leakage must be taken into account. Finally, it must be determined how the additional dividends and investment would be shared across Canada's provinces. Exhibit 1 highlights the process by which the economic and fiscal benefits of higher after-tax profits to oil producers associated with higher netbacks is determined.

Exhibit 1
How Higher Profits Lead to Additional Economic Impacts



Source: The Conference Board of Canada.

The ratio of dividends to operating cash flows implies that $14.5 billion of the additional profits due to higher netbacks would be distributed as dividends.

Estimating the Economic Impacts of Higher Dividends

In order to determine the split between dividends and what is retained for additional investment, The Conference Board of Canada examined financial data for the oil and gas industry that are published by Statistics Canada.[6] Between 2010 and 2014, declared dividends were equivalent to 29 per cent of net operating cash flows. This ratio was used in the analysis because there would be no additional costs associated with the higher revenues. The ratio of dividends to operating cash flows implies that $14.5 billion of the additional profits due to higher netbacks would be distributed as dividends.

The next consideration when estimating the impact of the dividend payments is to determine how much would remain in Canada versus what would be distributed outside of the country. This is an important consideration, given that between 2008 and 2012 (the most recent five years for which data are available), 41 per cent of the operating profits in Canada's oil and gas sector were earned by foreign-owned businesses.[7] Of course, Canadian investors would hold some of the shares in the foreign businesses, and foreigners would hold some of the shares in Canadian businesses. However, this ratio is used as a proxy to determine what share of the dividends would remain in Canada. The result is that $8.5 billion of total dividends would remain in Canada, while $6 billion would be distributed outside of Canada.

This additional dividend income will not be distributed evenly across Canada. In general, provinces with larger populations will receive a larger benefit. As well, the propensity to own dividend-paying stocks varies across the country. As a result, Statistics Canada data on the consistency of household income by province are used to determine how these dividend payments will break down across the country.[8]

6 Based on special tabulations from Statistics Canada's Quarterly Survey of Financial Statements.

7 See Statistics Canada, CANSIM table 179-0004.

8 See Statistics Canada, CANSIM table 384-0044.

Based on averages over 2009 to 2013, Ontario (34.9 per cent), Alberta (21.4 per cent), and British Columbia (17 per cent) account for most of the dividend income collected by Canadian households. These shares are significantly different than each province's share of the population. In comparison, Ontario accounted for 38.5 per cent of the Canadian population in 2014, while Alberta accounted for 11.6 per cent, and British Columbia accounted for 13.1 per cent.

The recipients of the dividend income will also need to pay taxes on that income before they are able to spend it. This is true of both the dividends paid to foreigners and those paid to Canadian residents. Dividends paid to foreigners would be subject to the foreign withholding tax, for which the tax rate varies depending on the foreigner's country of residence and legal status (e.g., individual versus a business). Foreign withholding taxes would generate an estimated $353 million in tax revenues for the federal government.

Canadian residents would pay taxes on their dividend income as part of their regular income taxes. The tax implications of higher dividend income are estimated by examining the historical relationship between dividend income as a share of household income and dividend-related taxes and credits. Table 2 outlines the provincial breakdown for dividend income, both before and after taxes. With $2 billion in taxes expected to

Table 2

Provincial Breakdown for Dividend Income Before and After Taxes

(cumulative effects, 2019–2038, 2012 $ millions)

	British Columbia	Alberta	Ontario	Other provinces/ territories	Canada	Foreign	Total
Dividends paid	1,455	1,830	2,976	2,273	8,533	5,930	14,463
Less provincial taxes	67	15	208	302	593	0	593
Less federal taxes	237	321	527	375	1,460	353	1,813
After-tax dividends	1,150	1,494	2,241	1,596	6,481	5,577	12,058

Source: The Conference Board of Canada.

In total, 63,400 person-years of employment—or an average of 3,200 jobs per year—will be supported by higher dividend payments made to Canadians.

be paid by Canadian residents on the additional dividend income (these tax revenues are included in the fiscal impacts summarized in Table 3), that leaves $6.5 billion for Canadian residents to spend.

The Conference Board of Canada then used Statistics Canada's interprovincial Input-Output (I/O) model to determine the GDP and job impacts of the $6.5 billion in additional after-tax dividends. In order to do this, dividends are treated as income that will be spent in a way that is typical of consumption patterns in each province. Although it is likely that some of these dividends would be saved rather than spent, those savings represent money retained by consumers for future consumption. Thus, given the 20-year time horizon of the increased dividend payments, it is reasonable to assume that all of the additional dividend income would be spent. The results from the I/O model are also used by The Conference Board of Canada in its own proprietary forecasting models to determine the fiscal impacts that result from higher dividends.

The GDP, employment, and fiscal impacts associated with higher dividend payments are summarized in Table 3. In total, 63,400 person-years[9] of employment—or an average of 3,200 jobs per year—will be supported by higher dividend payments made to Canadians. On a regional basis, Alberta and British Columbia each account for about 18 per cent of these jobs. This is similar to their shares of after-tax income from dividends, although differences in how people spend their money across provinces, and the availability of locally sourced goods and services in each province do influence the job figures.

In terms of the impact on government revenues, the higher dividend payments and resulting consumer spending is expected to generate a total of $4.2 billion, or $209 million per year. The largest source of government revenues is the initial $2.4 billion in income and withholding taxes paid on dividend income that was previously discussed. Beyond this, indirect taxes (which include sales taxes) are the largest source

9 A person-year of employment is the amount of work that one person would normally conduct in a year. It is an average figure for each industry and takes into account the fact that some workers are part-time.

Table 3
Summary of the Impacts of Additional Dividend Payments
(cumulative effects, 2019–38)

	British Columbia	Alberta	Other provinces/ territories	Canada
Employment effects (person-years)	**11,408**	**11,194**	**40,817**	**63,419**
Direct	6,716	6,862	21,943	35,520
Indirect	2,645	2,554	11,196	16,396
Induced	2,047	1,778	7,678	11,503
GDP effects (2012 $ millions)	**959**	**1,187**	**3,433**	**5,579**
Direct	579	683	1,844	3,106
Indirect	200	307	923	1,431
Induced	179	198	665	1,042
Government revenues (2012 $ millions)	**566**	**453**	**3,165**	**4,184**
Provincial	217	143	1,145	1,505
Federal	350	310	2,019	2,679

Source: The Conference Board of Canada.

of revenues ($838 million federal and provincial combined), which is expected, given that the economic activity described in this impact originates from consumer spending. In addition, the spending of dividend income generates another $549 million in personal income tax revenues, $316 million in corporate income tax revenues, and $74 million in other tax revenues.

On a regional basis, British Columbia garners 13.5 per cent of the resulting government revenues and Alberta accounts for 10.8 per cent. One of the factors limiting the government revenue impacts in Alberta is that the province has below-average income tax rates and no provincial sales taxes. These shares assume that the federal tax revenues are redistributed to the provinces on a per capita basis.

Oil and gas companies would have $57.1 billion in additional funds available for investing in Canada.

Estimating the Economic Impacts of Higher Investment

In the previous section, it was estimated that additional dividends would account for $14.5 billion of the additional $49.8 billion in after-tax profits that oil producers would generate as a result of higher netbacks. Thus, $35.3 billion would be retained by oil producers for reinvestment. In the case of investment, the Conference Board assumed that all the money will remain in Canada despite the high rate of foreign ownership in the oil and gas sector. This is because Canada's oil and gas industry is consistently a large net importer of foreign capital; between 2010 and 2014, the stock of inward foreign direct investment in the industry rose by $32.4 billion, while the stock of outward investment declined.[10] In this environment it is unlikely that a major portion of the increase in available capital would be repatriated outside of Canada.

Another key consideration regarding the $35.3 billion in retained earnings is financial leverage. Between 2010 and 2014 the debt-to-equity ratio in Canada's oil and gas industry averaged 0.62.[11] This implies that for every $100 of additional equity, oil and gas companies are able to borrow $62. Assuming the industry's debt-to-equity ratio remains unchanged, the additional $35.3 billion in retained earnings would lead to $21.8 billion in additional borrowing. As a result, oil and gas companies would have $57.1 billion in additional funds available for investing in Canada.

The next step in determining the economic and fiscal impacts associated with this investment is to determine where the money would be spent. The Conference Board of Canada has been producing a long-term forecast for Canada's provinces for more than 20 years, and this forecast includes an investment profile for each province, based on a variety of factors, including historic trends, the price outlook for oil and gas, and announced future projects. Using the Conference Board's forecast for the provincial breakdown of oil-and-gas-related investment in Western

10 See Statistics Canada, CANSIM table 376-0052.

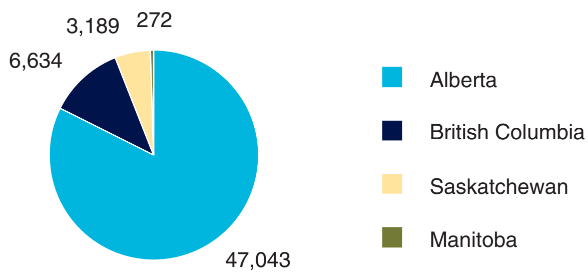
11 Based on special tabulations from Statistics Canada's Quarterly Survey of Financial Statements.

Canada, it is estimated that $47 billion of the investment would take place in Alberta and $6.6 billion would take place in British Columbia, with the rest going to Saskatchewan and Manitoba. (See Chart 1.)

Chart 1

Most of the Investment Activity Will Occur in Alberta and British Columbia

(investment activity resulting from higher netbacks, 2019–2038, 2012 $ millions)



Source: The Conference Board of Canada.

The Conference Board of Canada then uses Statistics Canada's I/O model to determine the GDP and job impacts of additional investment activity. The inputs used in the I/O model are based on the Canadian spending profile for oil and gas engineering investment. In other words, the breakdown in spending on different activities, such as construction materials, labour, and imported goods and services, is determined by the oil and gas industry's historical investment patterns. The results from the I/O model are also used by The Conference Board of Canada in its own proprietary forecasting models, to determine the fiscal impacts that result from increased investment.

The GDP, employment, and fiscal impacts associated with increased investments are summarized in Table 4. In total, $57.1 billion in additional oil and gas investment would be expected to translate into 588,000 person-years of employment, or an average of 29,400 jobs per year. The majority of these jobs (68 per cent) would be located in Alberta. British Columbia would experience the second-largest job

Table 4

Summary of the Impacts of Additional Investment

(cumulative effects, 2019–38)

	British Columbia	Alberta	Other provinces/ territories	Canada
Employment effects (person-years)	**80,405**	**400,662**	**107,107**	**588,175**
Direct	30,032	183,415	15,374	228,822
Indirect	24,902	136,854	46,016	207,772
Induced	25,471	80,393	45,716	151,580
GDP effects (2012 $ millions)	**6,484**	**43,817**	**9,768**	**60,070**
Direct	2,387	16,929	1,246	20,562
Indirect	2,002	18,069	4,513	24,584
Induced	2,095	8,818	4,010	14,923
Government revenues (2012 $ millions)	**736**	**3,474**	**1,188**	**13,662**
Provincial	736	3,474	1,188	5,399
Federal	0	0	0	8,263

Source: The Conference Board of Canada.

impacts (14 per cent), with about 4,000 jobs per year supported by this investment activity. Construction and engineering would be the two industries to benefit most in terms of job creation.

In terms of government revenue impact, the increased investment spending is expected to generate $13.6 billion, or an average of $683 million per year. Personal income taxes will account for the majority of these revenues at $7.3 billion, followed by indirect taxes ($2.9 billion), corporate income taxes ($2.5 billion), and other taxes ($928 million). On a regional basis, British Columbia garners 13.3 per cent of the government revenues and Alberta accounts for 32.4 per cent. Again, these shares assume that the federal tax revenues are redistributed to the provinces on a per capita basis.

Assessing the Impacts of Additional Tanker Traffic

Beyond the upstream impacts associated with higher netbacks to oil producers, the TMEP will also generate other downstream economic benefits. One of these involves the economic impact of additional tanker traffic through Port Metro Vancouver. Trans Mountain estimates that 348 additional Aframax-size tankers will visit the port each year as a result of the TMEP, and each of these tankers will bring a significant amount of spending to the Vancouver region. Current estimates are that each tanker would spend an average of $366,000 per vessel. (See Table 5.) This estimate was provided by Trans Mountain and is based on information obtained from shipping agents operating in the port and assumed the costs of additional future services resulting from proposed enhancements. A number of these costs, such as the cost of bunkering, are market driven and are liable to fluctuate. Combining the spending figure with the vessel count equates to $127 million per year of spending, or $2.5 billion over the first 20 years of operations for the TMEP.

In order to estimate the economic and fiscal benefits of this spending, the Conference Board again makes use of both Statistics Canada's I/O model and its own proprietary models. The I/O model generates the GDP and job impacts, and the results are based on the breakdown of spending by vessel, as provided by Trans Mountain. Note, there are no direct impacts in this case, since the direct impacts represent operations on a foreign-flagged ship, and that activity would not be recorded in Canada. Instead, the I/O model measures the indirect impacts associated with the spending of each ship in Canada. The fiscal impacts are sourced from the Conference Board's models.

Table 6 describes the GDP, employment and fiscal impacts associated with additional tanker traffic at Port Metro Vancouver. In total, the additional tanker traffic would support 26,800 person years of employment, or 1,300 jobs per year on average. The vast majority (83 per cent) of these jobs would be located in British Columbia, while Alberta would see about 70 jobs per year supported by the additional

Table 5
Aframax Expenditures in Port
($)

	Per vessel	348 vessels per year
Pilotage	43,456	15,122,688
Pilot disembark by helicopter	5,000	1,740,000
Harbour tugs	52,741	18,353,868
Boundary Pass escort	29,946	10,421,208
Juan de Fuca escort	20,000	6,960,000
Harbour dues	6,099	2,122,452
Marine navigation service fees	2,434	847,032
Launch	3,500	1,218,000
Customs clearance	850	295,800
Agents	6,210	2,161,080
Chamber of Shipping (WCMRC membership)	275	95,700
ISPS security charge	350	121,800
Courier	350	121,800
Garbage disposal	100	34,800
Food/supplies	6,600	2,296,800
Delivery charges	500	174,000
Crew shore leave	1,200	417,600
Crew repatriation	500	174,000
Bunkering	77,920	27,116,160
Contributions to WCMRC (BOCF)	108,000	37,584,000
Total	**366,031**	**127,378,788**

Source: Trans Mountain.

tanker traffic. The majority of the jobs in British Columbia would be found in various water transportation activities, such as operating tugs and escorts, as well as pilot services. The jobs in Alberta are largely the result of interprovincial trade linkages between the two provinces, with some products that are sourced from Alberta being used by the tankers in British Columbia.

Table 6
Summary of the Impacts of Increased Tanker Traffic
(cumulative effects, 2019–38)

	British Columbia	Alberta	Other provinces/ territories	Canada
Employment effects (person-years)	**22,263**	**1,398**	**3,141**	**26,802**
Direct and indirect	17,736	869	1,715	20,321
Induced	4,526	528	1,426	6,481
GDP effects (2012 $ millions)	**1,821**	**209**	**278**	**2,308**
Direct and indirect	1,405	151	153	1,709
Induced	416	58	125	599
Government revenues (2012 $ millions)	**283**	**16**	**35**	**661**
Provincial	283	16	35	334
Federal	0	0	0	327

Source: The Conference Board of Canada.

In terms of government revenue impact, the increased tanker traffic is expected to generate $661 million, or $33 million per year. Personal income taxes ($279 million) and indirect taxes ($234 million) account for most of these impacts, followed by corporate income taxes ($102 million), and other taxes ($46 million). Regionally, assuming the federal revenues are distributed on a per capita basis, British Columbia will receive just under half of the fiscal benefits, while Alberta will receive 8.1 per cent.

Conclusion

This briefing estimates three additional economic impacts that would result if the TMEP were to proceed. These are the consumer income and business investment impacts associated with higher prices received by oil producers, and the impacts of increased tanker traffic at Port Metro Vancouver. Combined, these three impacts would generate

678,000 person-years of employment and $18.5 billion in fiscal benefits over the first 20 years of the TMEP's operations. This is equivalent to 33,900 jobs and $925 million a year over this period.

These impacts are additive with those provided previously by The Conference Board of Canada. Once the impacts of building and operating the pipeline, as well as the fiscal impacts of higher netbacks, are added to the figures estimated in this briefing, the benefits of the Project rise to 802,000 person-years of employment and $46.7 billion in government revenues between 2012 and 2038. (See Table 7.) The vast majority of these impacts occur after the Project is built.

Table 7
Summary of the Impacts of TMEP
(cumulative effects, 2012–38)

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Original Impacts				
Employment effects (person-years)	**75,110**	**27,978**	**20,133**	**123,221**
Project development	35,864	14,632	7,541	58,037
Project operations	39,246	13,346	12,591	65,184
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Fiscal impact (2012 $ millions)	**2,956**	**14,461**	**10,812**	**28,230**
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Higher netbacks	1,371	13,655	8,685	23,710

(continued ...)

Table 7 (cont'd)
Summary of the Impacts of TMEP
(cumulative effects, 2012–38)

	British Columbia	Alberta	Other provinces/ territories	Canada
Additional Impacts				
Employment effects (person-years)	**114,076**	**413,254**	**151,065**	**678,395**
Dividend payments	11,408	11,194	40,817	63,419
Oil and gas investment	80,405	400,662	107,107	588,175
Additional tanker traffic	22,263	1,398	3,141	26,802
GDP effects (2012 $ millions)	**9,264**	**45,213**	**13,479**	**67,957**
Dividend payments	959	1,187	3,433	5,579
Oil and gas investment	6,484	43,817	9,768	60,070
Additional tanker traffic	1,821	209	278	2,308
Fiscal impact (2012 $ millions)	**2,707**	**4,936**	**10,864**	**18,507**
Dividend payments	566	453	3,165	4,184
Oil and gas investment	1,815	4,430	7,417	13,662
Additional tanker traffic	326	53	282	661
Combined Impacts				
Employment effects (person-years)	**189,186**	**441,232**	**171,198**	**801,616**
GDP effects (2012 $ millions)	**23,202**	**120,064**	**20,297**	**163,563**
Fiscal impact (2012 $ millions)	**5,664**	**19,397**	**21,675**	**46,736**

Note: The "original" impacts were provided in the Conference Board report prepared for the National Energy Board, while the "additional" impacts are estimated in this report. Also, the GDP impacts of higher netbacks were not included in the report prepared for the NEB.
Source: The Conference Board of Canada.

Alberta experiences the largest share of these economic benefits, accounting for 55 per cent of the employment impacts and 41.5 per cent of the fiscal impacts. However, British Columbia also experiences significant benefits. The province accounts for 23.6 per cent of the employment impacts and 12.1 per cent of the fiscal impacts. In other words, excluding construction impacts, the TMEP would support about 7,600 jobs per year in British Columbia once it is operational, with the majority of those jobs being linked to investment in the province's oil and gas sector. This investment would be made possible by the higher prices for Canadian oil that would come with the additional market access provided by the TMEP.

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Who Benefits? A Summary of the Economic Impacts That Result From the Trans Mountain Expansion Project
Michael Burt

To cite this briefing: Burt, Michael. *Who Benefits? A Summary of the Economic Impacts That Result From the Trans Mountain Expansion Project.* Ottawa: The Conference Board of Canada, 2015.

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PUBLICATION 7648 | 7649
PRICE: Complimentary