

# **Economic Contribution of Nestlé Waters Canada to Ontario**

Provincial, Regional, and Local Contribution

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## EXECUTIVE SUMMARY

Nestlé Waters Canada's (NWC) Ontario bottling facility is located in Puslinch, Ontario and uses water from sources in Aberfoyle and Erin. NWC's current operation makes a significant contribution to Ontario's economy through the direct employment of Ontario workers, the purchase of goods and services from Ontario businesses and industries, and tax payments to the government. This economic activity contributes to local communities in Wellington County; to the broader region of Wellington County, Bruce County, Grey County, Huron County, Perth County, and the Regional Municipality of Waterloo; and the overall province of Ontario.

### Current Yearly Economic Contribution

Based on NWC's fiscal year of 2017, the organization directly employs 315 Ontario workers and purchases \$85.2 million annually from businesses within Ontario. The purchases of goods and services from local businesses, and the wages and salaries paid to direct employees create ripple effects that further contributes to Ontario's economic activity in the form of indirect and induced economic effects.

Annual provincial economic contribution of NWC:

- Direct employment of 315 Ontario workers and labour income of \$25.2 million
- Purchases of \$85.2 million worth of goods and services from Ontario businesses
- A total of 1,181 jobs and \$241.1 million in economic activity across the province<sup>1</sup>
- Provincial and local tax revenue of \$8.79 million, of which \$1.00 million is property taxes paid directly by NWC to the local municipalities and \$1.27 million is income tax paid directly by NWC employees residing in Ontario<sup>2</sup>

Annual regional economic contribution of NWC (Wellington/Bruce/Grey/Huron/Perth Counties and the Region of Waterloo):

- Direct employment of 212 workers, who also reside in the region, and labour income of \$15.2 million
- Purchases of \$2.3 million worth of goods and services from businesses in the region
- A total of 266 jobs and \$25.9 million in economic activity across the region<sup>3</sup>
- Provincial and local tax revenue of \$1.98 million, including \$1.00 million in local property taxes and \$0.77 million in income tax paid by NWC employees

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<sup>1</sup> Total economic activity includes direct, indirect and induced economic activities. Direct economic activity includes purchases made by NWC from its vendors and wages/salaries paid by NWC to its employees. Indirect economic activity results from the additional upstream vendor purchases and employment to fulfill NWC's purchases of goods and services. Induced economic activity results from the additional household spending of direct and indirect employees.

<sup>2</sup> A marginal provincial income tax rate of 5.05% is used as a conservative estimate of the average income tax rate of NWC's direct employees.

<sup>3</sup> Because the region is an area within the province, the total regional economic activity is already included in the total provincial economic activity. Therefore, the total economic activity at the two levels cannot be added together. Likewise, the total local economic activity is already included in the total regional and provincial economic activity.

Annual local economic contribution of NWC (Wellington County):

- Direct employment of 102 workers, who also reside in Wellington County, and labour income of \$7.3 million
- Purchases of \$0.8 million worth of goods and services from businesses in the local area
- A total of 115 jobs and \$9.8 million in economic activity across the local area
- Provincial and local tax revenue of \$1.42 million, including \$1.00 million in local property taxes and \$0.37 million in income tax paid by NWC employees

Additionally, NWC contributed \$1.58 million to Stewardship Ontario's Blue Box Program to support recycling efforts in Ontario. NWC also made \$91,846 in financial donations and 31,081 cases of bottled water in product donations (equivalent to \$45,800 in production costs or \$137,401 in retail value) to communities in Ontario to support various corporate social responsibility initiatives.

## OVERVIEW

NWC's Ontario bottling facility is located in Puslinch. To support its operations, the facility employs 315 Ontario residents and purchases \$85.2 million from Ontario businesses on an annual basis.

The objective of this report is to fully explore, identify, and quantify NWC's annual economic and corporate social responsibility contributions to the province of Ontario, the region of Wellington, Bruce, Grey, Huron, Perth Counties and the Region of Waterloo, and the local communities of Wellington County. The intended use of this report is to facilitate transparent economic information that can be used by NWC in communication with local communities and governments. NWC provided detailed operational spending, employment data, tax payments, and corporate donations such that the purchases of goods and services, employment, labour income, taxes, and donations could be accurately allocated to the communities in which they occurred.

## METHODOLOGY

NWC contributes directly to the Ontario economy by employing Ontario residents and purchasing goods and services from Ontario businesses. As a result of this incremental demand of goods and services by NWC, NWC's suppliers need to make their own operating purchases and hire their own labour to support production to fulfill NWC's orders. This process repeats itself further upstream and creates a ripple effect that increases economic activity and employment within the province, region and local communities. This effect diminishes as the spending upstream gradually declines when purchases are made from outside of the region (e.g. imports). This additional economic activity resulting from the NWC's purchases of goods and services from business is known as the indirect multiplier effect. Furthermore, wages/salaries paid to employees of NWC and wages/salaries paid to employees of NWC's suppliers represent additional household income, which leads to more spending activities and supports additional economic activity and employment within the province, region, and local communities. This is known as the induced multiplier effect. Therefore, the economic contribution of NWC can be categorized as follows:

- **Direct effect** – The annual direct employment and direct spending of NWC
- **Indirect effect** – The annual employment and spending generated by NWC's upstream suppliers resulting from NWC's purchase of goods and services
- **Induced effect** – The annual effect on the economy from household spending of those directly or indirectly employed by NWC and its upstream suppliers

To estimate the indirect and induced effect of NWC's ongoing direct economic contribution, indirect and induced multipliers are used. Statistics Canada maintains a database of supply and use tables. This database of supply and use tables provides the basic information for the construction of industry-by-industry input-output tables, which keep track of all purchases of an industry from all other industries. It enables the direct, indirect and induced multipliers to be derived. This report references the multipliers included in the "*National and Provincial Multipliers, 2014*" documentation published on April 3, 2018 by Statistics Canada.<sup>4</sup>

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<sup>4</sup> "National and Provincial Multipliers, 2014", Statistics Canada, <https://www150.statcan.gc.ca/n1/en/catalogue/15F0046X>

Because Statistics Canada only publishes input-output multipliers at the national and provincial levels, multipliers at the regional and local levels are not readily available. To maintain reliability, conservative assumptions have been used to estimate the indirect and induced multipliers at the regional and local levels. More specifically, regional level multipliers were estimated to be 50% of provincial level multipliers, while local level multipliers were estimated to be 20% of provincial level multipliers.

NWC provided detail on its employment (wages/salaries and locations of employees' residences) and purchases of goods and services (supplier names and locations) for 2017 fiscal year. This information forms the basis of the analysis on NWC's economic contribution and enables the analysis to allocate the economic activity to the appropriate geographic level. Research on each individual suppliers' industries were also performed to ensure appropriate industry multipliers were selected to estimate each purchase's indirect and induced effects.<sup>5</sup>

### **Defining the Province, Region, and Local Community**

This report explores the economic contributions of NWC at the provincial level, the regional level, and the local community level. As such, one analysis at each level is performed to quantify the impact at the respective level.

- The provincial level is Ontario, where 315 employees are employed by NWC
- The regional level is defined as Wellington County, Bruce County, Grey County, Huron County, Perth County, and the Regional Municipality of Waterloo, where a total of 212 NWC employees reside
- The local community level consists of Wellington County, where the bottling facility and production well are located. A total of 102 NWC employees resides in the local community

## **NWC ECONOMIC CONTRIBUTION**

NWC directly employs 315 individuals who resides in Ontario and paid \$25.2 million in wages/salaries to these employees during 2017. As part of their ongoing operation, NWC purchased \$85.2 million of goods and services from Ontario businesses. Thus, NWC's direct contribution to the Ontario economy is \$110.4 million.

### **Provincial**

The average multiplier for NWC's provincial economic contribution is 2.18, that is, for every dollar of direct NWC contribution to Ontario's economy, an additional \$1.18 worth of indirect and induced economic activity was generated.

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<sup>5</sup> Each NWC supplier is assigned industry-specific indirect and induced multipliers that correspond to its NAICS – North American Industry Classification System – code. Multiplying the purchase amount made from a particular supplier by the industry-specific multipliers allows the indirect and induced effects to be quantified on a per transaction basis. Transaction-level results are then aggregated to arrive at the annual direct, indirect, and induced effects for NWC.

The total economic contribution of NWC to the province was \$241.1 million in 2017. The total direct, indirect and induced employment from NWC's operation was 1,181 jobs, with a total labour income of \$72.9 million. NWC's operation also generated \$8.79 million in total tax revenue in Ontario, which includes \$1.00 million in property taxes paid directly by NWC, and \$1.27 million in income taxes paid directly by NWC employees residing in Ontario.<sup>6</sup>

Exhibit 1 shows the direct, indirect, induced, and total employment and economic activity.

### Exhibit 1. Provincial Annual Economic Contribution

Contribution Type	Employment	Labour Income (\$ millions)	Economic Activity (\$ millions)
Direct Effect	315	\$25.2	\$110.4
Indirect Effect	627	\$36.5	\$78.4
Induced Effect	239	\$11.3	\$52.3
<b>Total Effect</b>	<b>1,181</b>	<b>\$72.9</b>	<b>\$241.1</b>

### Regional

The average multiplier for NWC's regional economic activity is 1.48, that is, for every dollar of direct NWC contribution to the region's economy, an additional \$0.48 worth of indirect and induced economic activity was generated.

The total economic contribution of NWC to the region was \$25.9 million in 2017. The total direct, indirect and induced employment from NWC's operation was 266 jobs, with a total labour income of \$17.7 million. NWC generated \$1.98 million in provincial and local taxes, which includes \$1.00 million in property taxes paid directly by NWC, and \$0.77 million in income taxes paid directly by NWC employees.

### Exhibit 2. Regional Annual Economic Contribution

Contribution Type	Employment	Labour Income (\$ millions)	Economic Activity (\$ millions)
Direct Effect	212	\$15.2	\$17.5
Indirect Effect	20	\$0.9	\$1.3
Induced Effect	34	\$1.5	\$7.0
<b>Total Effect</b>	<b>266</b>	<b>\$17.7</b>	<b>\$25.9</b>

<sup>6</sup> The remaining amount is attributable to the indirect and induced taxes on goods/production paid by upstream vendors, and additional labour income tax related the indirect and induced employment.

## Local Community

The average multiplier for NWC's local economic activity is 1.21, that is, for every dollar of direct NWC contribution to the local community's economy, an additional \$0.21 worth of indirect and induced economic activity was generated.

The total economic contribution of NWC to the local communities was \$9.8 million in 2017. The total direct, indirect and induced employment from NWC's operation was 115 jobs, with a total labour income of \$7.9 million. NWC generated \$1.42 million in provincial and local taxes, which includes \$1.00 million in property taxes paid directly by NWC, and \$0.37 million in income taxes paid directly by NWC employees.

### Exhibit 3. Local Annual Economic Contribution

Contribution Type	Employment	Labour Income (\$ millions)	Economic Activity (\$ millions)
Direct Effect	102	\$7.3	\$8.1
Indirect Effect	7	\$0.3	\$0.3
Induced Effect	6	\$0.3	\$1.3
<b>Total Effect</b>	<b>115</b>	<b>\$7.9</b>	<b>\$9.8</b>

## CORPORATE SOCIAL RESPONSIBILITY AT NWC

Aside from the economic contribution from its ongoing operations, NWC has also been active in supporting recycling efforts in Ontario and in giving back to the communities through its CSR initiatives. As a resident industry steward, NWC contributed \$1.58 million to *Stewardship Ontario's Blue Box Program* in 2017 to support recovery, collection and recycling initiatives in Ontario.

In 2017, NWC made financial donations of \$91,846 to the communities in Ontario, of which \$56,346 went directly to the regional communities and \$44,483 went directly to the local communities in Wellington County. A portion of the donations went to support the Grand River conservation initiatives at the *Friends of Mill Creek* in Puslinch, Ontario. Donations were also made to the *Guelph General Hospital* in the City of Guelph, and to *Project WET Canada*, an NGO that helps educate children and teachers on issues such as hydration and health, water use, and environmental stewardship.

In addition to financial donations, NWC has contributed a total of 31,081 cases of bottled water (equivalent to \$45,800 in production costs or \$137,401 in retail value) to support meaningful CSR initiatives within the communities in Ontario. A notable mention is the 14,760 cases of bottled water (24 x 500mL Nestlé Pure Life) donated to support *Project Water*, a program that brings clean drinking water and other basic survival necessities to homeless people in the Greater Toronto Area.

## CONCLUSION

NWC's Ontario bottling facility contributes employment, wages, economic output and taxes to Wellington County, Bruce County, Grey County, Huron County, Perth County, and the Regional Municipality of Waterloo, and the rest of Ontario. At the provincial level, NWC's ongoing operations contributes to 1,181 jobs with a total labour income of \$72.9 million, economic activity of \$241.1 million, and provincial and local taxes of \$8.79 million each year. Aside from economic contribution, NWC also made \$1.58 million in contribution to Stewardship Ontario's Blue Box Program to support recycling efforts in Ontario, and \$91,846 in financial donations and 31,081 cases of bottled water in product donations<sup>7</sup> to communities in Ontario to support various corporate social responsibility initiatives.

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<sup>7</sup> Equivalent to \$45,800 in production costs or \$137,401 in retail value

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