

DRAFT

YUKON DEVELOPMENT STRATEGY

MANUFACTURING

Y U K O N - 2 0 0 0

Building the Future

Manufacturing Strategy

A Progress Report ■ April, 1987

The manufacturing industry includes businesses that produce goods such as furniture, clothes and jewelry. This is not a large sector of the Yukon economy compared to our resource based industries. In 1985 there were 61 manufacturing businesses employing 209 people. The products were sold locally, to tourists, and to places in Alaska and southern Canada.

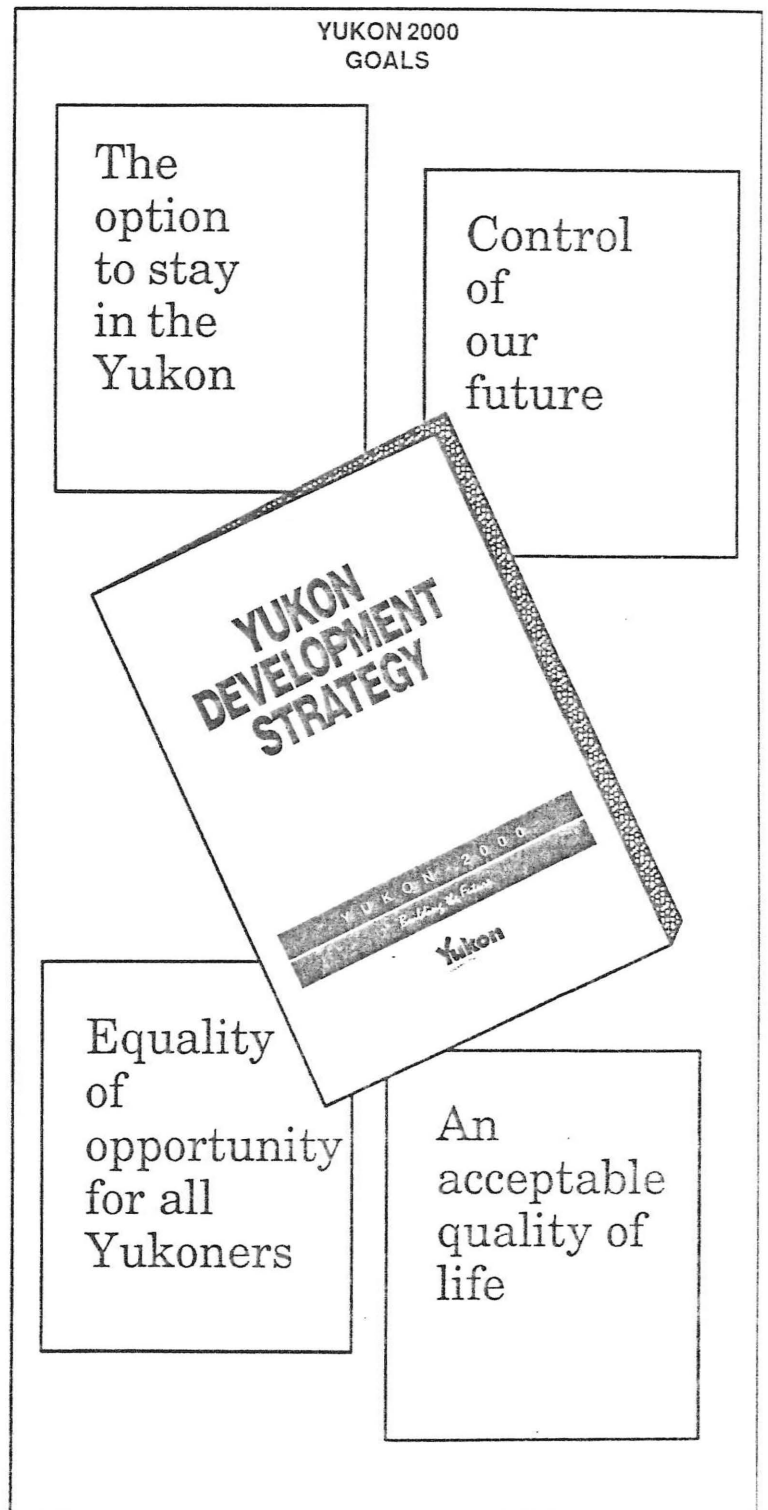
Directions

1. Encourage the selective development of the manufacturing industry.

The development of a Yukon based manufacturing industry is constrained by expensive input costs, distances from major markets and world manufacturing trends. For this reason, self supporting Yukon manufacturing opportunities will likely be limited to two areas. The first is the production of uniquely Yukon items and specialty goods. Two examples are Yukon parkas and gold jewelry. The second area of opportunity is import substitution which substitutes Yukon based activity for goods imported from outside the territory.

2. Conduct research on the manufacturing industry.

- Provide financial assistance in market and feasibility evaluations for manufacturing specialty items and selected import substitution items.
- Assist manufacturers to keep informed of advances in production techniques and marketing within their field.



The relative isolation and small size of Yukon manufacturing businesses makes it difficult for them to keep informed.

3. Encourage the greater use of locally manufactured products by government and business in the Yukon.

Government, as one of the largest buyers in the Yukon, can do much to provide a stable market for local manufacturers through its own procurement policies and by encouraging private businesses to buy locally made products.

4. Encourage greater use of Yukon resources in manufacturing.

This would include the increased use of Yukon materials and local labour. Training assistance should be provided to encourage the use of local labour.



Constraints

- * shortage of trained competent labour
- * limited business experience
- * limited access to working capital and inventory financing, particularly in rural areas
- * limited market size
- * lack of an industry organization.



Options

1. Provide more flexible and industry specific training programs for manufacturing.

This would assist in tailoring training to meet the needs of the different manufacturing industries. The opportunity for using regular training programs for the manufacturing industry is restricted by the diversity of the industry and small size of Yukon manufacturing firms. Many manufacturers train their employees on the job.

Training is currently provided through the apprenticeship program and industry specific courses. The Department of Education's

Training Strategy has proposed several approaches to improve training in the territory. These proposals include an increase in on-the-job training programs, as well as thorough reviews of the needs of industry. The Trades and Technical Trades Survey and the Joint Apprenticeship Study are intended to ensure that the needs of industry are met in the development of training programs. The majority of the apprenticeship programs are currently in the building trades area.

The establishment of a manufacturing "Training Institute" similar to those outlined in the Training Strategy is not appropriate given the diversity of needs and skills in the industry.

One option would be to provide for the needs of individual manufacturers by alerting the manufacturers to the "staffing consultative service" provided by the Department of Education. This service will assist a business operator to identify present and future training needs. It will direct the operator to the programs which best match these needs. It also assists in the monitoring of training needs to ensure existing programs remain relevant.

2. Improve the quality and availability of entrepreneurial training.

This option is intended to assist manufacturers to be more efficient and cost effective. Many manufacturers have had limited opportunity to develop basic business skills. A variety of options for business training exist.

Yukon College presently offers business administration courses. A mobile version of these programs has been developed for the communities and will be available in the fall. This will assist rural business operators who have neither the time nor the resources to attend courses in Whitehorse.

The Federal Business Development Bank (FBDB) holds three seminars a month in Whitehorse on various business topics. Periodically, the FBDB runs its seminars in Watson Lake and Dawson. Courses on specific business topics are also offered by the FBDB on request.

The Business Development Office will respond to requests for help with specific business problems. Finally, the Canadian Employment and Immigration Commission will sponsor an individual to attend a training course. Better communication of these programs to businesses may be required.

3. Improve cash flow by providing progress payments drawn against contracts.

This option would improve the accessibility of working capital for goods manufactured under contract to government and could reduce the amount of money which manufacturers have to borrow to cover their expenses. In most places, once a contract is awarded the contractor is able to receive interim financing from a bank. In the Yukon, many manufacturers, being small and in their infancy, are heavily dependent on debt. Actions which help to keep the debt load down will help the industry.

One method of implementing this option would have Government Services provide a payment at the time of order to pay for materials needed by a contractor to manufacture an item. Government Services has on occasion provided payments at the outset of the contract to cover the cost of supplies purchased by the contractor.

Payments to contractors are governed by the Financial Administration Act which does not allow for progress payments. Amendments of the act would be required to permit these payments to be made.

4. Promote government financial assistance programs.

This would assist Yukon manufacturers to take advantage of government financial assistance programs. A new venture capital program, an expanded loan assistance program with more flexible guidelines and a small business incentive program for manufacturers and processors were announced in the fall capital budget. The intent of these programs, which will be implemented this year, is to assist businesses in establishing working and inventory capital.

A problem with many existing programs is that they are not well understood by potential clients. This can reduce their effectiveness. The implementation procedures for the loan assistance and the small business incentive programs should include a promotional campaign.

5. Provide proper evaluation of business assistance programs.

Through this option, the effectiveness of

the programs could be tracked and changes made where required.

Few existing government programs are regularly evaluated. Programs should be evaluated to assess their effectiveness in meeting their objectives. Evaluations could be conducted in conjunction with the financial audit required by government-financed programs. Extensive evaluations would be very costly to introduce.

6. Support development of export markets for selected Yukon manufacturers.

The biggest constraint facing Yukon manufacturers is the limited size of the local market. Exporting as well as servicing the tourist market provides opportunities for some manufacturers to grow. Several manufacturers, especially those involved in manufacturing unique specialty products, have demonstrated the potential for export earnings.

Current Yukon government programs provide assistance to attend trade shows. More specific and coordinated government action is pending the completion this summer of an Export and Investment Strategy. This study is intended to provide direction to government on how best to support export businesses.

7. Provide marketing assistance to manufacturers.

This option would assist the businesses within the industry in marketing their products. The development of marketing assistance is affected by several other government policy actions, such as the export strategy, local purchase policy, and by the direction taken by other related industries. For example, the type of forestry industry which is developed in the Yukon will affect the furniture manufacturing industry.

8. Encourage the development of a Yukon manufacturing industry.

Government encouragement of greater import substitution has a direct and positive impact on Yukon's manufacturers. The Yukon government's efforts to date in this area have focussed on the furniture industry.

The inclusion of both government and private sectors in the discussions on locally manufactured goods would encourage the growth of the manufacturing industry.

9. Encourage the development of an industry organization.

This would assist industry in exchanging information and ideas.

The option of forming a chapter of the Canadian Manufacturers Association (C.M.A.) was proposed at the import substitution workshop. The C.M.A. is comprised of provincial chapters with Vancouver being the closest office to the Yukon. The minimum fee to join the C.M.A. is \$340.00 for firms with

less than ten employees and annual sales of less than \$250,000 dollars. Members receive information and support for export and for lobbying government.

The Business Development Office can provide core funding for economic development organizations. Under the policy an organization may apply for a grant of \$5,000 and matching revenue contribution up to \$15,000 dollars (the BDO will match the organization's contribution).