



2010 Final Report

Recommendations for Economic Growth

Report to
Canadian Northern Economic Development
Agency (CanNor)

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Whitehorse Chamber of Commerce

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TABLE OF CONTENTS

RESTRICTIONS NOTICE	2
BACKGROUND	5
PURPOSE	5
THE STUDY METHODOLOGY	5
CONCEPTUAL CONCEPTS	8
GLOBALIZATION	8
ANALYSIS APPROACH.....	8
CANADA IN THE GLOBAL ENVIRONMENT	9
CANADA’S BALANCE OF TRADE EXPORTS.....	10
UNITED STATES ECONOMY	11
CHANGES IN CANADA’S CURRENCY	12
COMPETITIVE PRICE INDEX	14
GLOBAL LABOR COST COMPARISONS.....	15
INTERNATIONAL MONETARY FUND WORLD ECONOMIC OUTLOOK PROJECTIONS	16
CONCLUSIONS FROM CANADA IN THE GLOBAL ENVIRONMENT	16
YUKON BIG PICTURE	19
YUKON MINING INDUSTRY	20
INDUSTRY OBSTACLES	21
2010 PARTNERING FOR SUCCESS MINING INDUSTRY DISCUSSION POINTS.....	22
<i>Energy</i>	22
<i>Human Resources</i>	22
<i>Planning and Regulation Certainty</i>	23
<i>Partnering for Success</i>	24
<i>Transportation</i>	25
<i>Reduce Leakages</i>	25
PRIORITY TWO.....	25
YUKON TOURISM INDUSTRY	27
2010 PARTNERING FOR SUCCESS TOURISM INDUSTRY DISCUSSION POINTS.....	29
<i>Long Term Funding to Support Product & Infrastructure Development</i>	29
<i>Develop Set of Economic Goals & Measurements & Report on Them Annually</i>	29
<i>Collaboration Between Industry & Government</i>	29
<i>Yukon Business Development Program</i>	30
<i>Long Term Marketing Plan & Consistent Levels of Multi-Year Funding</i>	30
<i>Develop Tourism Investment Strategies to Optimize Short Term Economic Benefits</i>	30
<i>Certainty to Land Tenure</i>	31
<i>Create Longer Term Marketing Brand</i>	31
KNOWLEDGE SECTOR	33
2010 PARTNERING FOR SUCCESS KNOWLEDGE SECTOR DISCUSSION POINTS	34
<i>Grow the Information Technology Sector</i>	34
<i>Yukon Business Development Program (YBDP)</i>	34
<i>Education</i>	35
RETAIL AND SERVICES SECTOR	36
2010 PARTNERING FOR SUCCESS RETAIL AND SERVICES SECTOR DISCUSSION POINTS.....	36

<i>Housing</i>	36
<i>Branding Whitehorse</i>	38
<i>Attracting Young People</i>	38
<i>Affordable Locations for Businesses</i>	40
<i>Customer Service/Attitude</i>	40
<i>Support Using and Developing Internet & Broadband Service</i>	40
<i>Riverfront Development</i>	40
HOUSING PRICES	41
<i>Solutions to Housing Problem</i>	43
LOW COST ENERGY.....	45
RECOMMENDATION FOR MANAGING COSTS.....	46
REFERENCES	48

BACKGROUND

Purpose

The purpose of this report was to outline business issues and business opportunities identified as of March 2010 by the Whitehorse Chamber of Commerce Partnering for Success Program. The long-term goal of the report is to provide stakeholders, i.e. business community, governments and First Nation governments with information that will assist all parties moving strategically forward toward viable growth and development of Yukon's private sector. Specific deliverables for this report as identified by the study funding sources were as follows:

1. Study and analyze the input Partnering for Success has gathered during the past year and a half and all of the documents collected from a variety of sources to draw out from all of the reports the business communities views on what is needed to stimulate and develop our economy.
2. Identify in the analysis problems and barriers to economic development highlighting specific concerns and potential solutions raised by the business community as well as unrecognized opportunities.
3. Prioritize issues and opportunities raised as well as identifying the impact they will have on the economy.
4. Create precise recommendations supported by the analysis and a detailed explanation of the impact of each of the recommendations and create a framework that will allow the development of the final plan.
5. Seek input from the Steering Committee and keep them up-to-date as the framework is developed.
6. Consult with some stakeholders outside the business community.

The Study Methodology

Per the requirements of the scope of work for this report, consultants were hired to review all data captured to date through Partnering for Success. The data reviewed was captured over a two-year period through focus groups discussions. Focus groups were identified through industry associations already existing in Whitehorse. First Nation development corporations were also interviewed as a collective group.

A committee consisting of industry leaders, education leaders, and government leaders was formed to provide Partnering for Success with the ability to proactively solve issues threatening growth of the business community. The concept of Partnering for Success was to provide a streamlined platform for local and regional leaders to work together in making the Yukon's business community stronger. This same committee was used for the oversight of the development of this report.

The report used both qualitative and quantitative analysis. Qualitative research is defined as the collection of data, and the data is not analyzed with mathematical analysis. Quantitative research is defined as employing mathematical models, theories, and/or

hypotheses to understand phenomena. Measurement in qualitative analysis is central as it provides the fundamental connection between relationships in the data (Creswell, 2008).

The qualitative data for this report was collected through individual interviewing, and focus groups. Following Yin's (2008) qualitative research design, broad questions were asked of the participants that allowed respondents to answer in their own words. This method for the qualitative research allowed the consultants to qualify their understanding during the research process through further probing questions. Analysis of the qualitative data looked for multiple occurrences between the different focus groups, which were then grouped into themes.

Analysis of the data revealed that many of the issues identified in the previous years had been resolved. With the availability of funding in early 2010, additional interviews with previous year's stakeholders were established from December to March of 2010. These additional interviews captured any changes or additional items identified in the current business environment not captured in previous year's data collection sessions.

Per the direction of Yukon Government's oversight committee member, a requirement was placed in this project's scope of work to have the consultants meet with stakeholders outside of the business community. Interviews were conducted with Yukon Tourism, Yukon Economic Development, Yukon Energy Mines and Resources, and Yukon Highway and Public Works. One interview also occurred with the City of Whitehorse Mayor, City Manager, and Economic Development Officer. Interviews also occurred with Yukon News, and the Association Franco-Yukonaise.

The Whitehorse Chamber solicited for interviews for both Kwanlin Dün First Nation and Ta'an Kwäch'än Council. Due to end of fiscal year responsibilities, neither First Nation government was available for an interview. Kwanlin Dün First Nation, Ta'an Kwäch'än Council, and Carcross Tagish First Nation development corporations were involved in the qualitative focus groups and final review of the report.

Prior to the Summit, the results of the qualitative data collection were put into themes using a Strength, Weakness, Opportunity, and Threat (SWOT) format. The SWOT format was chosen for the Summit work groups based on the summit participants familiarity with this data sorting methodology. Data gathered during the qualitative research was validated during the 2010 Partnering for Success Economic Summit work group sessions. The data was discussed in the focus groups, and participants determined final recommendations.

Participants at the Summit were separated into their industry focus groups. Using feedback from Yukon Government Economic Development Department from the previous year's summit, moderators were used for the focus groups. Past experience from the previous Economic Summit identified a problem of participant's recommendations not being financially viable for implementation. The 2010 Summit moderators ensured recommendations discussed by the groups were realistic and achievable for implementation per concurrence by the group.

In identifying the impact recommendations would have on the economy as defined by the scope of work deliverable, quantitative analysis was used where applicable. Quantitative analysis was also used in the report on data analysis on the current economic environment for identified industries, and economies of Canada, Yukon and the City of Whitehorse. Data for quantitative analysis was obtained from Statistics Canada and Yukon Bureau of Statistics, and the World Bank.

CONCEPTUAL CONCEPTS

When researching the Yukon's economic environment, remoteness of location, small population density, and landlocked location have historically impacted economic growth. With the advancements of communication technology, the improvements to the Whitehorse International Airport for international flights, and the potential opening of the arctic passage, many past barriers for growth of commerce are being mitigated. Advancements and investment in technology and changes in the global environment are making the world smaller, potentially providing greater economic opportunities for Yukon and Canada's North.

Globalization

Protectionism is defined in this report as the advocacy, system, or theory of protecting domestic producers by impeding or limiting, as by tariffs or quotas, the importation of foreign goods and services. Historically, through protectionism the producer is protected, but consumers are usually negatively impacted. Higher product prices, fewer product features, or limited product selection are traditionally the negative impact for consumers.

In times of global growth, globalization and optimizing the use of resources has been a trade policy for national economic development. Globalization is defined in this report as the freedom of each producer to specialize in a product or service where he or she has a natural advantage. Through globalization consumer's wealth increases as consumers have greater access to products or services and can often purchase more products or services and at cheaper prices.

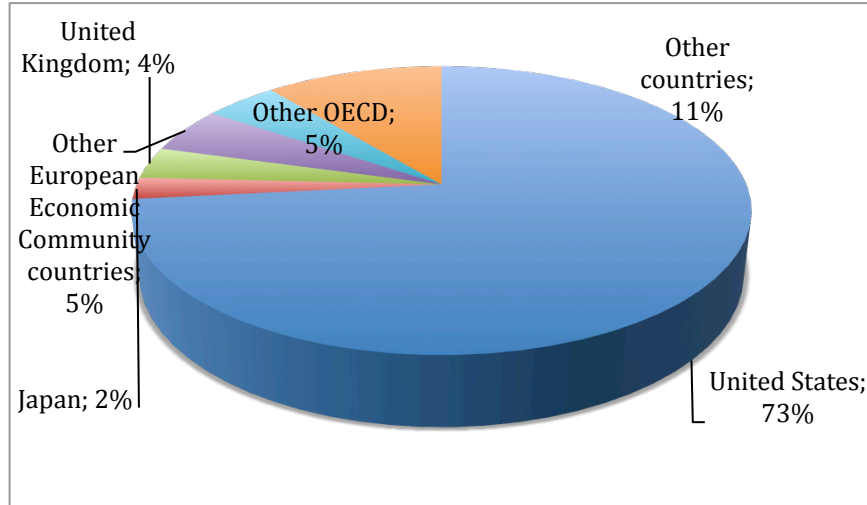
A successful example of globalization for Whitehorse consumers is the ability to purchase bananas from South America during the month of December for 89 cents a pound. Without globalization, Whitehorse consumers would not be able to have the abundance and affordable product selection, which increases their standard of living. In the case of Whitehorse, climate makes it extremely difficult to grow bananas, but through globalization Whitehorse is now exposed to products previously not available without globalization. From globalization the residents of Whitehorse have an increased standard of living, and also increased the standard of living of other global producers.

Analysis Approach

In the analysis problems and barriers to economic development, this document will analyze information from a global perspective, not a protectionist perspective. In areas where the report is required to provide recommendations based on the analysis, recommendations will also be influenced from a global perspective.

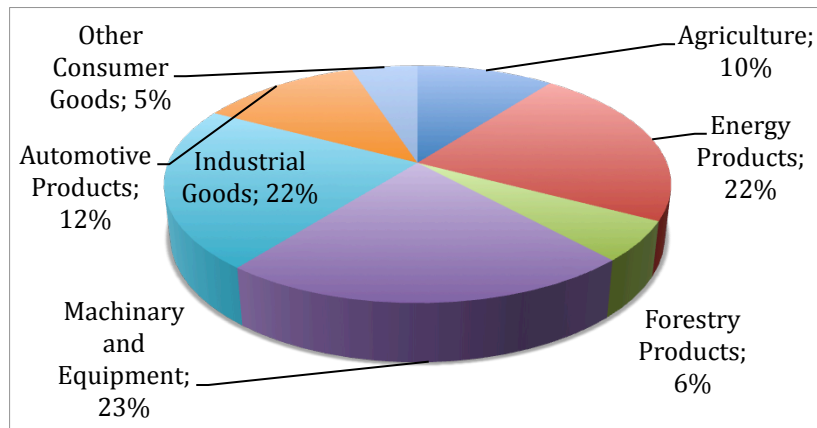
CANADA IN THE GLOBAL ENVIRONMENT

According to Canada Statistics (2009), Canada’s global exports have decreased since 2008 coinciding with the global recession. This decline is not unexpected since Canada’s largest trading partner, the United States is having significant economic problems. For year 2009, the United States was once again Canada’s primary trading partner purchasing 73% of Canada’s exports. Graph 1 presents a visual picture of Canada’s continued reliance on the United States as a trading partner. In Graph 1, People’s Republic of China is classified by Statistics Canada under other countries.



Graph 1: Canada’s 2009 Exports by Country

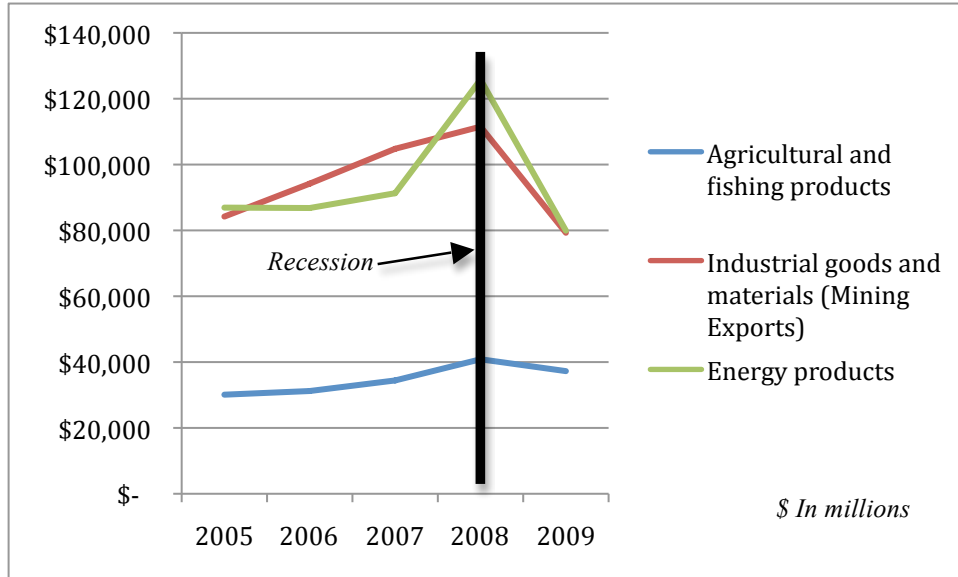
Graph 2 provides a visual presentation of Canada’s exports. Within Graph 2, Statistics Canada defines energy products consisting of petroleum oil, and natural gas; industrial goods are defined as metal alloys, metal ores, and chemicals, plastics and fertilizers. Canada’s forestry products are defined as lumber, wood pulp, and paper. Aside from wheat the majority of Canada’s agriculture products are defined as fish products and other. Canada’s natural resource commodities, energy, industrial goods, and agricultural goods totaled 54% of the nation’s 2009 exports.



Graph 2: Canada’s 2009 Exports

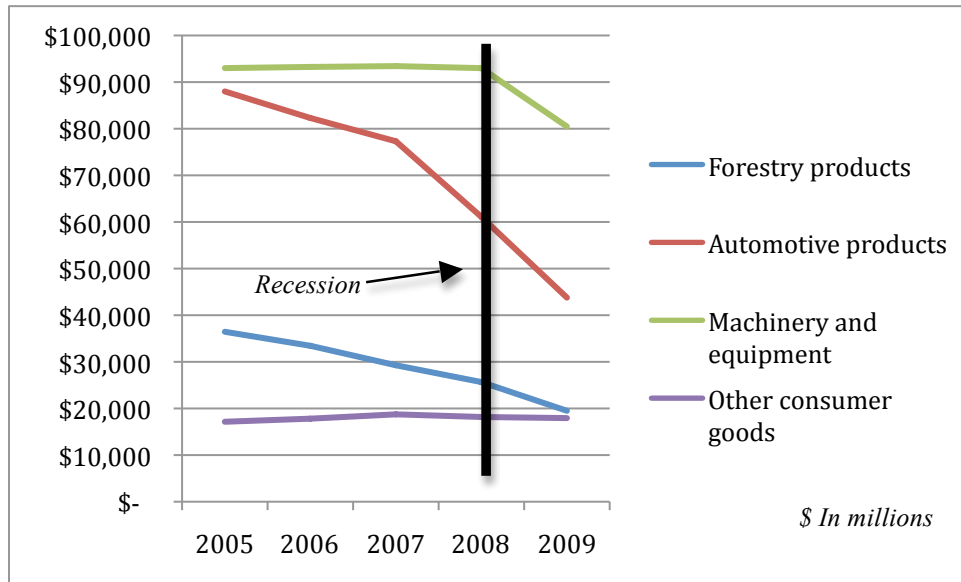
Canada's Balance of Trade Exports

According to Statistics Canada (2009b), the nation has experienced growing demand for its commodity products prior to the start of the global recession in 2008. (See Graph 3) Commodity products are defined as food, grains, and metals and are interchangeable with another product of the same type.



Graph 3: Canada's Commodity Exports

Graph 4 compiled from Statistics Canada (2009b) displays the decline or stagnation of Canada's finished goods since 2005. Finished goods are defined as completely manufactured products, which are ready for sale and delivery to the market place.



Graph 4: Canada's Finished Goods Exports

United States Economy

For 2008, the International Monetary Fund (IMF, 2009) reported Canada's total Gross Domestic Product (GDP) at \$1.304 trillion dollars. According to Statistics Canada (2008), historically Canada's exports represent 34% of the nations economy. As Table 1 shows from 34% Canada exports for 2008 the United States purchased \$330 billion dollars in Canada's goods and services (Statistics Canada, 2009).

Canada's 2008 GDP	\$1,304,000,000,000
Canada's Exports are 34% of Economy	\$440,100,000,000
Canada's Exports to USA	\$330,075,000,000

Table 1: United States Impact on Canada's Economy

As Canada primary trading partner, the United States is currently significant to Canada's economy. In 2009, between January and August, Canada saw a 30% reduction in exports to the United States (Statistics Canada, 2009).

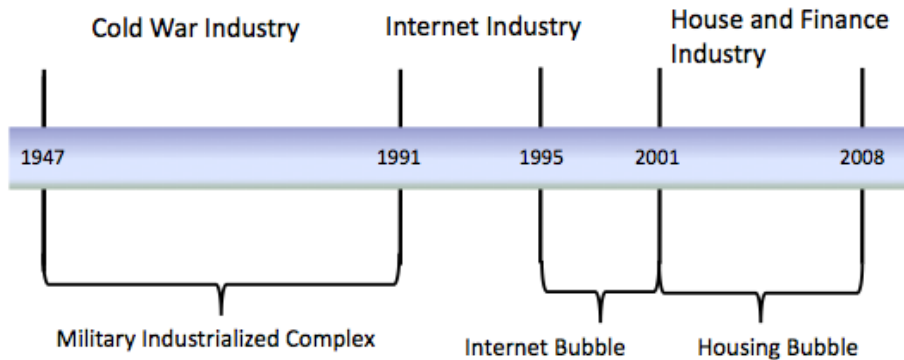


Figure 1: United States Economy Timeline

As Figure 1 displays, since World War II the United States economy has had at least one industry as an economic driver. The most current economic driver was the housing and finance industry, which ended in 2008. At its peak, with furniture, appliances, and home improvements, many economists speculated that the housing and finance industry accounted for 65% of the United States economy.

As of April 2010, the United States has yet to have a new economic driver leading growth in their economy. Without this core component, growth of the United States economy will be limited and as many analysts, and the Whitehouse, are reporting unemployment in the United States may take five years to recover to pre-2008 levels.

Changes in Canada's Currency

Figure 2 shows how the value of the US dollar is in decline and the Canadian dollar is becoming more expensive for United States consumers.

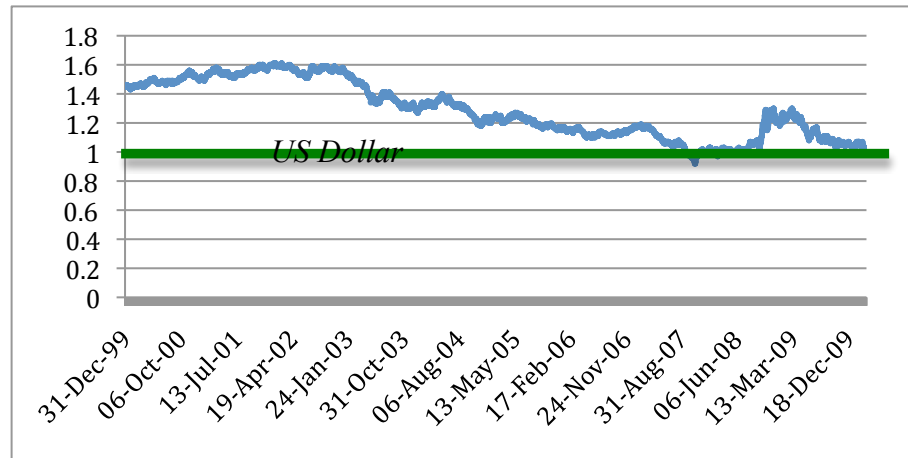


Figure 2: US Dollar/Canadian Dollar Exchange Rate

Figure 3, shows the Canadian Dollar is becoming more expensive for countries that use the Euro, including Germany.

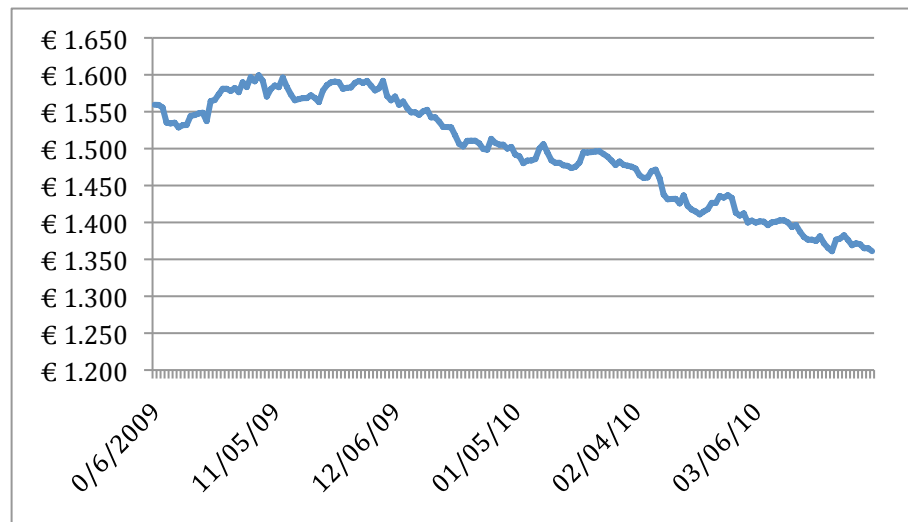


Figure 3: Euro/Canadian Dollar Exchange Rate

Figure 4 shows the Canadian dollar is becoming less expensive for Mexican Consumers.

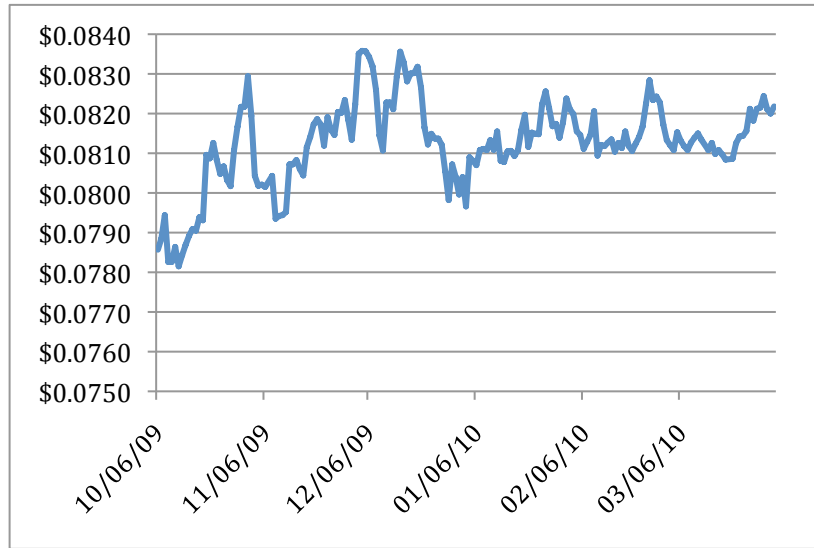


Figure 4: Mexican Peso/Canadian Dollar Exchange Rate

Figure 5 shows the Canadian Dollar is becoming more expensive for Australian consumers.

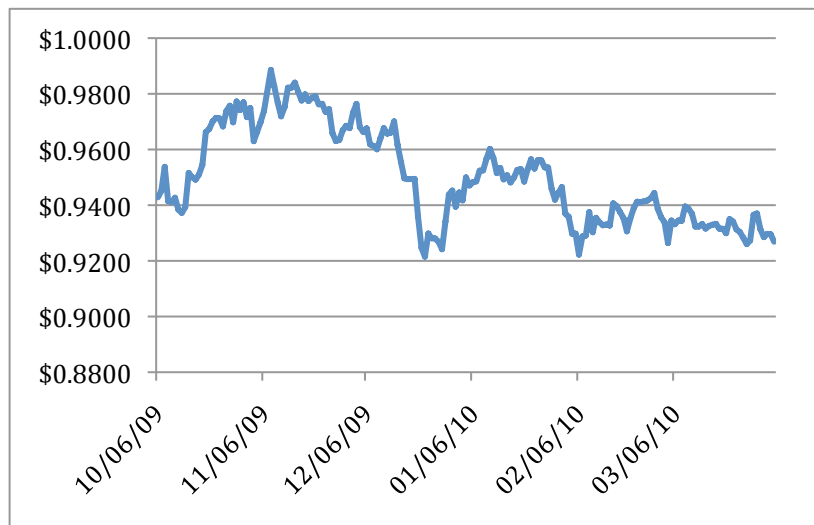


Figure 5: Australian Dollar/Canadian Dollar Exchange Rate

Figure 6 shows the Canadian Dollar is becoming more expensive for People’s Republic of China consumers.

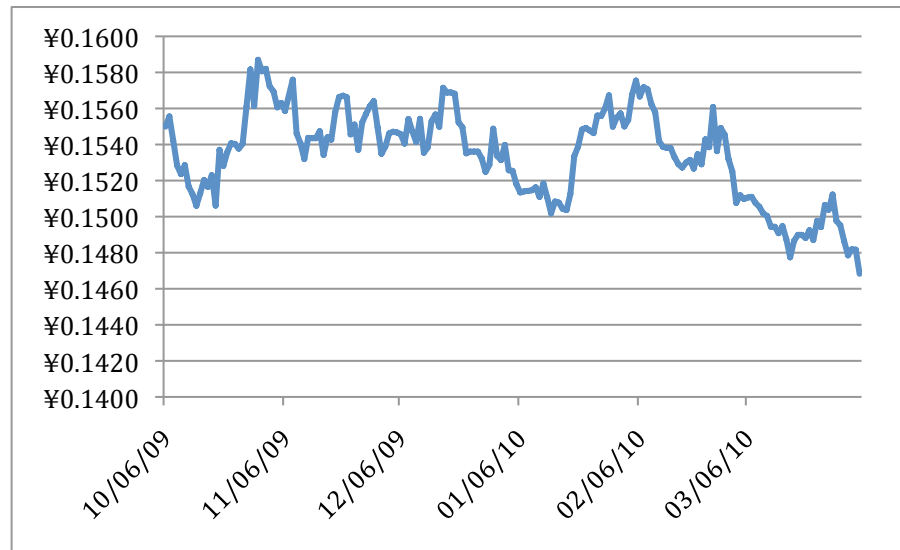


Figure 6: People’s Republic of China Dollar/Canadian Dollar Exchange Rate

Competitive Price Index

Although exchange rates affect global trade, price indexes are also a major component in consumer decisions. Price indexes monitor the costs of goods, and account for inflation price increases. The Table 2 and 3 are examples of competitive price indexes.

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total
Canada	€ 518	€ 822	€ 444	€ 411	€ 2,195
Atlantic	€ 670	€ 720	€ 418	€ 411	€ 2,219
Ontario/Quebec	€ 438	€ 859	€ 437	€ 411	€ 2,145
Manitoba/Sasks.	€ 694	€ 721	€ 435	€ 411	€ 2,261
Alberta/B.C.	€ 542	€ 802	€ 469	€ 411	€ 2,224
United States	€ 412	€ 832	€ 298	€ 411	€ 1,953
China	€ 396	€ 1,022	€ 593	€ 132	€ 2,143
South Africa	€ 745	€ 618	€ 265	€ 80	€ 1,708
Latin America (Brazil and Mexico)	€ 625	€ 809	€ 361	€ 253	€ 2,048
Yukon	€ 604 *	Not Avail	Not Avail	Not Avail	-

Table 2: Competitive Price Index—German Travelers to Canada

* Yukon air travel prices were obtained through Air Condor

Canadian Tourism Commission (2009) uses a competitive price index (Table 2) to determine the competitiveness of Canada’s tourism industry compared to other destinations. Table 2 analyzes the German Travelers using the Euro to purchase vacations

from different destinations.

Table 3 provides a cost competitive analysis for global production of crude oil extraction. For Canada’s oil sands, extraction and upgrading the crude bitumen to synthetic crude oil costs \$36 per barrel compared to Saudi Arabia’s oil production cost of \$6 per barrel.

Ranking	Country	Cost Per Barrel for Production
1	Saudi Arabia	\$6
2	Iraq	\$6
3	United Arab Emirates	\$7
4	Nigeria On Shore	\$15
5	Algeria	\$15
6	Iran	\$15
7	Oman	\$15
8	Kazakh	\$18
9	Venezuela	\$20
10	Ecuador	\$20
11	Venezuela Oil Sands	\$30
12	Niger Off Shore	\$30
13	Canada's Oil Sands	\$36
14	Angola Off Shore	\$40
15	British North Sea	\$50

Table 3: Global Oil Production Costs

Global Labor Cost Comparisons

Table 4 provides a cost comparison for the automotive industry factor worker. In many countries additional benefits like housing and food are provided to workers, which increases production costs.

Description	China	India	Mexico	Canada	USA
Labor 1 Month	\$205	\$162	\$525	\$3,480	\$4,500
Housing	\$50	\$50	\$-	\$-	\$-
Food	\$50	\$50	\$-	\$-	\$-
Total Costs	\$305	\$262	\$575	\$3,480	\$4,500

Table 4: Factor Worker Cost Comparison By Country

International Monetary Fund World Economic Outlook Projections

According to the International Monetary Fund's (IMF) January 2010 World Economic Update, the global economy is anticipated positive growth in 2010 (IMF, 2010). Table 5 provides the IMF's overview increase or decrease by percentage of economies around the globe.

Country	Projections			
	2008	2009	2010	2011
United States	0.4	-2.5	2.7	2.4
Germany	1.2	-4.8	1.5	1.9
Russia	5.6	-9.0	3.6	3.4
Japan	-1.2	-5.3	1.7	2.2
Canada	0.4	-2.6	2.6	3.6
Mexico	1.3	-6.8	4.0	4.7
China	9.6	8.7	10	9.7
India	7.3	5.6	7.7	7.8
ASEAN	4.7	1.3	4.7	5.3
Middle East	5.3	2.2	4.5	4.8

Table 5: IMF World Economic Outlook Projections

According to the IMF, commodity prices increased steadily during the stages of the current economic recovery. The causes of these price increases were from Asia and other emerging developing economies (IMF, 2009). The IMF is predicting that commodity prices will rise in 2010 driven primarily by emerging economies, but pressure is expected to be “modest, given the above-average inventory levels and substantial spare capacity in many commodity sectors” (IMF 2009, p. 6).

Conclusions from Canada in the Global Environment

In review of the data presented, Canada's exports have been changing the past few years with commodities seeing much greater demand than finished goods. From the data collected in this report, Statistics Canada has been reporting these changes in Canada's export behavior since 2005 (Refer to Graph 3 and 4). Data was not available for this study beyond 2005 to provide longer-range historical analysis for Canada's exports. Nor was historical manufacturing labor costs data available, which limited linear regression analysis for causes in this trade behavior.

Observations in the data show that Canada's currency has been gaining value against the United States dollar since 2003 (Figure 2). In addition, the high cost of Canada's manufacturing labor compared to other countries like Mexico, India and China, puts Canada at a disadvantage in many industries i.e. automobile manufacturing, or industries that are labor intensive (Table 4). These changes in exchange rates and labor costs potentially help to explain Canada's decrease in finished good exports. As other nations become more advanced in manufacturing, producers now have many other lower cost choices for producing finished goods.

Although Canada has seen a rise in commodity exports, in many commodity markets Canada is not the cheapest producer. As graph 3 presents, prior to the global recession, Canada experienced large increases in energy exports to the United States. The data in Table 3 shows that Canada is one of the more expensive producers of oil, as Canada's Alberta oil sands must be upgraded from crude bitumen to synthetic crude oil.

Both the federal government and the Canadian Chamber of Commerce have identified, Canada is not a global leader in business. As demand for our Nation's products and resources continue to decrease caused by our largest trading partner's economic crisis, Canada must take strategic action now. Canadian businesses must "penetrate export markets and establish a foothold in emerging-market nations" i.e. People's Republic of China (Canadian Chamber, 2009, p. 20). Since Canada is becoming more dependent on commodity exports, Canadian businesses must "relentlessly focus on improving business operational efficiency, and reducing costs," as commodities are driven by low cost leaders (Canadian Chamber, 2009, p. 20).

If action does not occur, then Canadians, like Americans will see their standard of living decrease. Politicians will be forced to make tough decisions, and decrease government spending on National programs and services.

Canada's National Obstacles

As with most developed nations; Canada has three significant obstacles that will affect the Nation's future. These three obstacles are:

1. Large pre-existing national deficit
2. New government deficit spending to offset current global recession
3. Baby boomers retiring

In 2007, the federal government was reporting Canada's pre-existing national deficit at \$13,986.16 per citizen. Prior to the start of the global recession, Canada was paying down the pre-existing national deficit. As part of Canada's economic recovery plan, the 2009 budget started government deficit spending. Based on past historically experience, in the short term neither of these monetary positions should cause difficulties for Canada. What is different from past deficit spending is the new addition of future debt caused by Canada's baby boomers retiring.

With large portions of Canada's labor force retiring and not being replaced due to smaller generation population sizes behind the baby boomers, Canada's ability to generate sufficient revenue to cover both past and future debt comes into question. Creating more problems for the future, baby boomers will be increasing Canada's financial burden as they start to draw on retirement plans and using more government provided health and social programming benefits.

As Canada is currently borrowing money to run the country and making payments to

lenders, high deficit spending puts added burdens on the tax base. In the case of many countries like Greece, Ireland, Portugal, Spain, and the United States, monetary debt is causing these nations to increase taxation for individual citizens and businesses. For nations that increase taxes, the higher taxation potentially puts both citizens and businesses competing in the global market place at a disadvantage.

What naturally occurs for businesses when the environment is no longer conducive for meeting owner expectations, they will either shut down or re-locate to more business friendly location.

Since Canada's leading exports are commodities, higher taxes or business costs puts Canadian resource development companies at a disadvantage. If this disadvantage is too high, then Canada will not be able to compete in the global commodities market, and see similar declines as have occurred in Canada's finished good industries.

Canada's Future

Canada's federal government has acknowledged these obstacles and is working to overcome them. Strategically recognizing Canada being a commodity-exporting nation, the federal government is placing enormous emphasis on northern sovereignty for the Arctic Circle. Although yet to be confirmed, many are speculating that the Arctic Circle contains 20% of the Earth's existing oil reserves.

As Figure 7 presents, geographically for Canada, Nunavut has the largest land mass connection with the Arctic Circle. In recent fiscal budgets the federal government has been injecting large amounts of investment dollars in Nunavut as part of Canada's northern sovereignty strategy. A deep-water port in Nunavut was announced in 2007 by the federal government, estimated to be completed by 2015 at a cost of \$100 million.



Figure 7: Map of Canada

In addition to securing commodity resources in the Arctic Circle, the federal government is working to give Canada-based businesses a competitive edge in a highly competitive market place. This competitive edge is being accomplished by lowering Canada's corporate tax rates to 15%, which makes Canada one of the best business tax environments globally.

YUKON BIG PICTURE

The Canadian Chamber of Commerce has declared that Canada cannot rest on past success. Both the Canadian Chamber of Commerce and the Federal Government are working to create a stronger economic foundation for Canada. The new economic foundation is being designed to give businesses a competitive edge in the highly competitive market place.

In the Yukon, the Federal Government has been investing heavily in the territory for the past few years, with emphasis on commodity markets. Recent federal funding for both the Mayo B energy expansion and Yukon Mine Training Association are strategically aligned for growing the Yukon's mining industry. Companies from the People's Republic of China are now investing in Yukon's commodity industry.

Yukon's strategic ties to the Arctic Circle are small compared to our neighboring territories. Yet, Yukon is potentially poised to help Canada expand penetration of export markets and establishing a stronger foothold in emerging-markets from Asia. The strategic position of the territory currently exceeds those of our neighboring territories.

Yukon's specific advantage is the Wolverine commodity mine 100% owned by People's Republic of China mining giant Jinduicheng Molybdenum Group Company and Northwest Non Ferrous International Investment Company Limited. The Wolverine mine is predicted to become operational in 2010, and if successful can open both future investment and increased exports to the People's Republic of China.

Yukon is poised to be strategically aligned with People's Republic of China. The People's Republic of China is forecast by the International Monetary Fund to expand by 10% in 2010.

Unlike Northwest Territories, Yukon's government infrastructure is conservative in comparison. Territorial taxes are lower, and Yukon is viewed regulatory friendly to the mining industry. The Yukon Government is strategically aligned with Ottawa's objectives for Canada as a commodity exporter. Both federal and territorial governments have worked hard to build an environment to support the Yukon's mining industry, which after over a decade of decline is now seeing investors return.

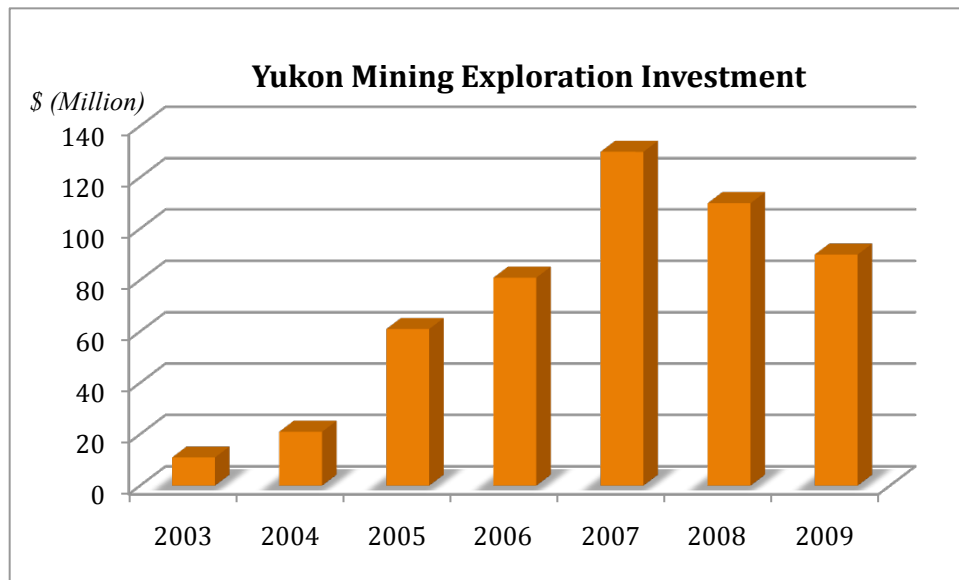
Stakeholders at Partnering for Success have realized that the transfer payments from Ottawa cannot continue at their present levels long term. Both Ottawa and the Yukon Government have built adequate infrastructure and worked to attract business to the Yukon, and after several years of investment from Ottawa, Yukon's small population is expected to start generating revenue for the nation.

YUKON MINING INDUSTRY

Historically, the Yukon is globally recognized for its mining industry. Both the Yukon Government and the federal government have been investing heavily to promote Yukon mining. At international mining conferences, the Yukon Government emphasizes that Yukon is open for business. After several decades of decline, Yukon mining is once again gaining interest for larger development projects. The Yukon is gaining an advantage in mining compared to our landlocked competitor Northwest Territories because our mining regulation is being viewed as industry friendly.

As outlined in the Indian and Northern Affairs (INAC) report, *The Road to Improvement* (2008), Northwest Territories' (NWT) mining regulation as it currently exists, deters mining development. The 2008 INAC report outlines recommendations for restructuring NWT mining industry regulation, which will not occur within short timelines. Results from this obstacle have placed an advantage for Yukon mining, and potentially has helped to gain global industry interest.

The Yukon mining industry is categorized into two separate stages, exploration and production. These two categories have different needs, risks, and obstacles. At present the majority of Yukon's mining has been in exploration. Graph 6 from the 2009 Yukon Exploration and Geology Report shows prior to the 2008 global recession, exploration investment was increasing exponentially.



Graph 6: Yukon Exploration Investment

For 2009, Yukon Government is reporting over “200 active hard-rock exploration projects. Sixty of these projects reported expenditures greater than \$100,000, and eighteen projects spent more than \$1 million” (Yukon 2009, p. 17). By 2009 year end the Yukon Government reported mining claims totally 79,456.

From these explorations Yukon’s mining industry has identified the following commodities to date:

Gold	Silver	Copper
Molybdenum	Tungsten	Lead
Zinc	Nickel	Coal
Iron Formation	Iron (Wernecke Breccia)	Rhodonite
Antimony vein/breccia		

Yukon mining extraction, as of March 2010, has only one operating hard rock mine, Capstone Mining’s copper-gold-silver Minto mine. Yukon Government is anticipated that both Yukon Zinc’s zinc-silver-copper-gold-lead Wolverine mine and Alexco Resources’ silver-lead-zinc Bellekeno mine will be operational before the end of 2010. Territorial government estimates development expenditures in 2009 for the three extraction projects were \$165 million.

At present Taglish Lake Gold Corporation, Selwyn Resources Ltd, and Yukon Zinc, all operating in the Yukon have significant financial investment from companies originating in the People’s Republic of China. According to the IMF (IMF, 2010) the People’s Republic of China’s economy is forecasted to grow by 10% in 2010, and Yukon has managed to attract some of the largest mining companies from Asia. If these mines are successful, it potentially will create opportunity for more investment from Asia, which both the Yukon and Canada need to help finance the governments.

Industry Obstacles

Yukon does have some obstacles to overcome in regulation from environmental groups and other industries. As we have seen the need from the Northwest Territories, both industry and government must work together strategically to protect the environment and encourage development.

This strategy is also critical to ensure the Umbrella Final Agreement (UFA) treaty between Yukon First Nations, Canada, and Yukon Territory are not violated. The UFA is very specific on water quality for First Nations, and Yukon First Nations have pursued challenges against the their agreements to the Supreme Court of Canada. These types of legal battles are costly, can greatly hinder industry, and can take several years to settle.

Yukon First Nation treaties like the Umbrella Final Agreement (UFA) clearly define clean water requirements. Historically Yukon First Nations have gone to the Supreme Court of Canada to protect their rights defined in their treaties. Industry, Yukon Government and First Nations must work together to ensure Yukon does not become over regulated like Northwest Territories.

Global markets determine the price of commodities not the individual producing company. The result is that mining companies are always seeking to keep their operational costs low to increase investor profits. Keeping costs low is the largest obstacle for commodity industries. For the Yukon, energy costs and transportation costs are industry obstacles for some proposed operations.

2010 Partnering for Success Mining Industry Discussion Points

Energy

Affordable energy was listed as the number one concern from the mining industry for advancing Yukon mining. At present the territory has three hydroelectric facilities that according to Yukon Energy (2009) generate 75 megawatts of power. Although the Yukon is supplying enough power for current needs, the future demand for low cost energy from the mining industry could quickly outstrip supply.

To date the Yukon has been able to support our existing mining operations with low cost power. There are also efforts for developing more low cost energy with the Mayo B project. Alternative existing energy sources are through diesel generation, which with lower fuel costs is potentially viable. Yet, as the global recession recedes, fuel prices are expected to rise. For long-term mining the cost of using diesel generation energy is not viable, as it will be too expensive hindering the startup of some mining operations.

One of the proposed mines in lower Yukon identified their need for 30 megawatts of power. This power need would greatly exceed available power on Yukon's power grid. The result of this power limitation at present makes the mine not financially viable.

Human Resources

Human resources were listed as the second concern for the mining industry. Private sector trades people, entry-level geologists, and professional management were three areas the mining industry is encountering shortages.

Private Sector Trades People

For trades people, government based construction spending has been occurring in large amounts in the territory for several years. These government-funded projects compete with private sector for limited human resources from the trades industries. Current estimates being monitored by Yukon Government indicate that demand for trades people in the Yukon exceeds supply by 50%. Government spending drives the majority of current construction; local suppliers are hesitant to expand their businesses, for fear of retrenchment when the government spending ends.

With the lack of available housing we are seeing outside construction companies fly workers to Yukon, put them into hotels, and use taxis to shuttle these workers around. On top of high wages, these other costs, air travel, hotel accommodations, taxi travel, have made construction very expensive for Yukon. Since Yukon is competing in the

commodity industry where having the lowest extraction price is critical for investors, high construction costs are negatively affecting the mining industry.

Entry-Level Geologists

Entry-level geologists serve both exploration and production. They are an essential resource to the mining industry because they perform critical functions that do not require years of geology experience. As they are entry level, they help to reduce operational costs for the mining industry.

In Partnering for Success discussions with industry, entry-level geologists were struggling to find accommodations in Whitehorse. The result is that they had to be flown up by exploration and production companies from Vancouver, which added significantly to their operational costs. For exploration companies, these added costs are a burden.

Professional Management

Professional Management was defined by industry as people who could be tasked with setting up and running an exploration camp/soil sample program, or manages independent projects for a production facility. At present there is a shortage of people with these management skill sets. As Canada's mining operations grow across the nation, Yukon needs to be able to attract and retain professional managers for the mining industry.

In many cases these professional managers would be independent contractors, available to the industry. Lack of housing will make it difficult for these management professionals to re-locate to Whitehorse. The lack of local supply of professional management, negatively affects Yukon's mining competitiveness.

Industry also identified the need for training funding for Yukoners and First Nations. There is also a belief that industry needs to work with First Nation communities to understand their priorities and potential role for First Nations to train people for the mining industry. The emphasis is to grow Yukon human resource capacity.

Planning and Regulation Certainty

Planning and Regulation Certainty was the third item raised by industry in their Partnering for Success discussion group. For both mining exploration and extraction, planning and regulation certainty are critical to the industries future. As identified in The Road to Improvement (2008), regulation has a significant impact to mining. Observing the Northwest Territories mistakes, industry, environmentalists, and regulators appear to be in a constant battle requiring federal government intervention.

The mining industry is requesting that Yukon establishes regulations, enforce regulations, and keep regulation consistent for the life of the mine.

For the Yukon, industry has stated they do not mind regulation, but they need to have consistency in regulation to reduce their investment risk. These companies have promised shareholders a specific return on investment, and they need to meet their financial obligations. When regulations change from year to year, it can greatly affect the costs and profits of these companies. All industry is requesting is that Yukon establishes regulations, enforce regulations, and keep regulation consistent for the life of the mine. Changing regulations mid operations that negatively affect company profits will detour investment in the Yukon.

Workers Compensation Board (WCB) was also identified as an uncertainty for the industry. The unexpected fluctuation in WCB fees for industries that are highly price sensitive creates high risk. The mining industry identified the need for closer collaboration between WCB and mining.

The unexpected fluctuation in fees for industries that are highly price sensitive creates high-risk.

Industry discussed the need for the Land Use Plan to be completed. The Land Use Plan's mandate also needed to be updated. Emphasis in the plan for responsible development would greatly assist industry in working with First Nations, regulators, and environmental groups.

The last regulator item identified in this year's Partnering for Success was the need for government, First Nations and the mining industry to build a Category A land regulator regime. Specifically the mining industry is looking to create regulation that addresses long term impacts of activity on land.

Partnering for Success

Managing risk is a critical component for the mining industry. The majority of risk is mitigated through managing costs. Excessive tax increases, industry fee increases, drastic changes to worker compensation fees, must be managed by all parties to ensure Yukon remains competitive in the commodities industry. Historically for Canada, we have seen many industries in decline because they become uncompetitive for one or multiple reasons.

The mining industry listed Partnering for Success as their fourth item of importance from their discussion group. The belief is that through Partnering with all parties, the industry can avoid the problems that have destroyed other industries across Canada as these industries become uncompetitive in the global market place. All parties need to work together strategically with the understanding that it is business that creates jobs and also pays for government employee wages, pensions, and government social programs.

According to industry, by partnering together the mining industry, governments, including First Nations, and environmental groups should be able to build a strong mining industry for a stronger Canada. First Nations must become a larger player in this

process, and emphasis must be placed on improving communications with First Nations. First Nations also need to provide cost effective mechanisms for communication accessibility. This would enable industry to become equal partners with First Nations on joint projects, and provide both parties with access to capital at reasonable rates.

Transportation

For this year's Partnering for Success, transportation was classified into short term and long term goals. The industry needs to be able to gain access to their claims, which may also include road development. It was proposed that a road access strategic plan be developed with government. This plan would identify where upgrades to existing roads should occur, and plan for future roads. The plan would also help to leverage both government and private investment.

Free Entry

According to industry, Yukon has an advantage for attracting mining with its current process of claims stake first precedence. In the Yukon anyone can go into the territory stake a claim on the land and then register the claim with the government. The first person that completes the process gets the claim.

This claiming process is viewed by the mining industry as low costs and as a fair process, which puts Yukon at an advantage. Industry is recommending that the process as it exists today remain in place. Industry believes the low cost and fairness of the current process has also been a key factor in attracting current exploration dollars.

Reduce Leakages

The last core item identified by the mining industry during their group sessions, was the problem of the Yukon having leakages. Leakages were defined as people working in the Yukon mining industry and earning wages, but spending their monies outside of the Yukon. Some of these problems were identified as marketing issues for the Yukon, and some housing supply issues.

In the case of marketing issues, there is a misperception that Whitehorse has cold winters, making it an unpleasant place to live. With the lack of housing supply and high cost of housing, many people in the industry prefer to live outside of the Yukon. Since the mining industry employees are often at the mine site or out in the field while in the Yukon, there is limited opportunity for them to spend their wages in Yukon.

Priority Two

The mining industry identified two additional items for Partnering for Success 2010 that should be included in this final report. These two areas are marketing and communications and addressing the revenue ceiling for Yukon. Both these efforts require government discussion.

For the first item, marketing and communications, the industry is very pleased with the current efforts and wants to see these efforts continue into the future. The mining industry does need more marketing efforts with the public sector to recognize its importance to the economy the region and Canada. Marketing also needs to be done to attract a younger population by introducing the benefits of the Yukon. This younger population will help to resolve existing labor shortages within the mining industry.

For the second item, revenue ceiling, the industry foresees current levels of federal transfers to the Yukon will either level off, or potentially be reduced. If either of these were to occur, as the mining industry is poised to start generating much needed revenue for Canada, the industry would like to see more monies from mining stay in the Yukon for both the territorial government, municipalities and First Nations. These monies will help to fund both government, First Nations and fuel other industries.

YUKON TOURISM INDUSTRY

According to the United Nations tourism is the world's largest industry (United Nations, 2009). The United Nation's World Tourism Organization (UNWTO) is forecasting by 2020, international tourist arrivals will reach 1.6 billion passengers. The Americas are forecasted to be the third largest destination following, Europe, and East Asia/Pacific. By the year 2020, UNWTO is predicting the Americas will receive 282 million tourist arrivals annually (UNWTO, 2009).

Historically the Yukon has had boom and bust economies fueled largely by the commodities industry. Strategically, Yukon tourism is an industry that has provided steady income revenue consistently year after year. Actual income generated by the Yukon tourism industry is not tracked by Statistics Canada, although Yukon Bureau Statistics reports percentage of gross revenue from tourism in their annual business survey.

The most recent Yukon Business Survey (Yukon Stats, 2008) published reported 27.1% of all Yukon businesses reported at least a portion of their gross revenue from 2007 was derived from tourism. This represents 797 businesses in the Yukon received revenue from tourism. In the survey, 77.3% of tourist dollars came from visitors living outside of the Yukon.

Yukon's tourism industry has historically serviced both the Alaskan/Canada Highway and the Alaska Cruise Ship Industry. In the past few years a new target market has emerged with the introduction of International flights from Frankfurt Germany through Condor Airlines. Since 2008, Yukon Department of Tourism has also been focusing on Mexico, and Australia as potential new markets for Yukon tourists.

The German tourism market is greatly coveted by many destinations. Historically German tourists enjoy 5 to 7 weeks of annual vacation a year. In 2008, 78% of Germans traveled outside of their country. For 2009, New Zealand (NZ Tourism, 2009) reported increases in German tourists by 5.5%. Although a smaller market than Canada, New Zealand reported 65,633 German tourists for their 2009 tourism season. According to New Zealand's Department of Tourism, the nation is strategically focusing on airfare costs in an effort to expand their tourism industry.

Despite the efforts of Canada to attract German tourists, arrivals from January to August 2009 were down -3.8% or 221,505 tourists. For Yukon, German tourism is well aligned, as July and August are traditional extended vacation months. With the international terminal expansion of the Whitehorse Airport these new non-United States markets are helping to maintain the industry since the decline in both Alaskan/Canada Highway and Alaska Cruise Ship tourism.

According to Yukon Department of Tourism, highway traffic has seen steady declines starting in 2007 with higher gas prices, and then the 2008 American economic downturn. Air traffic through the Whitehorse Airport saw significant increases in passenger traffic in 2007, with minimal impact in passenger arrivals for 2008 and 2009. Table 6 presents Yukon visitor traffic by percentages per Yukon Tourism visitation annual reports.

Year	2007	2008	2009
Air Traffic Arrivals	15%	-1%	.5%
Road Traffic Arrivals	-1%	-7%	-9%

Table 6: Yukon Visitor by Percentage Change

As of 2009, both the federal and Yukon government have invested an additional \$15.7 million in upgrades to Whitehorse’s Erik Nielson International Airport. The airport upgrades ensures Yukon can comply with current international airport security requirements. These upgrades were a critical requirement ensuring continued flights from Germany could land in Whitehorse.

Table 7 taken in September of 2009 provides a cost comparison for American’s traveling to Alaska from Los Angeles, California. Toward the end of the 2009 summer tourist season, Americans could fly round trip from Los Angeles to Anchorage Alaska for \$289 USD on Alaska Airlines. In comparison Americans traveling the traditional Alaska/Canada Highway road trip would spend \$825 for fuel excluding accommodation and food.

Los Angeles to Anchorage by Airplane during Sept 2009	Holland America Alaska Boat Cruise	Cost for Gas For the Last Great Road Trip from Los Angeles
Alaska Airlines \$289 round trip	Alaska Yukon Tour \$839	Using average gas price of \$2.69 a gallon and MPG of 15, total fuel cost is \$825 round trip excluding food and lodging

Table 7: Cost Comparison for Americans to Visit Alaska Sept 2009

The Alaska Cruise Ship industry has seen reductions in passenger ships. Alaska Tourism attributed these reductions to Alaska’s increased passenger taxes and Alaska environmental restrictions (Alaska, 2009). As of August 2009, Alaska’s tourism industry was predicting a reduction of 140,000 cruise ship passengers for the 2010 season (Alaska, 2009).

An analysis of the de-valuing of the American dollar, Euro, and Chinese RMB against the Canadian Dollar, from Figures 2, 3, and 6, shows travel for many tourists to Yukon is becoming more expensive. With declining Alaska and American tourism, the Yukon tourism industry is poised for significant changes. The majority of existing tourism infrastructure in Yukon is geared toward the American highway traffic and Alaska cruise ship industries. Some of this infrastructure could be geared toward air traffic travelers, but if Yukon is going to compete globally in tourism, changes need to occur as identified in this year’s Partnering for Success industry discussions.

Dawson City is currently applying to become a UNESCO World Heritage List member. This designation from the United Nations has helped many tourist destinations differentiate themselves by creating an icon status. In developing countries, a UNESCO

World Heritage designation has provided tourism with an icon that can be leveraged for future outside investment. Once a designation occurs it attracts demand, which is often followed by private sector development of accommodations, restaurants and other tourist amenities.

2010 Partnering for Success Tourism Industry Discussion Points

Long Term Funding to Support Product & Infrastructure Development

Long term funding to support product and infrastructure development was identified by the Tourism focus groups as the number one issue for their industry. Product was defined as icon development, and infrastructure could be defined as a road, or viewing facilities, or rest stops. Tourism industry proponents identified the need to develop icons in the Yukon for their industry. The proponents reported many tourism icons already exist naturally in the Yukon, but access to some icons is difficult due to lack of infrastructure. This lack of access was particularly noted for the Kluane National Park and Reserve.

From Partnering for Success discussion groups, the tourism industry identified the need for federal funding for tourism product support and development as their top priority. This funding also needs to include operations and maintenance monies. It is through these investment dollars that Yukon's tourism industry hopes to transition from the traditional highway traffic into a world desired travel destination.

Develop Set of Economic Goals & Measurements & Report on Them Annually

As discussed previously, the United Nations states tourism is the world's largest industry. For Statistics Canada, the industry is not individually reported so identifying its impacts on the national and regional economy is difficult. The Yukon Tourism Industry identified this issue as their second most important. It is through economic reporting that the industry will be able to attract both federal and private investment dollars.

Yukon Bureau of Statistics has already started compiling data through their annual business summary. It was proposed by industry that this survey could be expanded to capture the data needed to develop economic goals and measurements for tourism. Discussions with Yukon Bureau of Statistics management stated they need the support of the business community to compile data, so all parties require collaboration.

Collaboration Between Industry & Government

The Yukon Governments department of Tourism and Culture is working closely with the tourism industry. As the dynamics of Yukon tourism change, it is critical that both industry and government work together strategically. The tourism industry believes this strategy must remain in place for their industry to adjust to changing market conditions and grow.

Yukon Business Development Program

The tourism industry also identified, as it's forth priority the need for continuance and potential expansion of the Yukon Business Development Program (YBDP). YBDP's expertise offered through this program helps businesses optimize the success of their product or service in the marketplace. The YBDP process is to bring expertise for a companies industry to assist the company in getting to the next level in performance and growth.

According to the tourism industry, the services offered by YBDP can be used to assist many businesses in their industry. These services are in greater need now as many companies have seen dramatic changes with the decrease in road traffic. YBDP may be able to assist business in identifying new markets and customers, and helping to identify changes required by businesses to survive in the new economy.

Long Term Marketing Plan & Consistent Levels of Multi-Year Funding

The fifth priority identified by the tourism industry is for the development of a Long Term Marketing Plan. According to industry, the plan also needs to have consistent funding over multiple years. The long term marketing plan also needs a documented implementation process, with measurements for monitoring.

Through having monitoring measurements, the industry will be able to evaluate performance and make strategic adjustments as the plan is implemented over several years. The plan along with progress reporting would be reviewed and discussed throughout the year with government. Using this strategic approach both industry and government can move together in defining and expanding tourism in the Yukon.

Develop Tourism Investment Strategies to Optimize Short Term Economic Benefits

As the tourism industry competes in the global market place, Yukon must be able to differentiate itself as a unique destination product. For the American tourism market Alaska is an excellent example of this unique product strategy. Tourists view Alaska as America's last frontier. Historically for Yukon, it was just on the way toward Alaska for road traffic tourists. Yukon was not a specific destination, but more of a rest stop to the final destination.

Coinciding with the Long Term Marketing Plan, the tourism industry is also seeking to strategically develop investment strategies to create destination Yukon. A most recent example of this type of strategy is the government's investment to expand Whitehorse's Erik Nielson International Airport. From this investment the tourism industry will be able to continue servicing international flights from Germany. Although the investment does not create destination product, this was a strategic investment with short term economic benefits.

The marketing plan will re-affirm or identify the tourism industry's target market customers. Once identified, the industry will have to develop product to attract or increase traffic for these tourist. As we have seen a decline in one market segment, *Table 6: Yukon Visitor by Percentage Change*, Yukon will need to see growth in other market segments to attract long term tourism investment especially from the private sector. Industry and government will need to work together to identify investment areas that will have quick impacts, yet be strategically aligned to the Long Term Marketing Plan.

Better Access to Seed Capital

Although we have seen some new investment in the Yukon tourism industry in recent years, these new businesses have struggled with the economic downturn. Several of the Yukon First Nations are in the planning process of building smaller resorts, or First Nation culture centers. Aside from these projects, unlike the mining industry, tourism has not been able to attract outside private investment.

Based on the lack of private investment, it appears that tourism does not have an environment where investors are willing to put their monies. The result is the industry is seeking access to seed capital, in an effort to jump start investment. Strategically the approach could be similar to the mining industry. Seed capital was made available to the mining industry from government leading to larger exploration investment and large capital infrastructure investment by the private sector.

As with the mining industry, there must be a strategic effort to create an environment to attract private investment for the tourism industry.

Certainty to Land Tenure

In creating an environment to attract private investment, the tourism industry identified the need for certainty to land tenure. There have been cases where a tourism operator builds infrastructure in the Yukon only to discover the access to land has been revoked or denied. At present the mining industry has well defined regulations for access to land, which has created opportunity for investors.

The tourism industry does not have clearly defined regulations for access to land. If land tenure for the tourism industry could be developed, it would greatly reduce risk for private investors. Land tenure would also enable the industry to focus development around much needed icons, enabling infrastructure for attracting and support customers.

Create Longer Term Marketing Brand

Throughout the past year in discussions with Partnering for Success, one of the problems identified by the tourism industry was current branding for the Yukon. According to the industry, over the past decade branding has changed several times, and industry struggles to stay strategically aligned. Industry is requesting that branding for the Yukon becomes a

long-term strategy, which will help to reduce costs in advertising and marketing campaigns.

KNOWLEDGE SECTOR

Both the Yukon Government and private sector (Northwestel) have invested heavily in building Yukon's telecommunications network. Through government funding, all of the Yukon's communities are connected with Internet and video conferencing. The Yukon now has dual redundancy for Internet connectivity. One of these lines is now fiber optic lines providing added speed.

An original concept of this infrastructure investment was to use the Internet as a tool to reduce distance barriers for Yukon commerce. Locally, Yukon Government has been the largest client for the technology sector. The Yukon Government strategically budgets for technology projects every year to ensure the industry receives enough demand to maintain local services.

A complaint from Knowledge Sector industry representatives in Partner for Success discussion groups was the lack of demand for technology in the Yukon's private sector. In the Yukon Bureau of Statistics 2008 business survey, only 27.8% of Yukon businesses reported they had websites. The majority of Yukon's businesses are small or medium sized, and very few, according to the business surveys, are technology driven.

To date some industries, i.e. software development and Yukon's legal profession, have successfully been able to use this technology for business commerce outside of the Yukon. One notable business for exporting locally produced goods is Northern Garments Inc (NGI) located in Dawson City. The company produces clothing for cold climate. Using the Internet, 80% to 90% of NGI's revenues come from outside of the territory. Most recently NGI negotiated a distribution agreement in Scandinavia.

NGI attributes its sales success to the use of technology. Being remote, NGI states they use the Internet to market their business internationally, accessing the global market place on a level playing field. According to NGI, their largest challenge in doing business from the Yukon's remote location is staying current with cutting edge Internet technologies.

At present the expertise is not readily available in their community to support their websites, databases, customer relationship management, or social media/marketing. Through the use of Internet technology, the company can get support for their business. Although businesses like NGI have been successfully at using the Internet to export locally produced products, these types of businesses are small in number for Yukon.

Both Internet access and video conferencing technologies have enabled many remote communities to expand their education programs. Several Yukon First Nation governments have adopted video conferencing technology to provide training programs for their citizens in an effort to build capacity in their communities. Using this technology, smaller remote communities now have access to teaching staff from major city hubs that historically would never travel in the North.

Yukon College has been working toward building a Research Center of Excellence to expand the knowledge sector. One of the complaints from Knowledge Industry

proponents was the lack of contact between groups creating isolation instead of collaboration. For Yukon, Saskatchewan's Innovation Place becomes a model that potentially could be implemented through Yukon College.

As part of this report, research was conducted on successful knowledge research centers of excellence looking at both Saskatchewan's Innovation Place, and the Republic of Singapore's A*STAR. Research in this report discovered the following commonality between both of these entities:

1. Both strived for being the best in the world
2. Research infrastructure equal in quality or best in the world to attract world class scientific research and talent
3. Both had a *core industry* they specialized in to provide revenue for growth
4. The business model was to rent research space, that created jobs, and eventually successful businesses. Both the jobs and businesses generated considerable tax revenue.

2010 Partnering for Success Knowledge Sector Discussion Points

Within the discussions for the Knowledge Sector, the group defined their goal to develop recommendations for business & governments to grow the knowledge sector.

Grow the Information Technology Sector

As with all the industries identified in this report, the information technology (IT) sector desires to grow. The struggle with the industry is that demand for their services comes largely from government projects, not Yukon private sector industry. Based on past experiences, the IT sector is recommending government create a research and innovation agenda around technology definition and transfer to support northern businesses and government.

In the proposed recommendation from this year's Partnering for Success discussion groups, Yukon's core industry for a Knowledge Center would focus on the development of applications to support government and business functions in remote regions. With this strategy, government could become a leader in adoption and use of e-services potentially reducing government labor costs, as computers do not need retirement pensions.

Moving government services into an e-services environment would also allow 24 hour access to government. By providing online self government solutions, Canada's North would become easily accessible to the International business community. This strategy could potentially reduce government operational costs and making Canada more competitive in the global market place.

Yukon Business Development Program (YBDP)

The technology and knowledge sector discussed government encouraging private sector small and medium sized enterprises to use co-op programs for increasing demand on technology in businesses. In the retail and services sector Partnering for Success

discussion group, it was determined a need for the information technology industry to assist businesses in understanding how to use the Internet to increase sales opportunities beyond the Yukon. With Yukon Economic Development expanding their operations to support small and medium sized enterprises, there is a potential for all three groups to work in tandem to increase usage of Yukon's Internet infrastructure.

In the past few years, YBDP, managed by the Whitehorse Chamber of Commerce has assisted many existing Yukon businesses to use Internet technology to increase sales. Based on their past success, YBDP could potentially become the leader in this effort of assisting businesses expand sales through the use of Yukon's existing Internet infrastructure.

Yukon Research and Development Park

In a continued effort to diversify Yukon's economy, the Knowledge Sector is proposing a Research Development Park at Yukon College. Using Saskatchewan's Innovation Place and Singapore's A*Star as a potential model, Yukon's Research and Development Park would increase collaboration & coordination between groups through a physical cluster, i.e. create a critical mass research and development park. Infrastructure like high tech labs would attract researchers and enable testing.

Following the research park model, researchers would develop leading technology for transfer and adaptation to commercial and government sectors. If Yukon were able to maintain low costs for operating, i.e. low taxes, low rent, cheap power, affordable housing, the research park would have an advantage over the rest of Canada.

In time, as with Saskatchewan's Innovation Place, with critical mass other research centers would evolve, i.e. Circumpolar research, environmental research, cold climate research technology. Yukon College's curriculum would also increase attracting post-secondary education and industry research. As the research environment expands, other businesses would also expand, creating support jobs outside of the research sector, diversity the Yukon's economy.

Education

With industry demand for technicians and researchers, Yukon would be promoting economic value of higher education. Yukon College would be able to attract people who excel in the knowledge sector. As with both Saskatchewan and Singapore's research centers, international students would also relocate for their areas of interest.

RETAIL AND SERVICES SECTOR

The retail and services sector has been successful in working with government to resolve issues affecting their industries. Most recently was the problem of labor to support industry operations. With the boom in the Yukon's economy, finding qualified and dedicated labor for the retail and services sector was difficult.

In partnering with Yukon Government, the retail and service sector were able to recruit employees through the development of the Yukon Nominee Program. As a result of this strategic effort, costs for businesses involved with the Yukon Nominee Program have gone down. These savings are being reported by businesses as lower administrative and training costs caused by increased employee retention, and increased employee productivity. The foreign workers have introduced a strong work ethic creating competition for previous local employees.

For businesses focused on the local economy, Yukon's small population size, transportation costs, and remoteness continue to be obstacles for commerce. The retail and services sector desires to grow the population, to increase their customer base. This strategy also helps to increase sales volume, which enables stores to keep lower prices since the profit occurs from more sales vs. charging a higher price to obtain the same return on investment.

Increasing the population, the tax base would also increase, helping to pay for future government employee retirements, the new fire hall, and the current infrastructure being built by the Yukon Government. Whitehorse businesses have seen taxes for commercial property have increased by 22.5% in the past four years. There are future proposals for the business community to also subsidize energy costs.

With these added expenses, businesses have two choices, raise prices, or reduce profits. In the case of raising prices, many businesses are competing with the Internet, and lowering prices is not an option. As costs continue to grow, eventually the return on investment is not viable and the business will close. The long term end result is increased leakages for the Yukon as money for the Yukon goes elsewhere in Canada and around the globe.

2010 Partnering for Success Retail and Services Sector Discussion Points

Housing

Housing was listed as the most critical issue by the retail and services sector for their 2010 Partnering for Success discussion sessions. The sector defined the housing problem as insufficient supplies of affordable housing, for both employees and managers in their sector. In the group discussion there was a clear distinction the housing shortage was not

defined as social assistance housing, but housing for income earners between the wages of \$12 and \$25 an hour.

As many areas of the retail and services sector compete globally for customer dollars, these businesses must be price competitive. This is especially true as most products offered in Whitehorse can be purchased via the Internet. The result is salaries in the retail and services sector must be competitive, and the sector cannot just raise prices to account for high housing costs. This problem has limited the sector's ability to recruit or retain mid level management or younger employees.

Another concern that was raised by the sector is Whitehorse has significant number of new workers becoming permanent residents. Many will be looking for homes to settle down, and the median price for a home is very high. The concern is that once the employees become permanent resident of Canada they will move elsewhere, where the wages are the same but the cost of living is lower, hence a higher standard of living for the employee.

According to participants in the Partnering for Success discussion groups, housing is not being developed for the \$12-\$25 an hour employees, because development costs are too high for private sector developers. The return on investment (ROI) is not viable for entry level housing as cost of land, tipping fees to remove old structures, and electrical power to new buildings among other costs are too great. It was also identified that there is only one builder working in the downtown area, which can potentially be attributed to the challenging investment climate.

As the majority of jobs for retail and service sector employees are downtown, the city's design of putting housing at great distances from downtown is also causing transportation problems for employees. Walking and bicycling are not an option for many of the development areas that currently cater to this income bracket. Due to current city planning, not only are these workers expected to purchase an expensive home, they must also purchase transportation to get from the outskirts of downtown to their place of employment.

More density development in the downtown core would help to resolve transportation issues for entry level and mid level workers, and also support the City's green strategy, by locating people's homes closer to their work.

The alternative to their transit needs is to wait for friends who have transportation or coordinate travel with the bus system, which can be infrequent. For the retail and service sector, they are recommending more development in the downtown core to have their workers closer to employment. This development strategy would also support the city's green development initiative, as workers would not need transportation to work if they lived downtown.

Branding Whitehorse

Historically for Whitehorse, tourists that visit the city are on their way to Alaska, or returning to the United States via auto from Alaska. Table 6, Yukon Visitor by Percentage Change compiled by the Yukon Government Department of Tourism (Yukon Tourism, 2010) shows that Whitehorse’s Alaska Canada highway traffic has seen

Vision of artists, buskers, retail carts, even retail shacks, restaurants and PEOPLE in and on the river and in our downtown core – Whitehorse Retail and Service Sector

reductions of -17% since 2007, while air passenger traffic has remained constant.

The retail and services sector has identified the need to brand Whitehorse as a travel destination, instead of relying the city’s historical dependency of highway traffic. By branding the city, future development could be strategic to help differentiate Whitehorse from other tourist destinations. Emphasis would be placed on creating a vibrant environment on the riverfront.

This development must occur with a global focus on competition. An environment must be created that can compete against other global tourist destinations, differentiating Whitehorse, yet creating a world traveler experience. Development would not be to appease the retail and service sector, but to create a vibrant environment that would attract international air traveling tourists, and supported by Yukonners.

Another branding issue identified by the retail and services sector is the lack of curb appeal for Whitehorse on the Alaska Canada highway. Development along the highway according to the sector does not have appeal for road travelers. In many instances travelers bypass Whitehorse, as they are unaware of the icon City downtown.

Attracting Young People

During Partnering for Success Discussions there was a concern raised by participants that the Yukon is not attracting and retaining younger people. Table 8 is a demographic comparison between 2007 and 2009. Year 2007 was the start of Whitehorse’s housing appreciation. From Table 8 between December 2007 and December 2009 Yukon has seen an increase of 25-29 year olds of 308 individuals. Yukon has seen a decrease of -153 in ages 40-44 (Yukon Stats, 2009).

Age	Group Total Increase/Decrease	Age	Group Total Increase/Decrease
0-4	19	35-39	127
5-9	40	40-44	-153
10-14	-133	45-49	-4
15-19	-65	50-54	165
20-24	79	55-59	277
25-29	308	60-64	304
30-34	71	65+	417

Table 8: Yukon Statistics Age Demographic Comparison Between 2007 and 2009

Analysis of the labor market in Table 9 between December 2007 and December 2009 shows a significant increase in government employment and a significant decrease in private sector employment (Yukon Stats, 2010).

Year	Government Employees	Private Sector Employees	Private Sector Self Employed
2009	6900	7000	2000
2007	6500	7900	2400
Difference	+400	-900	-400

Table 9: Changes in Yukon's Labor Employment Comparison Between 2007 and 2009

Although the Yukon has seen a population increase of 1,433 from December 2007 to December 2009, the private sector has seen a decrease of -1,300 employees in the same time period.

Description	Labor Count
Private Sector Labor Losses Since 2007	-1,300
Increase in Potential Retires Since 2007	417
Unemployment Increase Since 2007	200
Government Employee Increase Since 2007	400
Difference in Labor Change Since 2007	- 283

Table 10: Observations in Labor Changes Since 2007

According to Yukon Bureau of Statistics (2010), unemployment in December 2009 compared to December 2007 has increased by 200 people. People eligible for retirement, over the age of 65, retirees increased by 417 in December 2009 compared to December 2007, and government employees increased by 400 workers in the same time period. Compiling these numbers to account for private sector labor changes, and the private sector labor force has seen a reduction of -283 employees.

Based on labor observations, it appears that the private sector is seeing changes to their labor force demographics, not caused by age, but inability to attract and retain employees. Retires are the largest increase in labor changes followed by increases in government employment. Based on the data presented table 10, it appears that government is competing with the private sector for labor, and winning.

Significant differences between government employment and private sector employment are potentially wages and benefits. Since the private sector does not have the ability to increase wages and accommodate for government benefits, and still remain competitive in the market place, the private sector is not able to compete against government for labor.

Parking and Transportation

Downtown parking and transportation continue to be identified as issues for the business community. Much of the discussion focuses on the need to create density downtown that would draw residents into the area that also work downtown. Since the Partnering for Success discussion group sessions occurred, a new project for downtown parking has been proposed to the City of Whitehorse, that may assist in resolving current parking issues.

Transportation continues to be an issue for lower waged workers. Although housing does exist downtown, new developments where lower waged workers can afford to rent or own are occurring at a distance from downtown. The discussion from the working groups was to focus on density downtown that would also address less need for public transportation.

Affordable Locations for Businesses

The city currently has a policy of selling land at retail prices. The water front property remains undeveloped because of the high cost of the land, high development costs, and height restrictions. When the developers analyze the property for potential projects, according to the developers, the return on investment is either negative or not justifiable.

Although significant longer term investors, many Yukon First Nations have opted to invest outside of Whitehorse and the Yukon for better investment opportunities. What they are finding is the same as local developers, a better return on investments in British Columbia, and Ontario. The end result is that much Whitehorse commercial property remains vacant, because developers are finding better investments elsewhere.

Customer Service/Attitude

In branding the Yukon for the tourism industry, emphasis must be placed on customer service and a friendly attitude. This is potentially employee training. Overall strategy is needed by industry to ensure visitors to Yukon leave with a positive image.

Support Using and Developing Internet & Broadband Service

During the discussion group it was determined that businesses need assistance understanding how to use the Internet. Some businesses have gone through the Yukon Business Development Program (YBDP), which has assisted them in building an online presence for exporting locally developed products. The need for more business solutions support for small and medium sized businesses was identified.

It was identified by the group the need for an Information Technology Centre similar to the existing Energy Solutions. Emphasis would be placed on selling products and services outside of the Yukon.

Riverfront Development

The retail and services sector want to see action on the River Front development. Industry

see taxes increasing, and several government projects, but no tax dollars being allocated to generate more tax revenue by increasing the business sector. It was viewed by industry that the River Front would be a key development project for branding Whitehorse to attract both Yukonners and visitors to the downtown corridor.

2010 PARTNERING FOR SUCCESS ISSUES PRIORITIZED AND RECOMMENDATIONS

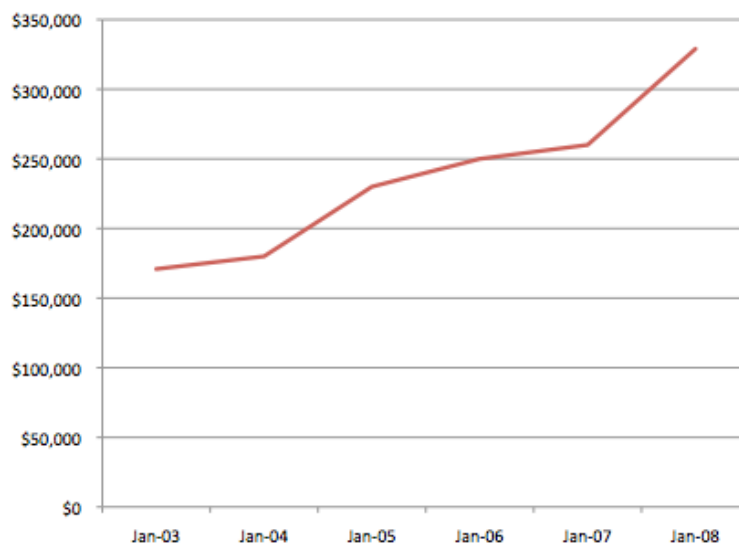
In the first year of Partnering for Success entry-level labor was identified as a key obstacle for private sector growth. The business community and Yukon Government worked closely together to develop the Yukon Nominee Program. The program quickly recruited foreign workers to fill the labor void.

Most importantly, once the problem was identified, the Yukon government was able to allocate resources for resolution. These resources were able to analyze and develop long term strategic plans to ensure the problem does not occur again in the future. Through this strategic problem solving, Yukon has positioned itself as an innovator in labor shortages and labor management.

For 2010, Partnering for Success identified two key obstacles that crossed multiple industries affecting private sector growth. The obstacles identified were affordable housing and low cost energy. Affordable housing was identified by mining, and the retail and services industry, while low cost energy was identified primarily for supporting the mining industry, and an industry in which First Nation's were interested in entering as investors.

Housing Prices

According to the Yukon Bureau Statistics (2010a), housing prices in Whitehorse have increased by 90.1% since quarter 4 of 2003 to quarter 4 of 2009, while inflation grew only 12.3% over the same six-year period. Graph 7 shows the increase in average home prices for the City of Whitehorse.



Graph 7: Whitehorse Housing Prices

This creates a significant problem for Whitehorse as housing prices have greatly outpaced incomes during the same time period. During Partnering for Success comments from industry stated that development lots were not being made available to meet housing growth demands. Another problem identified by industry was that development lots were being sold by the City of Whitehorse at market prices instead of the cost for the City to develop the lots.

The strategy by the City of Whitehorse to capture revenue through the sale of lots at current market prices significantly increase property values at an accelerated rate as Graph 7 displays. Using this model there is also less incentive for the City to release lots as supply dwindles, prices go higher. Provided the City is able to sell lots, the revenue model works well in the short term for increasing City revenues, and reduces the growth of the City. Unfortunately, this strategy by the City of Whitehorse undermines both the Federal Government and Yukon Government’s strategy for the future of both Canada and the Territory.

Canada and the Yukon are competing on prices in the commodity industry where lowest price wins. Housing prices that increase by 90.1% in six years time potentially derail these efforts, since incomes have not risen at these price increases. Residents entering the market become poorer as their income is consumed by high mortgage costs. This also lowers the disposable income for new residents, negatively affecting businesses as new consumers to the City have less money to spend.

Home Loan	Monthly Payment	Hourly Wage	Monthly Wage	Disposable Income
\$170,900	\$1,195*	\$20	\$3,200	\$2,005
\$324,800	\$2,271*	\$20	\$3,200	\$929

Table 11: The Effects of 90.1% Increase on Housing Prices

** Interest rate at 5.7 fixed%*

With the monthly payment at \$2,271 for a median priced home in 2009, many new homeowners are opting for variable loans, which add risk in homeowner retention. Along with the probability of the rates increasing yearly adding to higher payments, refinancing every five years creates problems for new Yukon homeowners. In discussions with local bankers, some homeowners are selling their properties, as their incomes are not aligned with their mortgage rates.

If the homeowner encountering these financial problems stays in the Yukon, when they downgrade their residence it becomes a significant down grade. With limited rental unit availability, even moving from owning a home to renting can be a significant obstacle. Essentially Whitehorse is not creating an environment to attract and retain people long term.

Industry also stated that hook ups for electricity for newly developed land ranged between \$75,000 and \$250,000 depending on the size of the proposed structure. These costs were to be paid up front by the developer. In addition to these costs, if an existing structure was in place, dump tipping fees to remove the structure were at \$70,000. Table 12 presents an up front cost breakdown for developers choosing to build in Whitehorse.

City of Whitehorse Lot Sale Price Single Family *	\$130,645.45
Yukon Energy Electrical Hook Up **	\$75,000.00
Dump Tipping Fee **	\$70,000.00
Total Costs Before Construction Starts	\$275,645.45

Table 12: City of Whitehorse Up Front Developer Costs

* *The Lot Sale Price Single Family is the average lot sale price reported by Yukon Bureau Statistics quarter 4, 2009.*

** *Cost reported by Whitehorse Building Developers*

Another issue raised by developers is that rental properties where the rent is below \$1000.00 per month do not attract responsible tenants. The comments from private sector investors were that the operation and maintenance on these buildings were excessively high for current lower end renters in Whitehorse. Essentially the renters were causing damage to the properties, requiring large investments in short time periods for landlords.

According to the private sector investment developers, they either have to build the rental units like a prison, or opt not to provide rental units at this lower end consumer market. In the case of Whitehorse, private investment developers have opted not to provide rental units. As a result, only government driven housing efforts have been coming online in recent years.

Yellowknife is an excellent example of lack of strategic planning. The territory spent much money building exquisite infrastructure for government that a small tax base could not support. One of the key mistakes of Yellowknife was the inability to provide housing to meet demand. The result for Yellowknife is that the majority of their new homes are trailers or mobile homes, instead of traditional homes.

Similar to Whitehorse, the cost of these lower end homes is expensive, which detours people from re-locating to Yellowknife. This creates a lower standard of living for the citizens of Yellowknife, and potentially explains why Yellowknife is now losing its population, as the industry slows down. The standard of living is not comparable to other parts of Canada, which appears to be self-induced from poor community planning.

Solutions to Housing Problem

Reports from the real-estate industry suggest that Whitehorse needs to have 200 homes

available in inventory. According to industry this number would provide enough supply to meet demand. These 200 homes would create a surplus helping to keep Whitehorse's housing appreciation at moderate rates instead of their current hyper rates.

Learning from the lessons of Yellowknife, if mining reaches its potential in the Yukon, the Yukon Government department of Energy, Mines and Resources predicts Yukon's population could grow to 90,000 people. If these predictions are correct, there must be significant coordination between municipalities, the territorial government, and industry to strategically grow. Through proper planning the Yukon can create healthy communities that protect both the environment and the standard of living Yukoners have grown to enjoy.

Recommendations from Private Sector

In the Partnering for Success discussion groups, private sector participants recommended building density downtown to assist with the affordable housing shortages. There were also discussions about financial incentives for re-development to provide significant return on investment to attract developers in building housing for earners in the \$12-\$25 an hour range. Using a holistic approach blending seniors, with apartments, and families.

Analyst Housing Price Recommendations

The first recommendation is for both the City of Whitehorse and Yukon Energy to evaluate their pricing models for land and electrical hookups. Can the City move away from selling property at market value, and sell property at their development cost, as is common in most areas. Are there any ways for Yukon Energy to reduce their cost for installing electricity to a new building, or amortize these costs over 10 years instead of recouping costs up front?

In interviews with the City of Whitehorse it was discussed that Yukon First Nations own much of the land around Whitehorse. Although First Nations will not sell their land, there are well-established business models in Hong Kong and Singapore, where land is leased for 99 years for a fixed price. A price is set for the property similar to housing prices in Canada. It is not a monthly lease, but more like a mortgage that once paid off, the lessee no longer has payments. In these models, government builds quality affordable housing on the land and sells it on a 99-year lease.

The leaser of the property has ownership for 99 years, essentially two lifetimes, and the property can be resold during the life of the lease, and even willed to children. Since the housing is affordable, owners of the property are usually done paying for the fixed price lease by their mid thirties, providing them with high disposal income at a young age. Housing prices are kept low as government re-coups their investment from both the lease payments, and the taxes from residents living in the properties, not from selling at market values.

Through these strategies, both Hong Kong and Singapore have been able to keep their government housing programs affordable, ensuring both supply and demand are balanced. Average lease costs for a home in Singapore are \$800 a month for a family,

with the government goal of ensuring they affordable housing. This strategy also helps to keep the cities competitive in the global market place.

Low Cost Energy

During the 2010 Partnering for Success discussion groups, an inadequate supply of low cost energy was identified as a major barrier for the mining industry. Yukon Indian Development Corporation stated they were interested in investing in the energy industry. The Yukon Government provided some insights, identified obstacles, and recommendations.

For industry, they recommended a broad strategy and vision, and for government to develop policy as soon as possible. Invite others to the table including the federal government, and Chinese investors. The private sector also stated all energy options should be discussed including coal and nuclear. Efforts should continue to build Yukon's connectivity, examining options for major power lines connecting outside of the Yukon. This would also include sources of capital for partnering in hydroelectric and grid capacity.

In interviews with Yukon Governments department of Energy, Mines and Resources, traditional hydro projects are extremely expensive. Since wind power projects are unpredictable, they must be supplemented with some other source of energy, historically natural gas. Linking into British Columbia's power grid is still cost prohibitive, for both government and private sector due to the distance.

With the amount of power required for Yukon's future mining industry, a long-term viable solution would be the Alaska Highway Pipeline. If Yukon could use some of the gas from the pipeline, it could be used to power natural gas generators, providing enough low cost energy to meet the needs of Yukon for the next sixty years. With the pipeline in place it could also lower the cost to develop Yukon's natural gas reserves.

Analyst Low Cost Energy Recommendation

British Columbia is in the process of developing a "run of the river" hydroelectric plant, which will produce up to 25 megawatts of power. The project is being developed through Sea Breeze Power Corporation of Vancouver British Columbia. Unlike traditional hydroelectric plants, the project does not require flooding of large tracks of land.

Sea Breeze Power Corporation's project on the Kettle River in British Columbia uses natural flow of water. Some water is diverted from the river and flows through a tunnel, which powers the turbine. The water is then returned to the natural watercourse downstream. Design of the project preserves the fish habitat, and the scenic beauty so as not to disrupt existing tourism activities.

Although 25 megawatts of power will not meet all of the needs of the mining industry, in the interim, it can provide both investment opportunities for Yukon First Nations, and private sector to enter into the Yukon's power industry. Depending on the terrain, several

of these projects could potentially occur in many areas of the Yukon. Provided capital is available, implementation time would be significantly faster than other options, like the Alaska Highway Pipeline.

Managing Government Costs for Businesses

Conclusions derived in this year's Partnering for Success Report is that Canada and the Yukon are competing primarily in price sensitive industries, i.e. commodity markets and tourism. According to the IMF, see Table 5, globally a shift in economic power is occurring, where the People's Republic of China and the Republic of India are predicted to be the global growth economic leaders in the current and near future. For the United States, Canada and the Yukon's primary trading partner, their economic recovery will continue to be slow and frugal especially when it occurs without specific industry drivers.

Economic growth for Canada and the Yukon will be determined on how well both the Nation and the Territory can manage costs for businesses. In the commodity market, prices are determined not by the producer, but by the market. To succeed in the commodity market, the producer must be cost conscious and the most efficient producers with the lowest costs succeed, while the highest costs producers often fail.

Like the commodities industry, Yukon's tourism industry must also manage costs to attract tourist in the global recession. The rise in the value of the Canadian dollar against many other currencies will potentially make Yukon unattractive to tourists looking for bargains. As the global economy shifts toward Asia, Yukon tourism industry will have to be price competitive to attract new markets.

Due to the Yukon's small size and that the region is starting an economic boom from mining, Yukon has a unique advantage to strategically manage government costs. Unlike our neighbors in the Northwest Territories, Yukon's government infrastructure has historically been frugal, which provides the region with a competitive advantage. The goal for the Yukon now is to keep costs low for businesses to make the region highly competitive globally.

Recommendation for Managing Costs

As of recent, keeping government costs low has not been the strategy of the City of Whitehorse, or many legislated support agencies. The result has been tax increases at alarming rates, and businesses fee increases in some areas, making Yukon expensive for businesses and consumers. A key recommendation from this report is to have Yukon Government review and authorize any cost increases from government or government legislated entities that would affect Yukon businesses.

The objective is to be strategic and clearly understand how political decisions will affect our industries as they compete in the global market place. A most recent example where this could have been applied is the building of the Canada Game Center. Although the game center did bring the 2007 Winter Games to Yukon, taxes were raised to cover the expenses of the building. Essentially the project was not able to support itself, and subsidies from the City of Whitehorse's small tax base ensued.

Understanding how these costs ripple across industries and potentially mitigating any long term negative effects, will place Yukon in a significant competitive advantage for our businesses to compete globally. Implemented successfully, Yukon could become a model of how Canada can become competitive in the new world economy. Marketed properly, this strategy will also help to attract outside investment for industries, by showing Yukon's commitment to ensuring businesses succeed.

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