

SECTORAL  
REPORT

# YUKON DEVELOPMENT STRATEGY

## MANUFACTURING

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*Building the Future*

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**MANUFACTURING WORKSHOP**

**YUKON 2000**

Constraints and options were discussed as presented in the background paper. From the manufacturers present, the following represents their comments on those constraints and some of the options available to counteract those constraints.

Constraint:

Some constraints with the existing system in obtaining financing for capital acquisition were noted, but by far the majority of concern was expressed with working capital and inventory financing. It was noted the established banking community is very reluctant to give new establishing manufacturers the lines of credit needed for them to fully exploit their markets.

Options:

Two options were presented to solve this problem:

- 1) the Government in conjunction with the banking community, should by a guarantees program, reduce the banks perceived risks with extending credit for working capital and/or inventory. A caution was expressed that in so doing the Government should not absolve the banks totally of risk or responsibility in these matters; and
- 2) a second option addressed only a portion of the problem. It was recommended that when the Government orders manufactured goods locally, a means of progress or partial payment be established. These draws against the initial contract could be timed to events such as on site arrival of material and through a modified YTG loans program. The draws or advances could be secured by a pre-arranged line of credit.

Constraint:

Although none of the manufacturers present represented rurally based companies with resultant limited access to capital, it was the consensus that this was a constraint to rurally based manufacturing facilities.

Option:

Again, the Government could expand its activities to reduce banker risk by loan guarantees, or by direct loans become the "rural banker".

Constraint:

The size of the Yukon market was recognized as a significant constraint.

Options:

Options to overcome this constraint were limited, and are as follows:

- 1) a product identification, labelling and promotion campaign for "made in Yukon" products was recommended. This program would educate the Yukon public to buy locally and indicate what the resultant benefits of that would be. The program would require that products be identified and certified as being made locally, that their quality be assured and consistent, and the product be identified by an appropriate label.

With products identified as sustained and a high quality advertising campaign would be aimed at the Yukon public. It was noted that this campaign would be an extension of the Government's own local purchase policy. A full cost accounting of the benefits of local purchase should be done and presented through the campaign;

- 2) a second option was to create new sales and markets by export. The products that would succeed on the export market would in all probability be ones with a strong identification with Yukon's traditions (native and non native). A promotional and dealer support campaign should be launched to support and to bolster export sales; and

- 3) a final option to stimulate manufacturing and possibly expand export sales was to reduce, if not eliminate, manufacturers taxes. As the Federal Government has recently recognized the high costs of living in the north with a "northern living allowance", so too could the "high cost of manufacturing" be recognized. Should the Federal Government be responsive to their initiative, the Territorial Government could investigate tax refund and rebate schemes.

Constraint:

The lack of trained competent labour to function as part of the manufacturing process was noted.

Option:

It was recommended that the apprenticeship programs should be improved, expanded and tied more closely to the manufacturers needs.

Constraints:

The cost of transportation and energy were both viewed as constraints. In the case of transportation it was viewed as a double edged sword as cheaper rates would decrease southern manufacturers landed in Yukon costs, as well as decrease manufacturing import costs.

Options:

To overcome high transport costs for imports, manufacturers should band together and seek volume discounts from the existing transport companies.

To overcome high energy costs, better insulation and sealing of building should be undertaken. The existing YTG SEAL Program can assist here. Additionally, alternate energy sources should be considered, the Yukon Energy Alternatives Program may be of assistance here.

Constraints:

Although it was recognized that the YTG has made significant steps toward local purchase of manufactured goods, it was felt that existing practices constrained expansion of the industry.

Options:

To overcome this constraint, the following was recommended:

- 1) tenders for manufactured goods be advertised locally only, if no bids are received then outside tenders could be placed;
- 2) that specifiers, designer architects and engineers chosen to design and specify local building and their contents only be chosen from those firms with an intimate knowledge of what can be manufactured locally, with the stated goal to maximize local content; and
- 3) the Federal Government should be encouraged to purchase locally manufactured goods, or specify products where local manufacturers could have a competitive edge.

It was noted that if a true accounting were taken of the Government; purchase of locally manufactured goods with income tax, business property tax, and all other taxes netted back, the real cost to Government would approach 1/2 the sale costs.

Aside from addressing constraints and options, other suggestions came forward that if implemented would improve the manufacturing base:

- 1) the YTG Business Loans Program should not have a minimum loan size;
- 2) a listing of potential manufactured products should be compiled and distributed (the Import Substitution Study provided some of these commodities); and
- 3) areas of equivalent size and isolation in Canada and throughout the world should be reviewed to examine their manufacturing base and see if any opportunities exist that have not been capitalized on.