



PRESS RELEASE

6 March 2023

Joint Review **on the Government of Yukon's** **2023-24 Budget**

The Yukon Chamber of Commerce (YCC), along with the Yukon First Nations Chamber of Commerce (YFNCC), the Whitehorse Chamber of Commerce (WCC), Tourism Industry Association Yukon (TIAY), and the Yukon Chamber of Mines (YCM) have jointly reviewed the \$1.94 billion budget tabled in the Yukon Legislative Assembly on March 2nd, 2023. The budget provides for \$1.454 billion in Operations and Maintenance (O&M) spending and \$484 million in Capital investment. O&M spending is up by 2.5% from 2022-23 main estimates, and Capital spending has decreased by 13%. Based on this new budget, the signatories remain concerned about increasing costs to businesses in this economic climate. There is also concern around the continued growth of the Net Financial Debt, which, in this new budget, is forecast to increase until 2026.

With several current challenges to private industry in a post-pandemic era, the increase in the Net Financial Debt is of significant concern. According to the second iteration of the 2022-23 supplementary budget, at end of year, the debt is currently \$298.5 million and is planned to rise to \$453 million in 2024-25. This burden may be a challenge for future generations to repay.

With major drivers of capital spending in 2023-24 including health care, housing and education infrastructure, there are questions around how the expanding of these social programs will continue to increase the costs borne by businesses in an already fragile recovery period. The new budget provides for ongoing major investment towards social supports such as *Putting People First*, a territorial dental plan, and nearly \$12.2 million towards a Mental Health Unit. Other 2023-24 spending will go towards initiatives to mitigate inflation, which is forecast to decrease the CPI to 3.8% in 2023-24, down from 6.8% in 2022-23.

We appreciate the government's focus on fiscal responsibility, as the budget reduces overall spending and shifts more towards O&M and out of Capital, but acknowledge that the large capital infrastructure pieces create risk. It would be wise to create more timely engagement with the private sector to

ensure the impacts of key infrastructural projects such as bridge maintenance and road work are fully understood so that there can be private sector planning for both the tourism sector and broader industry supply chain.

While GDP growth trends are forecast to increase by 5.4% in 2023 and unemployment is forecasted at 5.0% (with the relatively low level mainly due to construction and mining operations remaining strong), many sectors of the economy, including tourism, and some retail businesses continue to be vulnerable. As tourism is one of the largest sectors in the Yukon, we are concerned that there is a lack of continued support in the labour strategy to ensure meaningful growth. It has been also noted that while immigration has been discussed in terms of mitigating the labour shortage, the budget does not indicate any focus in this area. Based on this, we may continue to see the impacts of the labor market shortage impacting local businesses, as well as cost of goods, both issues which are exacerbated in our rural Yukon communities.

Another concern as we look at the broader Canadian economy, is that a recession has been considered but, when looking at the Government of Yukon's budget, no supports have been identified to reflect this. A national recession could impact northern businesses (in conjunction with the infrastructure work), creating potential challenges in the local economy. For mitigation of some of these challenges it is integral that the budget demonstrates contingencies in these areas. In the case of tourism for example, the Tourism and Culture budget has been reduced annually, however, as we look to a possible recession, an increase would be appropriate to better market and attract tourism to the north.

With the 2023-24 budget allocating over \$484 million to Capital projects throughout the Territory, which is a decrease of 13% from the \$546.5 million in last year's budget, building and maintaining the capacity to perform the planned \$484 million worth of work in 2023-24 will be challenging. If Yukon contractors are not able to respond to these fluctuations in capital spending due to labor shortages, it may result in more contractors coming in from outside the Territory, while Yukoners work to engage a larger, more sustainable labour force.

From a YFNCC perspective, a long-term solution to support Yukon's labour market issues and rural communities would be to increase educational investments into Yukon First Nation and rural community youth, building a local capacity across all sectors. Across the tourism, retail and mining sectors, many operators and employers in our communities will need support in order to continue to employ Yukoners and stay in business. A collaborative approach between the signatories, provided recommendations to address the labour shortages in the tourism sector, however, these recommendations can also be applied to the Yukon's private sector. Looking ahead, we are seeking acknowledgement from the government to ensure our community economies remain viable.

The size of the public sector continues to create challenges for Yukon's business community, as Yukon and the wider private sector economy face the largest labour shortage in over 50 years. In looking at

creating a sustainable economy within the private sector, further attention needs to be given to the recruitment of labour, and how government will ensure support of private sector employment rather than creating competition in terms of recruitment and retention. While an increase in government employees may stimulate some additional economic activity, increasing public sector ranks also has a significant downside. It limits the labour market available for the private sector, drives up the cost for private-sector employees and often creates expectations that the private sector cannot meet, as we've seen occurring over the past several years.

For the Government of Yukon's 2023-24 fiscal year, the decrease in operational expenditures in both Economic Development and Energy Mines and Resources stands in contrast to Government initiatives like the Critical Minerals strategy. In review of this, our concern is that this will impact the operational capacity to funding community projects and in permitting exploration and mineral projects that are already facing longer than legislated timelines.

With an increasing demand for critical minerals that is projected to increase mining activity in Yukon and across the north, the demand for a sustainable and secure energy supply is paramount. The Five-Year Capital Plan projects a \$64-\$85 million investment over five years for the Green Infrastructure program. Investments into energy infrastructure is an opportunity for Yukon First Nations to partner with Government and to develop an investment strategy for green energy infrastructure.

We are encouraged to see a commitment towards advancing work on a power grid interconnection with British Columbia, and further encourage government to allocate the funds necessary to expedite this work. In order to meet the goals of the Our Clean Future strategy, and to support a healthy and sustainable mining industry, it is critical that additional clean energy be made available to the Yukon electric grid. We strongly believe a connection with the BC electrical grid is the only way of meeting these goals and positioning Yukon for success in Canada's green economic transition.

This budget may be a challenge to implement, and, if the coming year aligns with the forecast, it will likely create a Net Financial Debt of over \$528 million by 2025-26. While there are some positive steps in addressing concerns around energy supply, other factors such as support for rural and First Nations communities, and labour market shortages will continue to create challenging economic conditions for the private sector. Due to the incredibly tight labour market, is unlikely that unemployment rates will reach 5% over the coming year, specifically in our current climate, unless government is able to support more favorable conditions for new businesses to enter the market. Overall, it is essential that government ensures support and allows adequate recommendations from the private sector to ensure growth and economic sustainability.

For Information or comment, please reach out to signatories listed.



Shayna Hammer
Executive Director
Yukon Chamber of Commerce

Albert Drapeau
Executive Director
Yukon First Nations Chamber of Commerce

Dylan Soo
Executive Director
Tourism Industry Association Yukon

Andrei Samson
Executive Director
Whitehorse Chamber of Commerce

Brianne Warner
Executive Director
Yukon Chamber of Mines