Economic Development & Environmental Protection:

Achieving a Balance

A Position Paper on Economic Development

March 2008
Muskoka Watershed Council seeks to preserve and enhance the air, water and terrestrial ecosystems of the watersheds in Muskoka, for their environmental, health, economic, spiritual and intrinsic values.

Council believes that the most effective way to sustain healthy watersheds is through cooperative approaches to watershed management, based on sound research that informs thoughtful and defensible policy positions.

Council believes in working cooperatively with a cross-section of stakeholders in pursuit of sustainable development and environmental best practices. This position paper is the sixth in a series published by Council since 2003.

Council supports taking a ‘green economic’ approach to economic development. Green Economics establishes the interdependency between economics and ecology. Unlike traditional economics that focuses solely on the financial outcome, green economics presents a broader approach and is characterized by considering the physical and biological contexts of an activity and has a focus on long-term environmental sustainability.

We are committed to the enhancement of the health and sustainability of those watersheds lying partially or totally in the District Municipality of Muskoka. While this paper will reference Muskoka for the sake of clarity and simplicity, we believe its conclusions are equally valid for adjacent municipalities within the larger geographic area encompassing those shared watersheds.

A healthy and sustainable watershed has been defined as a watershed where economic, socio-cultural and environmental attributes are in balance: there are fulfilling and well paid jobs; the social structure is strong and supportive; and the natural environment is healthy and not under stress.

The natural environment is the foundation of a sustainable Muskoka. Our lakes and natural areas provide our drinking water, sustain plants and animals, moderate climate and clean our air. They are the essential elements of the scenic beauty that attracts visitors, provides the foundation of our tourism industry and underlies much of our recreation. Large natural areas and their ecosystems are the base of our economy. They are critical to retaining watershed health and water quality. They are fundamental to the quality of life that Muskoka residents value.

As reported in the 2004 and 2007 Report Cards, Muskoka Watershed Council has always approached watershed health as a balance of environmental, socio-cultural and economic interests and believes firmly that a healthy environment and a vibrant economy are synonymous. If we are to protect these values, hard decisions are needed now to limit urban development to urban areas, and to protect the large rural and waterfront areas for future generations.

Muskoka’s Economy Today

We need to define and encourage sustainable economic development. We must avoid development that offers short-term benefits while eroding our natural resources. Strengthening nature’s capacity to cope with change is the overarching message of the 2007 Watersheds Report Card. Sustainable economic development in Muskoka must adhere to this principle.

Through the late 19th century and the 20th century, Muskoka’s economy evolved through lumbering, steamboats, tanneries, boat building, grand resorts, the cottage industry and manufacturing. The strength of Muskoka has been its ability to look forward, accommodate change and still maintain its environmental roots.

As we begin the 21st century, our permanent population, tourism, seasonal residents and retirees will drive the retail, construction and services sector to form the underpinnings of Muskoka’s evolving economy. A review of the Business Retention and Expansion reports of Bracebridge, Gravenhurst and Huntsville confirm the trend.

Approximately 43% of the labour force in Muskoka is employed in the Tourism and Service sector. The tourism labour force in the three urban municipalities (Bracebridge, Gravenhurst and Huntsville) ranges from 39% to 44%
While in the three primarily rural municipalities (Georgian Bay, Lake of Bays and Muskoka Lakes) it ranges from 46% to 50%.  

The 2004 Second Home Study prepared by the District Municipality of Muskoka Planning staff illustrates the impact of seasonal residents on Muskoka’s economy. Almost 50% of the dwellings in Muskoka – approximately 20,000 – are seasonal residences. Based on the population estimates from the study, the population of Muskoka including seasonal residents is approximately 128,381. Of that number, 41% are permanent and 59% are seasonal residents. 72.4% of seasonal residents indicated that their permanent residence is in the GTA.  

The impact of tourism in the Muskoka economy has also been measured, and it is clear that the number of visitors to our area is a key economic driver. The ‘Muskoka Assessment Project’ has identified water-based features and facilities as being one of several core attractions for the region.  

Seasonal residents and tourists come to Muskoka for the clear air, relaxing serenity of the forests and the clear refreshing waters in our lakes and rivers. Other core attractors include historic resorts, boating, hiking and swimming, arts and culture.  

Additional major contributors to the Muskoka economy include the retail and services sector and the trades provide construction, renovation and property maintenance services to the tourism, seasonal and retiree sector. The manufacturing sector and the public sector also have a significant impact on Muskoka’s economic well-being.  

However, what has been a relatively well-balanced economy is now facing some threats. For example, tourism has been severely impacted in recent years by events beyond local control such as SARS, warm winters, high gas prices and the value of the Canadian dollar.  

The Report of the Standing Committee on Industry, Science and Technology entitled Manufacturing: Moving Forward, Rising to the Challenge, explains that the Canadian manufacturing sector has been impacted significantly by competition from emerging economies, particularly China. Labour costs in China are about 1/40th of those in Canada. “Manufacturing employment as a share of total employment for all industries within Canada fell to 13.7% in 2005, the lowest level since 1976.” As a result, manufacturing jobs in Ontario decreased by almost 8% between 2002 and 2006.  

That trend is evident in Muskoka with the recent closing and/or downsizing of several manufacturing facilities. On a more positive note, in the same time period the number of jobs in service related industries such as finance, insurance, real estate, business and educational services grew by approximately 20%.  

Looking forward, Muskoka needs to see beyond the trends of the past to new and innovative initiatives in the context of forecast population growth, the principles of sustainable development and climate change.  

If our economy is to evolve towards sustainability, forward-looking businesses will need to adapt new processes and standards consistent with society’s interests in respect for the environment.  

Although changing business practices pose challenges, they also provide opportunities for growth and expansion where there is creativity and an entrepreneurial spirit. For example, existing lawn care companies will be impacted

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2 District of Muskoka, 2004 Second Home Study, pg. 1  
3 District of Muskoka, 2004 Second Home Study, pg. 7 & 11  
4 Robyn Scott, Muskoka Tourism  
5 Robyn Scott, Muskoka Tourism  
6 Muskoka Economic Profile – Statistics Canada, Census 2001  
by a shift away from using cosmetic pesticides, and as they adopt more sustainable practices such as integrated pest management, new opportunities will arise. The Watershed Council has supported such transitions and will continue to advocate innovative ways and means to a sustainable way forward.

Economic Growth from Population Growth

The 2006 population numbers from Statistics Canada confirm that the population of Muskoka is growing. We can surmise that this is in large part a result of the growing number of people who are retiring and moving either to their cottage or into the urban areas. While 11% of seasonal residents who responded to the District Municipality of Muskoka’s Second Home Study indicated that they were definitely planning to make Muskoka their permanent home in the future, there is a possibility that percentage could grow considering that 46% of respondents indicated that they were not certain if they would move permanently to Muskoka or not.9

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<tbody>
<tr>
<td>Bracebridge</td>
<td>9,063</td>
<td>9,811</td>
<td>12,308</td>
<td>13,223</td>
<td>13,751</td>
<td>15,652</td>
<td>73 %</td>
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<td>Georgian Bay</td>
<td>2,071</td>
<td>2,031</td>
<td>2,178</td>
<td>2,381</td>
<td>2,176</td>
<td>2,340</td>
<td>13 %</td>
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<tr>
<td>Gravenhurst</td>
<td>8,532</td>
<td>8,926</td>
<td>9,988</td>
<td>10,030</td>
<td>10,899</td>
<td>11,046</td>
<td>29 %</td>
</tr>
<tr>
<td>Huntsville</td>
<td>11,467</td>
<td>12,131</td>
<td>14,997</td>
<td>15,918</td>
<td>17,338</td>
<td>18,280</td>
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<tr>
<td>Lake of Bays</td>
<td>2,123</td>
<td>2,298</td>
<td>2,775</td>
<td>2,850</td>
<td>2,900</td>
<td>3,570</td>
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</tr>
<tr>
<td>Muskoka Lakes</td>
<td>4,968</td>
<td>4,948</td>
<td>5,498</td>
<td>6,061</td>
<td>6,042</td>
<td>6,467</td>
<td>30 %</td>
</tr>
<tr>
<td>Muskoka</td>
<td>38,224</td>
<td>40,145</td>
<td>47,744</td>
<td>50,463</td>
<td>53,106</td>
<td>57,563</td>
<td>51 %</td>
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Table 1 (Source: Statistics Canada)

Meeting the Needs of an Aging Population

As the population of Muskoka ages, opportunities in the healthcare and personal support sector will arise to facilitate people ‘aging in place’. Already we have seen many small entrepreneurs providing services ranging from home maintenance and repair, snow ploughing, and home cleaning, to nursing care, respite, and senior sitting. There will also be new opportunities in service related businesses such as retail, social services, infrastructure and housing.10

Green Technology

A number of studies indicate that the field of ‘green technology’ will bring innovation and change rivalling the information technology explosion over the last two decades. The term encompasses continuously evolving practice in manufacturing methods and materials, waste and pollution reduction, alternate energy and fuels, green building and construction.

Geographic location, transportation capability offered by rail, four-lane highway access and a regional airport, a well-trained manufacturing workforce, the availability of “green” energy through hydro generation, the presence of the nearby Ministry of the Environment Dorset research centre, quality health and education facilities, and the quality of life available in our communities combine to provide Muskoka with some real advantages in attracting green technology initiatives.

Recommended Directions for Economic Development in Muskoka

1. Sustainable Tourism – There will continue to be opportunities to develop events and activities that showcase our natural environment and create jobs, as more people retire and are looking for an active lifestyle. For example, the Haliburton Highlands Trail and Tours Network has developed hiking, cross-country skiing, dog sledding and biking tour packages that connect people lodge-to-lodge, encouraging tourists to visit the area throughout four seasons. This is one example of potential in developing tourism markets based on the availability of and access to wilderness and large natural areas.

9 District of Muskoka 2004, Second Home Study, pg. 15
10 District of Muskoka, Muskoka Demographic Profile, pg. 6
2. Forestry – Although the large-scale traditional forestry and logging industry is under pressure with plant and field operations closing or scaling back, the industry itself is looking to refocus its efforts and encourage more value-added industries to develop. There are good hard and soft wood forests in Muskoka and many skilled trades people to support a wide range of small-scale wood manufacturing operations. As reported in the 2007 Watersheds Report Card, sustainable forestry that supports a healthy forestry sector can be an important component of both a healthy economy and a healthy watershed. Maintaining large intact parcels in the forest resource base to support sustainable forestry is an important element in future growth and development plans.

3. Education – Growing the education sector in Muskoka has many benefits. Not only will it allow youth to remain in the community for post-secondary education, it will also encourage adults to seek further education and retraining. It will increase the numbers of well-paying jobs in the area and bring new skill sets to our communities. The examples of Trent University and Sir Sanford Fleming College demonstrate the benefits to the City of Peterborough and satellite communities. These facilities started very small and developed an expertise in resource-based fields. Both schools are now highly regarded in their fields and bring employment to the communities.

With both Nipissing University and Georgian College building new facilities in Muskoka and Laurentian University providing extension courses, there is opportunity for growth in the education sector. The development of good local post secondary education facilities supports the further development of a broader range of knowledge-based industries.

Unique educational opportunities such as those provided by Sir Sanford Fleming College in Haliburton can expand both our education and tourism sector. Short courses that are nature-based and draw from our arts and artisan community such as photography, drawing, pottery or woodworking can attract many interested individuals. Educational and environmental experiences such as those provided by Grandview Resort and elderhostel-type offerings for seniors with spas, yoga workshops and educational sessions attract tourists and seasonal residents alike.

4. Knowledge-based Industry – Muskoka has the opportunity to benefit from economic sectors that are not necessarily geographically dependent. In particular, the area has much to offer both high tech companies and other knowledge-based facilities. Access to the world via high speed internet access has changed the way Canadians do business. More and more people are able to work from home. Muskoka needs to ensure that it is positioned to benefit from this connectivity. Some people have moved to Muskoka because they are easily able to communicate with the office in the GTA using the internet and video conferencing, many more would possibility come if there were expanded accessibility. This is technology that was not available in Muskoka twenty years ago. Improving broad band and cutting edge communications technology will ensure Muskoka is well positioned for future economic growth of this type.

If we look around the province at similar municipalities, they are encouraging new types of business. Perth and Lanark County are promoting high tech/computer-based businesses that rely on high speed internet. Their billboards state “10 minutes to Tokyo, 1 hour to Ottawa”. They are also converting old factories, similar to many empty buildings in our urban areas, into smaller square foot rental space that can be used by one and two person operations. Within the office complex, these smaller businesses can share larger meeting rooms, video conferencing facilities and other business tools they may not be able to afford on their own. There are similar conversion opportunities in Muskoka. A synergy develops between people and businesses when it is easy to have face-to-face interactions. For example, a small planning firm located beside a small engineering firm with a small biological firm down the hall can more readily collaborate on a wider variety of services than if they were all separate. If they can then share the cost of meeting rooms and video conferencing facilities they can provide services to a wider geographic area and Muskoka becomes a centre of excellence for small business.
Future Challenges

As Muskoka considers future directions for economic growth and sustainability, recognition of some realities and challenges is essential.

Muskoka has led the province in developing planning policy to limit growth on the many lakes dotted across the District. The recent review of the District of Muskoka Lake System Health program clearly demonstrated that these policies have ensured that our recreational water resources remain some of the best and most pristine in the world.

It is time to develop similar policy to limit growth in the rural area. The Muskoka Watersheds Report Card gave recreational water quality a grade of A-. On the other hand, the report card gave a C+ grade for protection of local ecosystems. Seven generations out, what resources will our children’s children have to support their economic needs?

Currently there is a 69-year supply of designated residential land in urban areas and a 14-year supply of registered and draft approved lots and multiple residential units in Muskoka. This abundant supply of residential land further supports the position that most of the future growth in Muskoka should be in urban areas where it can be connected to full urban services, reduce transportation needs, maintain natural habitats, and support viable community economic and social activities. The Muskoka Watershed Council would encourage all municipalities in Muskoka to undertake analysis to ensure that future growth strategies reflect a real and not a perceived need for additional growth in the form of creation of new lots.

Planning for the shift in the age demographic is essential. It is environmentally and socially unsustainable to support a widely dispersed aging population. The environmental cost of transportation alone is high. Travelling to and from remote homes will result in significant carbon emissions and increased need for winter road maintenance. The social cost of providing programs such as meals on wheels, personal support care, or home maintenance are also very high. A more compact urban form that will eventually support public transportation and provide accessible greenways and increased public use of urban waterfronts can strengthen and support our urban areas and provide a reasonable lifestyle alternative for an aging population.

The future of Muskoka lies in the continued diversification of our economy in an environmentally sustainable manner. Traditional growth areas include tourism and the second home base; health care and personal support opportunities; and the service and retail sectors. These will continue to be important in the future but diversification is important to ensure stability. New areas of economic growth may include post secondary education; high tech and computer-based business; and innovative new green technologies such as the production of renewable energy and green building. Untapped areas of economic growth may include resource-based industries such as value-added wood product manufacturing.

Given the type of economic growth expected over the next twenty years, it is most likely that it will be primarily in the form of small businesses that employ less than fifteen people and rely to some degree on the natural environment and small town community-based values currently enjoyed across the watershed. With this general economic direction, the maintenance of our small town appeal and a healthy and vibrant natural system is a fundamental building block to our continued prosperity.

The number of seasonal residents and the migration of new permanent people into Muskoka will continue to grow because of this changing business environment, the proximity of Muskoka to the Greater Golden Horseshoe and the draw of the natural beauty of Muskoka. These elements make Muskoka an ideal setting for a growing number of professionals to “live, work and play”. As stated in Muskoka Watersheds Report Card, the best insurance against loss of the natural, scenic, economic and intrinsic watershed values that are important to the people of Muskoka is to maintain our watersheds in as natural a condition as possible. Our challenge is to identify the limits to growth for Muskoka while accommodating sustainable high quality business and residential growth that recognizes those limits.

In the current global discussions about the warming of the planet, we have a unique opportunity in Muskoka to lessen our collective footprint and improve our economy at the same time. We have an ability to enact policies covering commercial, industrial and residential development. The more we do to enhance and protect our natural

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environment, the more people will want to live here and visit here. In the near future, this will be the base of our economic growth. The irony is that this growth will put enormous stress on the very values that draw people to the area. People are attracted to Muskoka by the quality of life provided by small towns and scenic rural and waterfront areas. Principles need to be put in place to shape and direct this anticipated growth so that it doesn’t consume the very quality of life that is attracting that growth.

**CONCLUSIONS & RECOMMENDATIONS**

People are attracted to Muskoka by the quality of life provided by small towns and scenic rural and waterfront areas. People will want to live here and visit here. This will be the basis for our economic growth. The irony is that this growth will put enormous stress on the very values that draw people to the area. We also live within a global community concerned with climate change and environmental sustainability. We have a unique opportunity in Muskoka to both lessen our collective global footprint and to evolve towards an environmentally sustainable local economy. We have the opportunity and the ability to enact environmentally sustainable policies covering commercial, industrial and residential development. Principles and plans need to be put in place to shape and direct this anticipated growth so that it sustains, rather than consumes, the very high quality of life and environment that is so attractive.

The 2007 Muskoka Watersheds Report Card provides the framework around which policy and planning decisions should be made if we are to obtain the best sustainable economic development strategies. The eight key messages of the Report Card outlined in the table below are the principles upon which all policy development in Muskoka should proceed.

**Muskoka 2007 Watersheds Report Card**

<table>
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<th>Key Messages</th>
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<tr>
<td>1. Protect Shoreline vegetation</td>
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<td>2. Reduce hardened surfaces</td>
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<td>3. Protect significant wetlands</td>
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<tr>
<td>4. Reduce habitat fragmentation</td>
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<tr>
<td>5. Maintain large natural areas</td>
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<tr>
<td>6. RemEDIATE degraded sites</td>
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<tr>
<td>7. Contain urban sprawl</td>
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<td>8. Reduce carbon emissions</td>
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Above all, the Report Card identifies that climate change will be one of the most significant stresses on our watershed and highlights the need to reduce carbon emissions.

If we are to continue to enjoy the wealth of natural resources of which we are stewards, a sustainable economic model that balances social, environmental and economic interests has to be developed for Muskoka. It is inevitable that Muskoka will grow and a sustainable economic model is required to ensure that we can attract the kind of economic growth that we want – the kind of growth that is sustainable and that will not destroy the values that we all enjoy.

Muskoka Watershed Council strongly recommends that future growth and economic development be guided by a basic set of principles. These principles expand on the key messages from the Report Card and a version of these principles has been widely adopted by municipalities, community-based non-profit organizations and the Coalition of Environmentally Responsible Economies (CERES), a non-government organization of private sector companies.
1. **Protect Rural and Waterfront Areas**
   1. Maintain firm urban boundaries
   2. Limit habitat fragmentation
   3. Protect all wetlands and other significant habitat in both urban and rural settings
   4. Reduce or eliminate the release of any substance that may cause environmental damage to the air, water, or the earth or its inhabitants

2. **Use Natural Resources Wisely**
   1. Sustainable use of renewable natural resources, such as water, soils and forests
   2. Conserve non-renewable natural resources
   3. Redevelop brownfield sites where possible

3. **Reduce Waste**
   1. Reduce and where possible eliminate waste through source reduction and recycling

4. **Conserve Energy**
   1. Conserve energy and improve energy efficiency through construction, building design and operation, and urban design.
   2. Encourage use of alternative energy sources

5. **Provide Transportation Choice**
   1. Support public transit inter and intra urban public transit
   2. Encourage walking and bicycling trails

6. **Promote Clean Industry**
   1. Limit economic growth to clean industries that do not contribute noxious effluent, emissions or vibrations to the natural environment
   2. Limit use of dangerous chemicals where they may impact human health or the natural environment
   3. Minimize the environmental, health and safety risks through the use of safe technologies, facilities and operating procedures, and by being prepared for emergencies
   4. Reuse and redevelop existing industrial/commercial buildings

7. **Restore Degraded Environments**
   1. Promote carbon neutral development
   2. Restore degraded areas

If we – current and future residents and visitors in Muskoka are to continue to enjoy the high quality of the natural environment of which we are stewards and the resulting high quality of life, an environmentally sustainable economic strategy is required. This strategy must integrate, rather than trade off, environmental, social and economic interests. It must push for growth and development at the highest and best available standards and it must change the way we perceive our natural surroundings. The “highest and best use” is a concept that is well entrenched in Ontario planning policy. In Muskoka we can no longer think of the undeveloped natural environment i.e. land and water, as vacant or under used. We must all consider its highest and best use in the context of the entire watershed.

Of this we can be certain; the natural environment is the absolute foundation of the Muskoka economy and if we irreparably damage it, there will not be any economy left to grow. We need to make hard decisions now to limit unsustainable growth, shape our urban and rural areas, and encourage economic growth that will support present and future generations in a healthy, sustainable manner. In Muskoka, economic policy and environmental policy are not at odds; they are completely and wholly dependent upon each other.

**Our economy is our environment. Our environment is our economy.**