

Economic Impact Analysis of Kennedy Group's Global Operations

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EXECUTIVE SUMMARY

The Kennedy Group of Companies (Kennedy Group) commissioned Group ATN Consulting Inc. (GATN) to conduct an independent assessment of the Kennedy Group's operations. This analysis demonstrates and affirms the tangible contribution of the corporation to the economies of Cape Breton, Nova Scotia, the broader Atlantic Region and all of Canada. Cape Breton is the operational base for the majority of the Kennedy Group's harvesting and processing activity and their 'buy-local' approach reflects the company's significant economic impacts island-wide. Within the scope of the assessment, the Kennedy Group provided 2015 operating and capital expenditure detail that informed this analysis. This includes corporate operations, harvesting, processing, marketing, as well as processing facility and equipment investment / acquisition.

GATN's economic analysis of the operations is underpinned by detailed financial records and analyses of each of the Kennedy Group's main operations. To ensure accurate and verifiable results, the team took the additional step of analysing the supply chain to determine the source of goods and services for accurate attribution of margins to their respective source location. The subsequent analysis focuses on an Input-Output (I-O) methodology that utilizes an established proprietary economic impact model based on Statistics Canada's National Accounting framework.¹ This is a universally accepted approach, applied to hundreds of previous projects, in order to credibly assess a variety of large and small scale initiatives for private and public entities.

The results of the analysis are noteworthy. The results of the I-O model indicate that, in 2015, the Kennedy Group generated approximately \$201 million in total spending through direct and spin-off effects. Of this total, 45.8% is spent directly within Cape Breton, 27.2% within the rest of Nova Scotia and 27% is spent elsewhere in Canada. The combined spending impacts in Canada include:

- 1,056 full-time equivalent (FTE) positions per year
- \$40.2 million in wages and salaries per year
- \$62.8 million in GDP per year, and
- \$11.5 million in federal, provincial, and local government taxes per year.

Across Cape Breton Island, the economic impacts from Kennedy Group's 2015 operations included the following:

- A total of \$92.26 million in direct and spinoff spending in Cape Breton, with Cape Breton capturing 45.8% of all Canada-wide spending generated by Kennedy Group operations,
- From over 283 full-time equivalent positions (i.e., 2,000 hour per year jobs) a total of 547 direct and spinoff jobs, with Cape Breton capturing 51.8% of all the Canada-wide direct and spinoff employment triggered by Kennedy Group operations, and
- From over \$8 million paid in wages and salaries, a total of \$18.28 million in direct and spinoff Household income in Cape Breton Island, accounting for more than 45.4% of Kennedy Groups Canada-wide employment impact.

¹ <http://www.statcan.gc.ca/eng/nea/about/io>

Other important impacts included

- \$25.34 million contributed to Cape Breton Island based GDP through direct and spinoff impacts, amounting 40.4% of all Canada-wide GDP impacts,
- A total of \$4.10 million in Cape Breton-based government tax revenues through direct and spinoff impacts, 35.5% of all Canada-wide tax impacts. Of this, \$1.68 million is federal tax revenues based in Cape Breton Island, \$1.94 million is provincial tax revenues, and another \$0.48 million in other tax revenues, amounting to 54.3% of all 'other tax revenues' generated Canada-wide

This means that:

- For every dollar spent by the Kennedy Group on operations, another \$1.21 is spent in Cape Breton,
- For every full time position created by the Kennedy Group, another full time position is created elsewhere in the Cape Breton Economy,
- For every dollar paid by the Kennedy Group in household income, another \$1.50 is created in household income elsewhere in the Cape Breton Economy,
- For every \$1.00 of direct GDP created by the Kennedy Group, another \$2.46 of GDP is created elsewhere in the Cape Breton Economy, and
- For every dollar spent in direct tax revenues, the Kennedy Group triggers another \$4.68 of tax revenue elsewhere in the Cape Breton Economy.

The Kennedy Group's impact on the Cape Breton and provincial economies is amplified through two of its primary operating principles: supply chain management and market diversification.

The company's business model emphasizes Cape Breton and Nova Scotia-based sources for factor inputs throughout all phases of the development of the fishery, thereby ensuring that the economic impacts accruing to the region are maximized for local economic benefit.

As a Cape Breton based company that is 100% privately and self-financed, The Kennedy Group's profitable operations have allowed the company the resources through which to re-invest in its operations, including research and value added opportunities, as well as the local supply chain through entrepreneurship programs such as the inaugural and highly successful Sea++ program. This is a tangible example of how the Kennedy Group profits stay in Cape Breton and are reinvested in Cape Breton.

Moreover, virtually all of the company's economic impacts are incremental to the local economy: that is, they bring new money to Cape Breton, Nova Scotia and Canada. Practically 100% of the Kennedy Group's target markets for seafood are export-based, translating into entirely new money for Cape Breton, Nova Scotia and Canada.