



The Port of Algoma Project

Project Summary

April 15th, 2016



Statement of Qualifications and Background

The Port of Algoma Project

Statement of Qualifications and Background

The following presentation (the "Presentation") has been prepared by KPMG LLP ("KPMG") for the benefit of the Corporation of the City of Sault Ste. Marie (the "Client" or the "City") and the Project Management Team ("PMT") in accordance with the agreement between KPMG and AECOM Canada Ltd. (collectively, the "Consultant") and the Client (the "Agreement"). The Agreement was executed on May 25th, 2015 between KPMG and the City, and amended on November 23rd, 2015 and January 25th, 2016 (the "First Amending Agreement" and the "Second Amending Agreement", respectively).

In reference to the First Amending Agreement, dated November 23rd, 2015, the Consultant agreed to complete the following Work Streams for Phase 1 by March 31st, 2016:

1. Project Initiation
2. Overall Project Management
3. Traffic Study and Demand Forecasting
4. Design and Layout and Enabling Infrastructure
5. Environmental Assessment
6. Aboriginal Engagement
7. Detailed Project Report
8. Financial Analysis
9. Procurement Options
10. Project Outcome and Benefits
11. Funding Process

The final deliverable to *Work Stream 11 – The Funding Process* was a complete funding application to the New Build Canada Fund ("NBCF") funding program. The funding application brought together all of the project components (both technical in nature and financial) and presented the overall business case for the Port of Algoma Project. The funding application was submitted to the Client on March 31st, 2016. This Presentation provides a summary of the key elements of the NBCF Funding Application.

Pursuant to the terms of the Agreement, it is understood and agreed that all decisions in connection with the implementation of advice and recommendations as provided by Consultant during the course of this engagement shall be the responsibility of the City and Port of Algoma (operator of the port facilities).

Consultant accepts no responsibility, and denies any liability whatsoever, to parties other than Client who may obtain access to the Presentation or the Information for any injury, loss or damage suffered by such parties arising from their use of, decisions or actions based on the Presentation or any of the Information ("improper use of the Presentation"), except to the extent those parties have obtained the prior written consent of the Consultant to use and rely upon the Presentation and the Information.

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Executive summary

The Port of Algoma Project

Executive Summary

The Project

- The Port of Algoma Project (or “Project”) entails the upgrading and rehabilitation of facilities at the Port of Algoma (the “Port” or “POA”), providing modern and efficient Port facilities that can support a wide variety of commercial users.
- Development of the Port has been a long-standing economic development goal of the City of Sault Ste. Marie (the “City”).
- The City and POA have worked together to make this vision a reality. The revitalization of the Port facilities is anticipated to promote industrial diversification and economic growth, while continuing to provide reliable support to Essar Steel Algoma Inc. (“ESAI”), a major employer to the City.

Economic Impacts

- The Project is expected to generate significant economic impacts for the City and surrounding region.
- Direct, indirect and induced economic impacts associated with the capital expenditures of the Project are estimated to be:
 - \$138.2 million contribution to GDP
 - 1,385 FTEs over the four year construction period
- Annual direct, indirect and induced economic impacts associated with the ongoing operations of the Port are estimated to be:
 - \$21.8 million contribution to GDP
 - 252 FTEs per annum

The Cost

- The total cost of the Project is anticipated to be \$147.5 million (in nominal, Canadian dollars) over a four year period.
- The Project will involve a variety of improvements, including:
 - upgrading existing dock facilities to enhance their capability to handle a broad range of vessel types/cargos;
 - increasing dock and channel depths;
 - upgrading material handling equipment, to increase operational efficiency;
 - upgrading material storage capabilities, reducing risks of damage to goods shipped; and
 - improvements to general Port infrastructure.

Other Project Benefits

- The Project will address two main needs:
 1. To allow the Port to serve as a new commercial common-user port for third party users,
 2. To meet the operational capacity required by the Port’s primary user, Essar Steel Algoma Inc.
- Other benefits include:
 - Building and enhancing the City’s role as a multi-modal transportation hub.
 - Supporting existing industries of national significance, including forestry, mining and steel production.
 - Facilitating growth of new industries in Northern Ontario.

The Port of Algoma Project

Executive Summary

The Master Consultants

In February 2015, the City of Sault Ste. Marie retained KPMG LLP and AECOM (collectively the “Master Consultants”) to conduct necessary planning, design, engineering, consultation, and environmental assessment work to support the proposed redevelopment of the Port. This initial planning work is known as Phase 1 of the Project.

Since February 2015, the Master Consultants have been working on the following key activities:

- Establishing a solid business case, to support raising public/private funding sufficient to finance the Port’s capital expenditures;
- Engaging and communicating with all stakeholders, including First Nations communities, to build support for the project and to resolve project issues;
- Undertaking all studies, site investigations and surveys that are needed to reasonably assess the redevelopment plan and capital expenditures; and
- Identifying the environmental and regulatory approvals that will likely be required to enable project implementation.

Current Project Status: Completion of Phase 1

Phase 1 was completed on **March 31st, 2016**. The key outcomes from Phase 1 have focused around the deliverables developed by the Master Consultants. Key deliverables were:

- The development of a robust **Traffic Study** – this document provides detailed analysis that identifies potential diversion opportunities within the POA service area and includes an overview of several new industries and sectors that could potentially be served by POA. The Traffic Study will be a valuable tool in the identification of new customers and the development of POA’s marketing strategy.
- The development of **the Detailed Project Report** (“DPR”) and the **Port Master Plan** – these documents form the foundation of future capital works at the Port and will be a valuable tool in defining POA’s capital planning framework and developing their overall implementation strategy for coming years. The DPR also includes environmental reports on the fisheries, terrestrial and archaeological conditions of the surrounding port area.
- The completion of the New Build Canada Fund (“NBCF”) **Funding Application** – this document provides the overall business case for the Project and identifies key Project outcomes and benefits. The development of this application is a necessary step in determining whether public sector funding can be made available for the Project.

Next Steps: Phase 2

Phase 2 is anticipated to involve the development of a project implementation strategy including the identification of the preferred project delivery model, associated procurement documents, and completion of appropriate environmental applications and approvals.





Project Description

The Port of Algoma Project

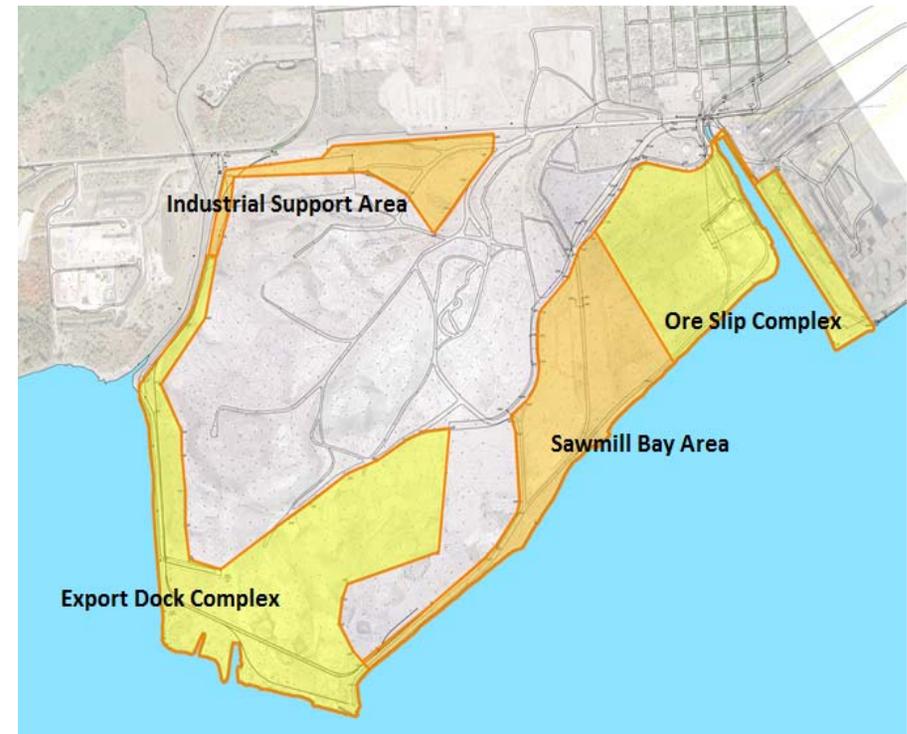
Project Description

Project Need

- The facilities at the Port are outdated and in need of refurbishment. Capital works have been identified for a number of the dock areas and improvements to these Port facilities are considered necessary for addressing the two main needs of POA:
 1. Attracting new third party commercial users; and
 2. Meeting the operational capacity required by ESAI.

Port Master Plan

- With the support of its Technical Advisor, POA has developed a “Port Master Plan”, which provides it with a long-range vision of its 440 acre Port lands to address the needs identified above.
- The Port site has been broken down into four distinct development areas, each programmed to support separate components of the Port of Algoma’s defined Vision and Purpose. The areas include:
 - **Industrial Support Area** – this area will provide space for Port administration and for non-water dependent port related industrial uses.
 - **Export Dock Complex** – this area will become a common user-focused multi-purpose terminal, maximizing operational flexibility for handling multiple cargo types, both imports and exports.
 - **Sawmill Bay** – this area will provide the logistical resiliency needed by third-party port users and overflow capacity for ESAI logistical needs.
 - **Ore Slip Complex** – this area will remain focused on ongoing direct logistical support for ESAI’s import and export needs, the Port’s primary existing customer.



The Port of Algoma Project

Project Description

The Project

- The Project is the first step of POA's Port Master Plan noted in the previous slide.
- The Project has been defined so as to provide a strategic framework for future growth while addressing some immediate operational issues that will affect the Port's ability to sustain and attract cargo volumes.
- The table to the right summarizes, at a high level, the proposed components of the Project.

Project Phases

Project involves three phases as follows:

1. Phase I covers the initial planning and market analysis work, which is now largely complete.
2. Phase II covers the process of procurement, in which contractors and partners will be selected to assist in Project implementation.
3. Phase III covers the construction and implementation phase.

Project Area	Berthing/Dredging	Upland Improvements	Equipment
Export Dock Complex	<ul style="list-style-type: none"> • Dock facility west of existing Export Dock • Minimum required dredging at berths and approaches 	<ul style="list-style-type: none"> • 20 ac terminal paving • 2nd dry bulk commodity pad (salt) • Gate complex with scales • Internal Roads/Utilities 	<ul style="list-style-type: none"> • Mobile ship loader • Hoppers / Conveyors • Mobile Harbour Crane
Sawmill Bay	<ul style="list-style-type: none"> • Dock upgrades • Dredging at berths and their approaches 	<ul style="list-style-type: none"> • Internal roads and utilities 	<ul style="list-style-type: none"> • Nil
Ore Slip Complex	<ul style="list-style-type: none"> • Bonehead and Steel Dock upgrades • Southwest Point Dock • Dredging of Vidal Shoals and Slip 	<ul style="list-style-type: none"> • Paving at Steel Dock 	<ul style="list-style-type: none"> • Nil

The Port of Algoma Project

Project Description

Project Significance

- The Project is expected to bring broad public benefits and contribute to the long-term growth and prosperity of Northern Ontario, the Great Lakes Region and Canada and will support a number of industrial sectors which, in and of themselves, are nationally significant.
- By providing low cost and efficient logistics solutions to sizeable portions of the Canadian steel, forestry and mining sectors, the Project will enhance the cost competitiveness of Canada and support the development of new industrial activities.
- The need for improved transportation infrastructure has been identified by a group of five industry associations that collectively account for 60% of goods moved on Canada’s rail system, including the Forest Products Association of Canada, the Mining Association of Canada, and the Canadian Steel Producers Association.
- The groups have indicated that “current rail bottlenecks are hurting the ability of many Canadian industries to get their goods to market in Canada and abroad, to attract investment, and to create jobs”.
- The Project will enhance environmental outcomes by encouraging the diversion of traffic from road and rail modes and minimize certain environmental risks associated with the existing Port lands.

Sector	Annual Economic Activity (National)		How the Project Supports the Sector
	GDP	Employment	
Forestry	\$19 billion	235,000	Provides access to low cost marine transportation for forestry products producers in Northeastern Ontario. Supports the attraction of inbound foreign investment with respect to the establishment of new wood pellet production facilities and other operations focused on bio-energy, bio-chemicals and bio-materials
Mining and mineral processing	\$57 billion	375,000	Provides alternative transportation solutions for mining and mineral processing activities in Canada’s largest mining region, including support for the Ring of Fire development
Steel manufacturing	\$14 billion	20,000	Provides low cost, efficiency and reliable transportation solutions to ESAI, which accounts for 21% of raw steel production in Canada, and Tenaris, Canada’s only producer of seamless steel pipe



Project Timelines

The Port of Algoma Project

Project Timelines

As shown in the table, the Project timeline incorporates the following assumptions and considerations:

- The design and layout work necessary for preparation of the Procurement Package(s) will take a total of seven months; Procurement Package(s) will be released immediately thereafter.
- There may be one or multiple Procurement Packages released. The specific number will depend on POA's assessment of the best approach to structuring the work program and for obtaining competitive and capable bid responses.
- Contractors will have up to two months to return bids in response to the Procurement Package(s). Timing may vary depending on the complexity of the particular Package(s).
- The schedule envisions one month for review of contractor bids and finalization of agreements. This timeline allows for potential delays to review contractor bids.
- The construction phase is expected to commence at the beginning of 2017. This will allow for project completion by the end of 2020, given the expected construction period of four years.
- POA has allowed eight months for the environmental permitting process. The timeline assumes that POA will apply for permits once 30% design has been achieved. Accordingly, POA will apply for permits around the start of May. Permits should thus be in place by the end of the year, in time for the start of the construction phase.

Item	General Duration	Estimated Start Date	Target Completion Date
Design Layout and Enabling Infrastructure, including Site Surveys and Modeling	7 months	March 2016	September 30, 2016
Release of Procurement Package(s) (Tender Documents)	Nil	October 1, 2016	October 1, 2016
Contractor Tender Responses	2 months	October 1, 2016	November 30, 2016
Contractor Selection / Agreement Negotiation	1 month	November 30, 2016	December 31, 2016
Environmental / Permitting	8 months from 30% design (concurrent with above)	May 1, 2016	December 31, 2016
Construction	48 months	January 1, 2017	December 31, 2020



Economic Benefits

The Port of Algoma Project

Economic Benefits

Approach for Economic Impact Analysis

To estimate some of the economic benefits associated with development of the Port, POA commissioned a number of runs of an economic impact model maintained by Statistics Canada. These runs examined:

1. Economic impacts associated with capital upgrades at the Port, based on the associated construction activity.
2. Economic impacts associated with annual operation of the Port, based on an estimate of future operating expenditures at the Port.
3. Economic impacts associated with a wood pellet plant opening at the Port or in the vicinity. Such a plant could be facilitated by the Port as a result of the enhanced access to marine transportation provided by the Project

Methodology: Statistic's Canada Input-Output Model

The assessment of the economic impacts associated with the Project's initial capital investment and POA's annual port operations was developed using Statistics Canada's input-output (I/O) model. This model is regarded as the most authoritative and comprehensive economic impact model in Canada. It is recognized by many as the benchmark by which economic modeling is undertaken in Canada.

Consistent with general practice for economic impact analyses, the impacts of the Project are expressed in terms of gross output, GDP (or Value Added), labour income, and employment impacts.

- **Gross Output** is the total value of all economic and business activity. This is recognized as the broadest measure of economic activity as it considers all business transactions and does not net out intermediate purchases by industries within the supply chain.
- **Value-added or GDP** is a measure of economic output associated with the production of final goods and services. For an individual company, value-added represents the difference between the value of its sales and the cost of its purchases of goods and services from suppliers.
- **Labour Income** is defined as all compensation paid to employees (e.g. including wages, salaries, employer social contributions, bonuses and performance pay etc.).
- **Employment** represents the number of employment positions created or supported, expressed in terms of person years of full-time employment.

Additionally, economic impacts are also reported at the direct, indirect and induced levels:

- **Direct impacts** are those economic impacts generated by the industry in question and can be observed through an analysis of an industry's employee base, payroll, taxes paid and the difference between the value of sales and purchased inputs.
- **Indirect impacts** are those economic impacts generated by suppliers further-up the supply chain.
- **Induced impacts** result from the subsequent spending by employees of their wages and salaries. This includes spending by employees both within an industry and within its upstream supplier base.

The Port of Algoma Project

Economic Benefits

Economic impacts associated with capital upgrades at the Port

- It is estimated that the initial capital investment will include \$121.3 million in hard costs, \$3.6 million in machinery and equipment, and \$9.7 million for engineering (all in 2016 dollars).
- Based on the results of Statistics Canada's I/O modeling approach, the total gross output generated by the Project's initial capital investment is estimated to be in the order of \$267.8 million.
- Further, it is estimated that the Project will contribute approximately \$138.2 million to Canada's GDP and generate labour income of \$91.4 million.
- Finally, it is estimated that the Project will support approximately 1,385 full-time equivalent ("FTE") jobs.

Note: For a comprehensive breakdown of economic impacts, refer to Appendix A

Economic impacts associated with annual operation of the Port

- Based on the results of the Traffic Study, it is projected that annual POA volumes will be 6.1 million tonnes in the Moderate Growth Scenario.
- Using operating cost assumptions developed by POA, it is estimated that operating expenditures required to handle these volumes would be \$19.7 million per annum.
- Overall, it is estimated that the annual operations at POA assumed in the Moderate Growth Scenario will generate \$15.1 million in labour income and 252 FTE positions in Canada.
- It is also estimated that the Port's annual operations will result in a \$46.4 million increase in Total Gross Output and a \$21.8 million GDP impact.
- In the High Growth scenario, where annual traffic volumes are estimated to be 11 million tonnes, economic impacts are estimated to be \$23.2 million in labour income and 387 FTE positions generated nationally.

Economic impacts associated with a wood pellet plant opening at the Port or in the vicinity

- The Project has the potential to attract new industries to the land adjacent to the Port or in the vicinity because of the improved access to marine transportation, and associated cost savings.
- Under the High Growth Scenario of the Traffic Study, it was estimated that a new wood pellet facility could generate 500,000 tonnes of volume for POA. Based on a projected price per tonne for wood pellets of \$189.3/tn, it is estimated that the annual revenue generated by a new wood pellet facility would be approximately \$95 million a year.
- It is estimated that the operations of a new wood pellet facility would contribute \$98.5 million and \$213.8 million to Canada's GDP and Gross Output, respectively.
- It is also estimated that the operations of new wood pellet facility would contribute \$68.1 million in Canada's labour income and 1,228 FTEs jobs per annum.



Project Outcomes and Benefits

The Port of Algoma Project

Project Outcomes and Benefits

Improving Efficiency and Capacity

- The Project will increase the capabilities of existing berths, removing constraints on the vessels that can dock and improving the effective capacity and performance of the berths. This will enhance the Port's ability to serve new markets.
- In addition, upgrades will be made to infrastructure for entering and exiting the Port on the land-side. (e.g. a formal gate complex, paved internal roadways, and a rail extension).
- These various upgrades will provide:
 - Increased throughput capacity.
 - Improvements in the Port's ability to handle a variety of goods.
 - Upgrades to the Port's connections with inland transportation infrastructure.

Improving Safety

- Dredging at selected locations will restore navigation depths. This will minimize the maneuvering that is required to bring ships safely into dock and to travel via the St. Mary's River, reducing the potential for collisions between ships and between ships and dock facilities. It will also reduce the potential for ships to run aground.
- By encouraging the diversion of goods traffic from trucking modes to the marine mode, the Project can facilitate an overall reduction in truck highway traffic. This should result in a reduction in highway fatalities that occur through truck and automobile collisions.

Future State Performance Measurements

- Once the Project is complete and in operation, POA proposes to track the success of the facility in attracting new users and enhancing service to existing users. This will be done through a number of operational indicators, including:
 - Total annual cargo volume (overall Port throughput, by weight and value); differentiated between third party volumes and ESAI volumes.
 - Annual cargo volume by cargo type.
- Other performance indicators that are relevant for this project include (but not limited to):
 - Reductions in loading and unloading times;
 - Increases in Port storage capacity;
 - Increase in the range of goods that can be handled at the Port;
 - Reduction in the risk of disruption from facility failure or breakdown; and
 - Increase in size and capacity of ships that can be handled.

The Port of Algoma Project

Project Outcomes and Benefits

Increased Port Volumes

- Current traffic at POA is estimated around 4.6 million tonnes, with approximately 2.5% coming from non-ESAI related users.
- The total traffic opportunities for POA were estimated based on four scenarios, summarized below:
 - **Scenario 1** (low growth scenario): 5.3 million tonnes.
 - **Scenario 2** (moderate growth scenario): 6.1 million tonnes.
 - **Scenario 3** (high growth scenario): 11.0 million tonnes.
 - **Scenario 4** (high growth scenario + ESAI facility expansion): 14.4 million tonnes.
- One of the key benefits of the Project is the anticipated diversification of traffic volume from third party port users. Scenario 3 envisions 11.0 million tonnes, of which 5.2 million tonnes is not ESAI volume, representing approximately 47.3% of the customer base.

Environmental Benefits

- **Fuel Efficiency.** Transportation by ship benefits from a higher fuel efficiency (or lower fuel consumption) than either rail or truck transport, to transport the same weight of cargo the same distance as a marine movement.
- **Green House Gas Emissions.** Greater fuel efficiency translates directly into lower levels of greenhouse gas emissions.
- **St. Mary's River water quality.** Water quality will be improved by:
 - Removing potentially contaminated sediment from the riverbed through dredging.
 - Reducing sediment release through shoreline stabilization, structure upgrades and the addition of storm-water management facilities.
 - Reducing storm and waste-water run-off from Port properties.
- **Reduced Risks of Future Contamination.**

Socioeconomic Benefits

- The Project will enhance the physical environment of the City. It will take land that is currently under-utilized and use it as the basis for new business growth. This will provide the following important benefits:
 - Employment on the site will increase, providing support to local businesses (e.g. restaurants, hotels).
 - More generally, the project will help to promote greater economic vitality in the downtown core. Greater vitality will follow from the increase in employment and traffic on Port property and through enhancement of the local economic base.
- The ongoing viability of assets that have important historical value to the City of Sault Ste. Marie.
- The Project has included active engagement with First Nations communities in the planning and implementation of Port upgrades. This has ensured an inclusive and collaborative approach to local infrastructure development.



Financial Requirements

The Port of Algoma Project

Financial Requirements

Estimated Expenditures

As noted earlier, the Project involves three phases as follows:

1. Phase 1 covers the initial planning and market analysis work, which is now largely complete.
2. Phase 2 covers the process of procurement, in which contractors and partners will be selected to assist in Project implementation.
3. Phase 3 covers the construction and implementation phase.

The table to the right provides a detailed breakdown of Phase 3 capital expenditures, by project component, including the cost of capital works by location, the cost of required port operations equipment and the associated soft costs.

Total Phase 3 capital expenditures is estimated to be \$148 million.

The Port of Algoma Project Budget – Phase 3

Capital Works	
Coal & Ore Dock	\$1,804,440
Bonehead & Steel Dock	\$348,460
Commercial Dock/SW Point	\$26,558,770
Sawmill Bay Dock	\$22,216,320
Export Dock	\$21,945,000
Dredging	\$48,429,596
	Subtotal Capital Works
	\$121,302,586
Equipment	
Export, Sawmill and Ore Terminal	\$3,577,700
	Subtotal Equipment
	\$3,577,700
Soft Costs	
Engineering	\$9,704,207
Environmental Permitting	\$1,213,026
Escalation	\$10,348,066
	Subtotal Soft Costs
	\$21,265,299
Ancillary Costs	
Project Management	\$400,000
Technical Advisor	\$1,000,000
Total	\$147,545,585

* Capital works, equipment and engineering costs estimated for Phase III assume a CAD/USD conversion factor of 1.33 (or USD0.75/CAD). HST has not been included in the analysis.

The Port of Algoma Project

Financial Requirements

Funding Sources

For the purpose of preparing the funding application, it was assumed that the Project will receive maximum funding from the federal government through the New Build Canada Fund (“NBCF”). Given that POA is a for-profit private sector entity, the maximum federal contribution from all federal sources will be capped at 25% of total eligible costs. It has also been assumed that the federal funding contribution will be matched by an equal contribution from the provincial government (for a further 25% of funding). The table below summarizes anticipated funding sources:

Funding Source	Funding Committed/Requested	
	Phases 1 and 2	Phase 3
Government of Canada	\$2,100,000	\$36,886,396
Government of Ontario	\$2,100,000	\$36,886,396
City of Sault Ste. Marie	\$300,000	\$0
Port of Algoma	\$800,000	\$73,772,793
Total Eligible Project Costs	\$0	\$147,545,585
Total Project Costs	\$5,300,000	\$147,545,585

POA Strategic Partnership with the City of Sault Ste. Marie

One of the requirements for private sector applicants (in this case, the POA) to receive public sector funding through the NBCF program is that the applicant must demonstrate a partnership with a public sector entity (in this case, the City of Sault Ste. Marie).

The City has demonstrated its partnership with the POA and its commitment to the Project in a number of ways. From a project management perspective, the City has been actively involved in planning for the Project and will continue to be involved in its implementation. Following the initial Phase 1 and 2 funding commitment of \$5.3 million outlined in the table above (which included a \$300,000 contribution from the City), POA and the City formed a Project Management Team (“PMT”) to govern and monitor the Project development phase. This collaborative effort and the associated strategic partnerships between public and private parties demonstrates the Project’s broad-based support, which reflects its potential to promote job creation and industry diversification in Northern Ontario.



Environmental and First Nations Consultation

The Port of Algoma Project

Environmental and First Nations Consultation

Environmental

The AECOM team met with Federal and Provincial agencies to confirm which Environmental Assessment (“EA”) processes will apply to the project. Based on these discussions, it is anticipated that the following permits and approvals will most likely be required:

- Transport Canada - Navigation Protection Act (1985), Section 3
- Transport Canada - Canada Marine Act (1998) – Public Port Facility Regulations (SOR/2001-154)
- Transport Canada Trigger Canadian Environmental Assessment Act (2012), Section 67
- Sault Ste. Marie Conservation Authority - Conservation Authorities Act (1990), Section 28 Regulations, Ontario Regulation 176/06
- City of Sault Ste. Marie Public Utilities Commission – Ontario Water Resources Act (1990), Safe Drinking Water Act (2002) – Permit for water-main facilities connection
- City of Sault Ste. Marie Public Utilities Commission – Ontario Energy Board Act (1998), Chapter 15 Schedule B, Public Utilities Act (1990), Part IV – Power requirements for property connection
- Canadian Coast Guard – Canadian Collision Regulations, Schedule 1, Rule 10
- Ontario Ministry of Labour – Ontario Health and Safety Act (1990), Section 6 of the Regulation for Construction Projects (O.Reg. 213/91).

Permit applications are anticipated to commence at the beginning of Phase 2.

First Nations Consultation

Respect for Aboriginal and Treaty Rights, and the exchange of information with local First Nations, are key elements of this Project. As such, the key objectives of Aboriginal engagement have been to:

1. Provide timely, accurate and easy-to-understand information to the First Nation and Métis communities about the Project in a consistent and transparent manner;
2. Understand and address community concerns through open communication and by offering opportunities for constructive feedback; and,
3. Develop working relationships with Aboriginal communities to gather information to assist the Port Redevelopment Study.

AECOM and POA have identified the First Nations most directly impacted by the Project and developed a detailed strategy for consulting with the impacted groups about the Project. This involved engaging with multiple First Nation communities to coordinate the consultation process and has resulted in various letters and accords being signed by the impacted parties. These documents have included:

- Consultation acknowledgement letter signed by the Chief of BFN acknowledging the consultation efforts and the process undertaken as at the end of Phase 1.
- A summary report from Shining Bear, providing an update on their work completed as at the end of Phase 1.
- A draft Reconciliation and Prosperity Accord between POA and Garden River First Nation.



Appendix A: Economic Benefits

The Port of Algoma Project

Appendix A: Economic Benefits

- To estimate some of the economic benefits associated with development of the Port, POA commissioned a number of runs of an economic impact model maintained by Statistics Canada. The economic impacts estimated and the results of the economic impact model are summarized below. Notice that a majority of the economic impacts are recognized in Ontario.

- Economic impacts associated with capital upgrades at the Port, based on the associated construction activity.

Economic Impacts of Capital Upgrades of the Port (2016 \$ millions)			
	Ontario	Rest of Canada	Canada
GDP Impact	\$ 124.8	\$ 13.4	\$ 138.2
Labour Income	\$ 84.3	\$ 7.1	\$ 91.4
FTE Employment Positions (No.)	1,269	116	1,385
Total Gross Output	\$ 241.2	\$ 26.6	\$ 267.8

- Economic impacts associated with annual operation of the Port, based on an estimate of future operating expenditures at the Port.

Estimated Economic Impacts of Annual POA Operations with Moderate Growth (2016 \$ millions)			
	Ontario	Rest of Canada	Canada
GDP Impact	\$ 18.7	\$ 3.1	\$ 21.8
Labour Income	\$ 13.5	\$ 1.6	\$ 15.1
FTE Employment Positions (No.)	226	27	252
Total Gross Output	\$ 40.3	\$ 6.1	\$ 46.4

- Economic impacts associated with a wood pellet plant opening at the Port or in the vicinity. Such a plant could be facilitated by the Port as a result of the enhanced access to marine transportation provided by the Project.

Economic Impacts of New Wood Pellet Facility (2016 \$ millions)			
	Ontario	Rest of Canada	Canada
GDP Impact	\$ 83.5	\$ 15.0	\$ 98.5
Labour Income	\$ 59.6	\$ 8.5	\$ 68.1
FTE Employment Positions (No.)	1,088	140	1,228
Total Gross Output	\$ 181.2	\$ 32.6	\$ 213.8

The Port of Algoma Project

Appendix A: Economic Benefits

Economic Impact of the Initial Capital Investment

Gross Output Impact of Initial Capital Investment (\$ millions)			
	Ontario	Rest of Canada	Total
Direct	129.2	0.6	129.8
Indirect	65.2	14.1	79.3
Induced	46.8	11.9	58.7
Total	241.2	26.6	267.8

Labour Income Impact of Initial Capital Investment (\$ millions)			
	Ontario	Rest of Canada	Total
Direct	48.3	0.2	48.5
Indirect	22.7	3.8	26.5
Induced	13.3	3.1	16.4
Total	84.3	7.1	91.4

GDP Impact of Initial Capital Investment (\$ millions)			
	Ontario	Rest of Canada	Total
Direct	62.7	0.3	63.0
Indirect	34.3	6.8	41.1
Induced	27.8	6.2	34.0
Total	124.8	13.4	138.2

Employment Impact of Initial Capital Investment (No. of FTE jobs)*			
	Ontario	Rest of Canada	Total
Direct	709	3	712
Indirect	326	57	383
Induced	234	56	289
Total	1,269	116	1,385

*It is important to note that one FTE is measured as one full-time position that is held for one year. Given that the construction of the Project is estimated to be over a 4 year period, this value cannot be interpreted as the number of "jobs" that will be created over the course of the construction period. Rather, it is the number full-time equivalent employment positions created based on the average number of hours worked in full time jobs in one year. Thus, one person employed by this project full time over the course of the 4 year construction period would count as 4 FTE positions for the purposes of reporting employment impacts.

The Port of Algoma Project

Appendix A: Economic Benefits

Economic Impact of Port Operations

Gross Output Impact of Annual Port Operations (\$ millions)

	Ontario	Rest of Canada	Total
Direct	19.7	-	19.7
Indirect	12.7	3.9	16.6
Induced	7.8	2.2	10.0
Total	40.3	6.1	46.4

Labour Income Impact of Annual Port Operations (\$ millions)

	Ontario	Rest of Canada	Total
Direct	7.1	-	7.1
Indirect	4.2	1.0	5.2
Induced	2.2	0.6	2.8
Total	13.5	1.6	15.1

GDP Impact of Annual Port Operations (\$ millions)

	Ontario	Rest of Canada	Total
Direct	7.4	-	7.4
Indirect	6.7	1.9	8.6
Induced	4.6	1.2	5.8
Total	18.7	3.1	21.8

Employment Impact of Annual Port Operations (FTEs)

	Ontario	Rest of Canada	Total
Direct	120	-	120
Indirect	66	16	82
Induced	39	11	50
Total	226	27	252

The Port of Algoma Project

Appendix A: Economic Benefits

Economic Impact of New Industrial Expansion (New Wood Pellet Facility)

Gross Output Impact of New Wood Pellet Facility (\$ millions)			
	Ontario	Rest of Canada	Canada
Direct and Indirect	147.1	22.2	169.3
Induced	34.1	10.4	44.5
Total	181.2	32.6	213.8

Labour Income Impact of New Wood Pellet Facility (\$ millions)			
	Ontario	Rest of Canada	Canada
Direct and Indirect	49.9	5.8	55.7
Induced	9.7	2.7	12.4
Total	59.6	8.5	68.1

GDP Impact of New Wood Pellet Facility (\$ millions)			
	Ontario	Rest of Canada	Canada
Direct and Indirect	63.4	9.4	72.7
Induced	20.2	5.6	25.8
Total	83.5	15.0	98.5

Employment Impact of New Wood Pellet Facility (FTEs)			
	Ontario	Rest of Canada	Canada
Direct and Indirect	918	90	1,008
Induced	170	50	220
Total	1,088	140	1,228



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