



Targets for Economic Development

The department will focus mainly on two targets: strategic industries and strategic projects. These two targets represent the areas in which significant economic growth can be realized, and where government support can generate the greatest return. The department will, of course, work with and support many business partners and clients to enable them to participate in economic growth. Its strategic approach is to focus on those key areas that offer the greatest potential gains to the overall economy.

Strategic Industries

Strategic industries are those that have strategic importance to Yukon's economy and have "imminent potential" to grow and thereby contribute to increases in Yukon's GDP. Industries and sectors proceed through well-defined phases of maturity and cycles of growth. Each phase or cycle generally offers different opportunities and has different needs for growth. The aim is to work with organizations and businesses, both large and small, which make up these strategic industries.

Current Situation:

- Primary industries are the drivers of economic growth. In Yukon, they are export-oriented, that is, they focus mainly on markets outside the territory; most resource industries fall into this category.

- Secondary and tertiary industries or sectors flow mainly, but not exclusively, from primary activity:
 - › Includes service sectors, e.g. food and accommodation, retail
 - › Can represent "value added" to resource extraction – generating local economic impacts
 - › Yukon has strong services, e.g. construction, transportation, retail
- Cultural industries, manufacturing and construction are a hybrid that contain elements of both primary and secondary industries.
- Yukon is traditionally associated with resource industries such as mining, trapping and forestry. Although resource activity is flat at present, Yukon's natural resource base remains a significant asset.
- Tourism is a traditional and strong primary sector of the economy.
- Emerging sectors such as oil and gas and information technology have imminent potential.
- We need to diversify the economy to offset the pronounced cycles of most resource extraction and secure more sustainable, long-term, year-round activity.

- Most industry organizations have development strategies but need help (e.g. resources and coordination with government agencies) to implement them. Many organizations have established technical relationships with allied Yukon government agencies (e.g. in tourism, mining, oil and gas) but would benefit from an added economic focus on their development plans.
- We need to add value to primary industries through expansion of Yukon-based services, processing and manufacturing.
- Work to identify economic growth potential and key success factors within individual industries/sectors
- Assist industry-based organizations and relevant government departments, to implement strategies that aim to grow their sectors, strengthening their competitiveness.
- Encourage export activities within these industries by developing capacities, incentives.

Approach:

Government appreciates that a number of industry organizations are well-organized and have development plans in place but may require assistance to implement the plans. Furthermore, government supports the principle of industry providing leadership in development matters and delivering support services on behalf of their members. Working with other government agencies, the department's role should focus on industry economic (as opposed to technical) factors; support appropriate industry initiatives aimed at economic growth; and help to identify and remove barriers to improving performance.

General Initiatives:

- Promote the development of primary and secondary industries.
- Focus on diversifying the economy by encouraging sustainable and long-term economic activity.



Strategic Projects

Strategic projects are those that hold strategic importance to economic development; that is, they not only have potential to provide an immediate economic stimulus, they also have potential for secondary benefits. These downstream benefits may include purchases of local goods and services, opening up new export markets, or creating an “icon” that will attract further investment. They include public and private sector as well as joint initiatives. They are typically projects with potential for significant economic or regional benefits.

Current Situation:

Yukon currently has several projects in this category that are proceeding, namely Whitehorse Waterfront Development and the 2007 Canada Winter Games. Examples of major project proposals include the Four Mountains Resort proposal by the Carcross Tagish First Nation. Potential strategic projects would include a major tourist attraction or mine.

Approach:

The Yukon government needs to encourage and support such projects, and work to ensure that maximum economic benefits are realized. We can provide a contact and focal point within government that ensures a positive introduction to the territory and a receptive advocate for appropriate development.

General Initiatives:

- Identify strategic opportunities for business projects to benefit Yukon's economy.
- Promote and work with stakeholders and partners to make projects happen.
- Facilitate closure by supporting stakeholders through government policy and approval processes.



Enabling Factors

Economic Infrastructure

This term refers to both the business climate and the physical infrastructure of an area. Business climate includes the relevant regulatory framework and the many intangible factors that make up the business environment. These may include governments' and residents' receptiveness to business development; incentives and disincentives; and prevailing opinions of risk, entrepreneurship and free enterprise.

Physical infrastructure refers to the public installations, services and institutions expected in modern communities. These are tangible assets in such areas as energy, transportation, telecommunications, health, education and recreation. Assessments of infrastructure typically refer to the state and quality of the assets, their capacity, potential for expansion, and relevance to various economic development initiatives.

a) Business Climate

Current Situation:

- Private sector consistently emphasized that the critical factor in creating a positive business climate is the regulatory regime. Most business people feel that the current regime is a significant hurdle for many ventures, including environmental permitting for resource projects.
- Over the past decade, all levels of government (including First Nations through land claims) have created a complex web of regulations and

regulatory procedures. Criticisms include lack of clarity, poor scientific base, no known timelines, poor communications, and a perceived bias towards “doing nothing.”

- This situation has contributed to a slow-down in resource activity, e.g. mining and forestry, despite increased activity in adjacent areas during the same period.
- Regulations themselves are not necessarily the problem. The lack of clarity and the vague timelines around implementation of regulations are “unknown” factors and therefore a risk to investors.
- Yukon government has sufficient capacity and resources to create incentives and disincentives that could help to guide economic growth.
- Industry needs reasonable certainty about government’s role and intentions so that the private sector is free to focus on growth within known parameters.
- Devolution and land claims can foster a climate of investment certainty.

Approach:

The Yukon government recognizes the need to provide clarity and certainty in its regulatory regimes. Devolution provides an opportunity to develop a made-in-Yukon approach that is straightforward, clear and responsive while protecting citizens and the environment. New rules and commitments – such

as those related to land claim settlements and *Yukon Environmental and Socio-Economic Assessment Act* (YESAA)– must of course be taken into account.

General Initiatives:

- Assess the competitiveness of our regulatory regimes against others in Canada and internationally.
- Work to improve our regulatory competitiveness through a transparent regulatory regime with timelines for agency responses.
- Ensure that government sends a consistent and effective message that investment and development are welcome in the Yukon.
- Pursue and support a business environment in which the private sector is encouraged to focus on growth within known parameters.
- Promote a “can do” culture.

b) Physical Infrastructure

Current Situation:

- Physical infrastructure is an essential component of most economic development projects. As the primary provider of infrastructure, the Yukon government recognizes the role that infrastructure plays and considers it an important economic development tool.
- Yukon’s infrastructure is generally current and adequate to support the existing economy as well as a somewhat larger population. Large-scale growth would, however, put immediate pressure on physical infrastructure.
- Stakeholders note that expansion or upgrading may be required to meet new growth needs; for example, we have an energy surplus now but may need additional energy to meet the demands of a new mine or other large projects.
- Current infrastructure issues include:
 - › The Alaska Highway Gas Pipeline status; a pipeline would provide major economic stimulus although certain costs are attached. A clear “green-light” remains elusive;

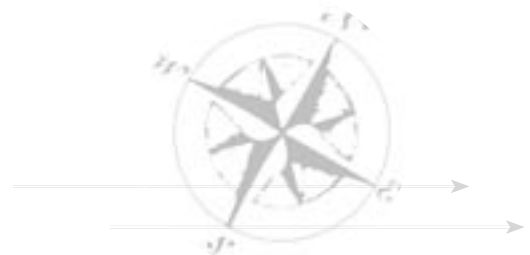
- › The Alaska-Canada Railway will likely be studied; it has potential to increase the viability of resource and other major projects;
 - › The need to increase broadband capacity and make the cost to business competitive with other areas;
 - › Specific infrastructure may be required in support of some major projects.
- Yukon’s high per-capita investment in infrastructure is a competitive advantage as we seek to attract new development and new investment to the territory.

Approach:

Government recognizes the important role that physical infrastructure plays in economic development. Furthermore, we recognize that the Yukon government is a primary custodian of most physical infrastructure in the territory. We have the capability to plan infrastructure in ways that support and even stimulate economic development. Decisions about infrastructure scope and priorities need to take economic factors into account. We need to develop tools to assess our infrastructure capabilities and incorporate economic needs into infrastructure planning.

General Initiatives:

- Assess the territory’s infrastructure and ensure that it expands to meet the needs of economic growth.
- Continue to promote Yukon’s involvement in such prospective infrastructure projects as AK Highway Pipeline and AK-Canada Railway.
- Review the infrastructure needs of major private sector projects, commensurate with the economic significance of those projects.
- Work to increase broadband capacity and advocate to make it affordable for subscribers.



Investment

Investment and capital fuel economic growth. Without capital, even the best business ideas or development concepts can go nowhere. In a small jurisdiction such as Yukon, local sources of capital are quite limited. Outside investment is therefore critical to growth, particularly for major projects.

Current Situation:

- Yukon's set of economic assets and advantages can attract investment. Our good quality of life contributes to this endeavour but is not sufficient in itself to attract investment; a more pro-active approach is needed.
- Access to capital is limited in Yukon. There are no organized venture capital or non-bank finance institutions present; financing sources are limited; business is heavily dependent on local chartered banks and personal investment to finance growth.
- This lack of investment is currently seen as a competitive disadvantage.
- Present programs such as investment tax credits and venture loan guarantees provide some assistance but within quite a narrow scope.
- First Nations face unique financing challenges in such areas as providing security, meeting

insurance requirements, and others. Joint venturing is a promising approach, particularly with First Nations; it needs appropriate, flexible financing arrangements to be effective.

- We need to expand access to capital, attract outside investment, and design programs to meet the current financing needs of industry.
- The vast majority of stakeholders feel that government subsidies (grants or interest-free loans) should not be offered to business; other methods of attracting and channelling investment are preferred.

Approach:

Government's first responsibility in attracting investment is to establish a positive and receptive economic environment. More specifically, government can be pro-active by actively marketing Yukon as a good place to do business; building links with prospective investors and sources of capital; addressing any policy or other barriers to investment; and supporting specific initiatives in the field.

General Initiatives:

- Review all existing programs and activities aimed at attracting investment, to assess their effectiveness in securing local and outside investment, and identify possible program or policy improvements.
- Identify specific strategies to seek outside investment, and methods to improve access to capital on the part of Yukon businesses.
- Encourage and facilitate links between desirable Yukon projects and potential outside investors.
- Advocate solutions for the unique financing challenges faced by First Nations in their economic development ventures.
- Solicit, encourage and facilitate joint ventures through improved communications and support of potential ventures.
- Market the Yukon as a good place to invest through such mechanisms as trade missions, marketing support materials, responding to inquiries, and others.



Export

Real business growth depends heavily on developing new markets for products and services. With its small resident markets, Yukon must look to exports or import substitution to grow its economy.

Current Situation:

- Although more than 30 Yukon firms now export, the scale is relatively small and experience brief. Most firms find that export marketing is far more complex, challenging and expensive than domestic marketing.
- E-commerce makes export markets more accessible, but businesses that market through e-commerce still require market intelligence and must be export-ready. Conversely, e-commerce can also facilitate leakages and encourage importing.
- Yukon has a competitive advantage in several knowledge and service areas, e.g. northern construction, transportation and telecommunications; and First Nation governance

Approach:

Government is in a position to provide such support as representation and communications, and lend credibility to business efforts. Some businesses with competitive products or services face a significant challenge in accessing export markets. Government can provide “incubator” type advice and support, which is particularly valuable in the early stages of identifying likely markets and getting export-ready. The “Yukon brand” has proven to be an advantage in this regard.

General Initiatives:

- Scan market research and trends, and provide ongoing market information assistance to the business community.
- Assist businesses to identify, access and develop export markets, and to substitute local sources for imported products and services.
- Help identify and promote products and services where Yukon firms have or can develop a sustainable competitive advantage.

- Examine the possibility of financially assisting businesses and business partnerships to pursue export markets, and providing counselling and advice.

Marketing and Promotion

Marketing takes many forms in the field of economic development, ranging from broad-based promotion of “the Yukon brand” to individual business marketing activities. It is an important function both to attract investment to the territory (as discussed in Section 5.3) and to access and develop export markets. Industry and government can be effective partners in export marketing.

Current Situation:

- Stakeholders emphasized the need to aggressively market and promote Yukon’s economic advantages to potential investors in the national and international business communities.
- Many stakeholders feel that the former trade and investment fund was valuable in providing marketing and exporting advice and financial help for business.

General Initiatives:

- Develop materials and networks and participate in forums to market the Yukon as an attractive and strategic place to do business and to invest.
- Examine the possibility of establishing a fund to assist individual businesses and organizations to market their products and services.
- Develop and promote the “Yukon Brand”.



Capacity Development

Capacity is the capability of the population to effectively engage in economic activity. It refers to the full range of skills and abilities required to conceive, launch and operate business enterprises, as well as the capabilities of public agencies to enable and support economic growth.

Current Situation:

- Many industries (tourism, cultural industries, information technology sector) have identified needs for skill development. Many of the shortages and needs are similar to the national situation and stem from such factors as an aging labour force and increased demand for skilled workers in some sectors.
- Industry needs development of management skills to make good decisions and to grow and create new businesses. Entrepreneurs often find it takes different skills to manage a business after its start-up phase.
- Business owners frequently would benefit from advice or counselling to expand or diversify, pursue new export markets, arrange financing, and so on.
- Following their land claims settlements, most First Nations, and their development corporations, want to invest their funds and create economic opportunities and ongoing revenue. They face challenges with few regional opportunities and venture financing. Many would like to develop additional administrative and business capacity in order to go forward.

Approach:

We need to enable Yukoners to engage in the economy, whether in a skilled job, a small business or a joint venture. Capacity development demands a cooperative approach. Educational institutions and training programs must be responsive to industry needs. Many sectoral associations are taking a lead role in this area but require support to implement their plans. Individual businesses have to find ways to develop their staff, rather than relying entirely on recruitment or public programs to meet their staffing needs. Government can assist industry's efforts through planning, coordination and implementation support.

General Initiatives:

- Facilitate assessment of skill shortages across all sectors, and assist industry to meet its identified needs for skill development.
- Enhance business management skills.
- Find ways to attract skilled workers and entrepreneurs to the territory.
- Identify ways to offer effective counselling and advice to entrepreneurs and business owners seeking to expand, pursue export markets and arrange financing.
- Through consultation and study, determine ways to remove barriers and meet the specific needs of First Nation development corporations to develop their business and administrative capacity.
- Find mechanisms to share success stories and lessons learned, exchange ideas, and learn from each other. Many participants in the meetings remarked on the value of regularly sharing such information.



Entrepreneurship

Entrepreneurs are the people who conceive and launch new business ventures. Historically, entrepreneurs, from the Klondike Gold Rush to present day, have developed Yukon's economy. This theme is closely aligned with capacity development – the need to build the stock of entrepreneurs and the spirit of entrepreneurship.

Current Situation:

- We need an entrepreneurial culture – an environment in which risk-taking is encouraged and positively acknowledged.
- Many stakeholders say that risk-averse and protectionist attitudes are prevalent in some areas and need to change.
- Yukon produces many talented young people. The vision of many residents includes an economy in which young Yukoners have choices about jobs and careers, and opportunities to start business ventures of their own.
- Youth entrepreneurship has particular needs, typically in the area of learning business fundamentals – the knowledge to plan, harness and market their ideas.

Approach:

Yukoners must continue to develop and support the entrepreneurial spirit that built the territory and encourage a new generation of entrepreneurs to go forward. Government recognizes entrepreneurship as an important factor in developing the Yukon economy. We will work with the private sector and related organizations to promote, encourage and support entrepreneurship.

General Initiatives:

- Promote an environment in which business risk-taking is supported and acknowledged.
- Find ways to attract entrepreneurs to the territory.
- Identify ways to encourage and support entrepreneurship in appropriate ways, with a particular emphasis on young entrepreneurs.



Innovation

Innovation is about making or doing things better – more effectively, for less cost, to produce greater benefits to more people. It is not restricted to the economic field, of course, but it can increase the productivity and capacity of business and enhance its competitiveness. Innovation is part of Canada's strategy to become more competitive.

Current Situation:

- Innovation holds potential to enhance competitive advantages for Yukon business. There are numerous examples of innovation in Yukon industries and businesses.
- A Canada-wide priority is to encourage innovation in all sectors.
- The Yukon Innovation Action Plan (www.yukoninnovation.ca) focuses on innovation as a method of enhancing economic activity. The Yukon government has endorsed and participates in this plan, with the department of Economic Development as the lead agency. We need to ensure that this plan proceeds.

Approach and Initiatives:

- The Yukon government will encourage innovation in all sectors of the economy.
- Seek out opportunities to promote and incorporate innovation in all economic development initiatives.