

SLEMON PARK

Supporting Economic Growth in Prince Edward Island



MARCH 2019

1.0 Executive Summary

Since its establishment, Slemon Park has provided high-paying jobs and generated significant economic benefit to the Prince Edward Island economy. Slemon Park is home to some of the world's finest companies and training organizations in aviation, aerospace, police and security training, manufacturing and other commercial activities. Slemon Park Corporation (SPC) has undertaken this study to understand the economic impact generated by the organizations operating in Slemon Park, Prince Edward Island. The results will enable SPC to clearly illustrate to stakeholder groups the economic impact Slemon Park has on both the provincial and national economies.

Estimated impacts on three important factors in the economy: gross domestic product (GDP), employment, and tax assessment are reported below. Estimates include direct (costs of the organizations such as salaries, wages, and benefits), indirect (changes to other industries as a result of the organizations' activities), and induced (incremental household spending as a result of the direct and indirect) impacts to the PEI and the Canadian economy.

In 2017/2018, Slemon Park organizations' operating expenditures exceeded \$183.4 million, including \$126.8 million paid directly to employees and businesses in Prince Edward Island. Slemon Park organizations also invested more than \$42.2 million in capital infrastructure over the past three years. This level of activity has generated significant contributions to the provincial gross domestic product (GDP), employment, and taxation revenue.

- **The estimated impact of Slemon Park on Prince Edward Island's GDP is \$141.3 million, equating to approximately 2.6% of PEI's total GDP.** The estimated impact of Slemon Park on Canada's national GDP is \$199.3 million. *(Gross Domestic Product measures the income generated from all goods and services produced in the province within a given year)*
- Slemon Park organizations' economic activity, including indirect and induced spending, **sustained 1,691 full-time equivalent jobs across the Island. This equates to 2.5% or 25 out of every 1,000 jobs in PEI.**¹ *(A full-time equivalent job is equal to 2,000 hours in a given year, which is equal to 40 hours over 50 weeks. A full-time equivalent may be a combination of full-time, part-time, and/or seasonal employment).*
- Slemon Park supports high-paying jobs. **Employees of Slemon Park organizations sustained average weekly earnings of \$1,153, exceeding the provincial average by 40%.**²
- Slemon Park's economic contribution generated an estimated \$27.0 million in government taxation revenue, including \$15.3 million for the Province of Prince Edward Island. *(Taxation revenue includes personal income taxes levied on salaries and wages, corporate income taxes on corporate income, as well as sales and other indirect taxes such as property tax and Harmonized Sales Tax)*

¹ Statistics Canada. Table 14-10-0223-01 Employment and average weekly earnings (including overtime) for all employees by province and territory, monthly, seasonally adjusted. December 2018.

² Statistics Canada. Table 14-10-0204-01 Average weekly earnings by industry, annual. 2017

Executive Summary Table 1: Slemon Park's Economic Impact in Prince Edward Island

Direct, Indirect and Induced Impacts	Total Impact
Prince Edward Island GDP (\$)	\$ 141,331,076
Prince Edward Island Taxation Revenue (\$)	\$ 15,327,159
Full-time Equivalent Jobs	1,691 Jobs

Much of the activity at Slemon Park translates directly into export revenue for Prince Edward Island. It is estimated that Slemon Park organizations' total export value was approximately \$305 million in 2018. The majority of companies operating in the aerospace industry in PEI are located at Slemon Park. According to Statistics Canada³, turbo jets, turbo-propellers, and other gas turbines ("aerospace exports") accounted for 25% of total exports from PEI in 2018. The total value of aerospace exports for 2018 (\$364 million) exceeded total exports of frozen potatoes and other vegetables (\$305 million) and was more than double the export value of fresh and frozen crustaceans.⁴

In addition to the economic impacts above, Slemon Park's qualitative impacts include attracting and retaining youth and newcomers through education and employment, drawing business and leisure travelers to PEI, and enhancing the profile of PEI globally through Slemon Park organizations that are part of large, multi-national supply chains, serving high-profile clients.

Slemon Park's 800,000 square feet of commercial real estate, 250,000 square feet of residential real estate, as well as owning and operating the airport, food and beverage operations, and hotel and conference centre are a significant contributor to the provincial and national economies.

MRSB did not carry out an audit or otherwise verify any of the financial information (used to calculate the economic impact) provided by Slemon Park organizations. MRSB does not assume responsibility or liability related to the information provided for the development of this report or the use of this report.

³ Statistics Canada. Report – Trade Data Online: Canadian Total Exports, Prince Edward Island. January 22, 2019. Accessed: https://www.ic.gc.ca/app/scr/tdst/tdo/crtr.html?timePeriod=2%7CYear+To+Date&reportType=TE&searchType=Top25_4&productType=HS6¤cy=CDN&countryList=ALL&runReport=true&grouped=GROUPED&toFromCountry=CDN&naArea=P11

⁴ Harmonized System (HS) Code 0306 - Crustaceans - Whether in Shell or Not, Live Fresh, Chilled Frozen Dried Salted or in Brine; Smoked.

Economic Impact Theory

The fundamental theory behind an economic impact analysis is that expenditures are multiplied through the economy; an increase in spending on goods and services generates a need for additional goods and services. This cascading effect through the economy is estimated using the input-output model that shows the interconnections that exist among the various industries of the economy when goods and services are produced. This model also recognizes that part of the goods and services required are imported into the province, and thus do not have an impact on the PEI economy.

The model generates estimates for the impact on the provincial and national economies in terms of GDP, employment and tax revenue at the direct, indirect and induced levels.

Direct Impacts arise from the expenditures required to carry out the organizations' activity. Examples include the salaries, wages and benefits of employees as well as material expenditures. Only goods and services sourced in PEI are considered when looking at the economic impact on the provincial economy. Similarly, only goods and services sourced in Canada are considered when looking at the economic impact on the national economy.

Indirect Impacts arise from the linkages into the broader economy. For example, when materials are purchased locally, the local supplier has to increase its output to meet the demand. This supplier will require additional raw materials and human resources to carry out these incremental activities, and in turn, this leads to increased activity by its suppliers of goods and services, and so on.

Induced Impacts also arise from linkages into the broader economy. Incremental incomes earned (from direct and indirect impacts) result in greater spending and re-spending within the economy. For example, the employees of local suppliers of construction materials and services spend their income on food and clothing in the local economy. These expenditures help to support retail and other businesses, which in turn, pay wages that are then spent and re-spent. The induced impact is often referred to as 'household spending.'

Using the actual operating expenditures and average capital expenditures, the economic impact can be estimated.

The **total economic impact** is the sum of direct, indirect and induced impacts.

The **input-output model** provides estimates for the impact on three important factors in the economy: gross domestic product (GDP), employment and tax assessment.