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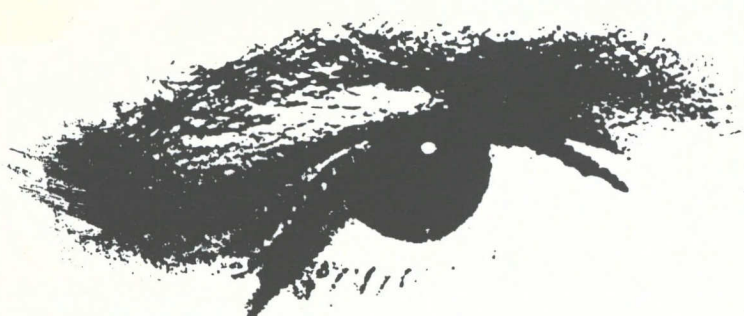
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Fashioning the future

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**FASHION APPAREL
SECTOR CAMPAIGN**

FRAMEWORK FOR PHASE III

apparel



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**FASHION APPAREL
SECTOR CAMPAIGN**

FRAMEWORK FOR PHASE III

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FRAMEWORK FOR PHASE III

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EXECUTIVE SUMMARY

BACKGROUND

The Canadian apparel industry has the necessary ingredients to withstand the increased competition it will face in the global marketplace of the next decade. Manufacturers are well positioned to respond quickly to the ever-changing marketplace; among its customers, the industry has a reputation for service and quality; there is no lack of design talent and capability. However, "the job of rebuilding Canada's competitiveness is one which will require industry and government to work co-operatively toward common objectives"¹

It has been truly stated that smooth and straightforward administration of the Canadian Government's Textile and Apparel policy has remained one of the most difficult challenges within the federal bureaucracy. A variety of fiscal, trade, and industrial development measures have been introduced over the past 15 years in order to protect these industries and provide time for adjustment to global competition.

This effort has involved a number of departments - **Finance; Industry, Science and Technology (ISTC); International Trade Canada (ITC); Revenue Canada; Consumer and Corporate Affairs (CCA); Employment and Immigration (CEIC); Communications (DOC);** - and a range of programs and measures some of which are byzantine in their complexity. Anyone seeking an example of complexity need only read the "Order Respecting the Remission of Customs Duties on Outerwear Fabrics and Outerwear Apparel".

The signing of the Canada/U.S. Free Trade Agreement (FTA) and the beginning of the Uruguay Round of Multilateral Trade Negotiations (MTN) heralded an eventual end to this "protection era". These events also coincided with a change in the attitude of leaders of the apparel industry. There was a growing realization that the 90s would provide the industry with a window of opportunity to prepare for the new competitive environment of the next century. The next decade also provides government with an opportunity to encourage independent action in an industry whose destiny over the past 15 years has seemed, at times, to have been determined as much by the policy decisions of government as by those of its owners and managers.

The objectives of the Fashion Apparel Sector Campaign were to take advantage of these changing attitudes and challenge the industry to consider its competitive weaknesses. Once identified, the next challenge would be to decide on strategies at either a corporate or industry level which would correct those weaknesses and strengthen any competitive advantages.

¹ Canadian Apparel Manufacturers' Institute (CAMI) Canadian Apparel - Competing in Style. July, 1991.

SECTOR CAMPAIGN PHASE II

Industry members were invited to form five committees which would be generally representative of industry demographics and the interests of subsectors and, where necessary, suppliers and client sectors. Officials from External Affairs and International Trade (EAITC) sat on two of the committees. Officials of the Canadian Employment and Immigration Commission (CEIC), and the provinces of Quebec, Ontario, Manitoba, Alberta, and British Columbia were kept fully informed throughout the work of the committees.

The committees were mandated to determine strategies which would correct identified weaknesses and build on identified strengths in five areas;

- a) Export market development,
- b) Market image,
- c) Management and technical skills,
- d) Linkages between designers and manufacturers, and,
- e) Linkages between the industry and domestic fabric manufacturers.

Industry leaders participated enthusiastically in the work of the committees over the period March 1990 to February 1991. A number of studies were commissioned to gather information on domestic and export markets, the industry's market image, the sector-related programs of selected European governments, and the Canadian industry's human resource development needs and practices. In February 1991, the committees produced reports summarising their assessment of the subjects covered by their mandate together with recommendations for industry action. While there was considerable enthusiasm for the future of the Canadian apparel industry, the majority of these recommendations called for urgent and consolidated action by the industry as a whole.

PROPOSED INITIATIVE

The recommendations of the FASC committees were received and endorsed by the leadership of the industry as represented by the Canadian Apparel Manufacturers Institute (CAMI). The creation of a new "Federation" is envisaged, membership in which would be open to individual companies, regional, or sub-sectoral groups. In its paper "**Competing in Style**" CAMI proposes that it be the embryo from which the new national organization might develop. Studies undertaken on behalf of the FASC committees had identified industry-led organizations in both Germany and the United Kingdom which are successfully providing the type of services sought by the committee members. This Federation would provide a number of services to member companies and organize industry wide initiatives which would be difficult or even impossible for individual firms to do on their own. Activities would include:

- cooperative market development and promotion efforts by networks of companies with similar interests;
- better communication between the industry and those responsible for the trade development initiatives of government;

- market analyses of both the U.S. and Canadian markets developed for varying subsectors;
- human resource development programs at both the management and staff levels to be delivered at the regional level to groups of company personnel;
- an industry financed and funded scholarship and internship program;
- distribution of timely consumer, trade, and market data;
- industry linkage activities with consumers, suppliers, retailer-clients, educational institutions, the design community, and governments, and,
- a national organization of apparel designers which would integrate the efforts of these largely self-employed individuals with the industry as a whole.

INITIATIVE FUNDING

The development of such an organization would present a number of challenges. Chief among these are the traditional fragmentation of the industry and the need to ensure sufficient industry funding to maintain operations when government seed-funding ends. CAMI has stated that government funding for any sector campaign initiative should not be accepted until the matter of continuing industry financial support was assured. One of the FASC committee recommendations was that government introduce a compulsory industry "check-off" to ensure industry wide participation and financial support. Although a variety of such schemes exist in countries such as Germany, France and Mexico, industry sectors it was not considered feasible in the Canadian context.

What is proposed is that the administration of a consumer information program presently administered by the Department of Consumer and Corporate Affairs (CCA) be devolved to the industry federation. The federation would introduce a small annual fee to those apparel and textile manufacturer/distributors who were registered under the program. The program applies to only apparel and textile products and has the additional virtue of being non-compulsory. Its operation by the federation would provide both membership "cement" and operating revenue.

THE ROLE OF GOVERNMENT

Officials of the provincial governments and municipalities which have been involved in this initiative, have all expressed the intention to dovetail their initiatives with those of the federal government and the industry, once these were determined. There has been time for only preliminary discussions with the provinces since May when the committees presented their findings to a meeting of industry representatives. As soon as support in principle has been granted, meetings will be held with the relevant provinces to formalize their contribution to the overall initiative. The results of the preliminary discussions suggest that the main interest in dovetailing will be in support of training and human resource development initiatives or of the facilities needed by the regional groups which will deliver many of the services.

At the federal level, the positive response of CCA to the industry proposal to administer the CA Number Program on behalf of the federal government will be essential to implementation of Phase III. As has been stated, the great majority of the Phase II recommendations call for industry wide initiatives. Those in the industry who give their time to work with governments on behalf of the whole apparel sector are firm in their position not to use government financial seed-money for those initiatives unless a mechanism is established to embrace a wider audience and more assured private sector financial support.

ISTC, ITC and CEIC will all be actively involved in the implementation of Phase III. ITC will address the industry's challenge to allow more input into the trade initiatives of the department. CEIC is seeking to duplicate its success with the textile and fur apparel sectors in establishing a joint labour/management committee to plan and launch worker training initiatives. The management and technical skills initiatives of Phase III could be a launching pad for such an effort.

SECTOR CAMPAIGN PROPOSAL

In order to respond to and support the various industry initiatives, it is proposed that:

- **Ensured Private Sector funding** be encouraged by supporting a proposal by the industry to the Minister of Consumer and Corporate Affairs seeking transfer to the industry of the responsibility to administer on behalf of the Minister, the **CA Number Program** authorised under the terms of **The Textile Labelling Act and Regulations**.

- a **Canadian Apparel Federation Program** support the establishment of an industry federation and the introduction of its proposed services. It is recommended that G&C funds amounting to **\$3.426 million** be provided over three years, beginning in 1992/93, under a special program to be submitted to Treasury Board.

- an **Apparel Industry Linkages Program** be established to encourage the development of cooperative endeavour between individual firms in the design/textile/apparel/retail chain. It is recommended that G&C funds amounting to **\$1.2 million** be provided over three years, beginning in 1992/93, under a special program which would be consistent with Sector Campaign Assistance to Industry, Terms and Conditions.

- to ensure a smooth and enthusiastic **launch of the Sector Campaign** and provide for monitoring and management of the proposed programs, **\$450,000** in O&M funds be provided over four years.

The **\$5.076 million** requested, when added to the **\$1.07 million** already expended during the consultation phase, falls within the approval authority of the Minister of Industry, Science and Technology.

CONCLUSION

COMMUNICATION was what Phase II of the Fashion Apparel Sector Campaign was all about; communication between government and industry, between fabric manufacturer and fabric user, between retailer and supplier, between designer and apparel manufacturer. The participants were often surprised at how channels of communication between one group and another had been poorly developed or maintained. The proposals for Phase III are designed to further develop network communications between individual companies in the apparel industry for the benefit of all. There is a dynamism among companies in the Canadian apparel industry which, working in unison, could guarantee success in tomorrow's global markets. The initiatives of Phase III will serve to harness that dynamism.

"The only way to make competitive changes is to pull together. I really sense a change of spirit in the industry. Over the past year, while the ISTC committees were doing their work, people were really eager to come together, share experiences, and develop a knowledge base.

This industry can move mountains if it has the right set of conditions. We're hopeful that the government sees us as an industry that is ready to take its own strategic project in hand and run with it. We hope they support our initiative as an example for other industries looking at their state of competitiveness."

Jack Kivenko, President, Jack Spratt Ltd.;
Chairman, Apparel & Footwear SAGIT;
President, Canadian Apparel Manufacturers'
Institute; Style Magazine Sept 2, 1991.

FRAMEWORK FOR PHASE III

BACKGROUND.

Approximately 20 years ago, Canada's apparel industry entered into a "relationship" with the federal government. On the industry side, the concern was that it would be completely overwhelmed by the competition of low-cost producers in the Far East. On the part of government, the concern was of massive lay-offs and consequent social disruption.

In general, the relationship has not been a happy one. Its aim was to provide a period of stability during which, with government support, the industry could make the necessary changes in order to become more competitive with newly emerging supplier-countries. Three tools were used; import restraint agreements under the Multifibre Arrangement (MFA), tariff barriers which were virtually exempt from the agenda of any subsequent Multi-lateral Trade Negotiations (MTN), and financial assistance to modernize and restructure operations.

There is considerable debate about the relative success of the tools employed. High tariffs and import restraints may have saved the industry from overwhelming competition, but imports now command 60-70% of the market in a number of product areas such as sweaters and tailored collar shirts. While there are examples of individual companies which have adjusted to the changing global environment during the period of protection, there has been little sign until now of any fundamental rethinking of basic production or marketing strategies. This is particularly disturbing given that the nature of the industry demands flexibility and innovation in order to attract and supply the consumer. Those changes which did occur, such as production rationalization by the domestic textile suppliers, served to drive the two industries apart when they could have been forging new, mutually beneficial alliances.

But competitiveness has its enemies within the business community. While paying lip-service to the concept of greater competition and "letting the market decide", far too many are afraid of global competition and want the government to protect them from a cruel marketplace.

Editorial, The Financial Post,
Wednesday, August 14, 1991.

Over the period, dissatisfaction with the government contribution has been common. As manufacturers have become importers in order to develop an integrated line of product at all price ranges, they have increasingly come into conflict with the import restraint measures which they themselves demanded. There have been regular demands for ex-quota or duty remission arrangements in order to deal with "exceptional circumstances". The need to provide input into the government policies which impact on the sector has been the major motivation for any commonality of purpose or effort, at least at the national level. At this level, much of the effort and expense of joint representation have been borne by the owners of the two to three hundred larger companies. Given the fragmentation and extreme competition in the industry, the great majority of small firms have shown little interest in networking.

The beginning of the end of the present government/industry relationship was heralded in 1987 during the negotiations leading up to signing of the Canada/U.S. Free Trade Agreement (FTA). This event and the subsequent commencement of the Uruguay Round of the MTN, presaged a lowering of frontier defences which would not, this time, exempt the apparel and textile industries. Both events accelerated the beginnings of a distinct shift in attitude on the part of apparel industry leaders as they contemplated their needs in the open global marketplace which would emerge by the end of the century.

It was also realized that the 90's offered a window of opportunity to develop the competitive skills necessary to survive, let alone thrive, in that global environment. Industry leaders declared their commitment to the principles of free trade and maintain that position today despite the trade-inhibiting Special Rules of Origin for textiles and apparel written into the FTA at the insistence of the U.S. textile industry.

It is not hard to understand why so many governments make the same mistakes so often in pursuit of national competitiveness: competitive time for companies and political time for governments are fundamentally at odds.

Michael E. Porter, *The Competitive Advantage of Nations*, Harvard Business Review, March-April 1990.

The industry will face a considerable challenge over the next seven to eight years in preparing for the phase-out of tariff and import restraint protection and the arrival of a global market, at least in Canadian terms. Given its extensive involvement in the affairs of the sector over the past 15 years, the federal government of necessity will need to respond in a substantive way to its adjustment and leadership needs. While industry leaders have accepted the challenges which, they acknowledge, the industry itself must address, it is the government which will establish the environment in which those challenges will be tackled. Updated bankruptcy rules, fabric tariffs which compare more favourably with those levied on competitors in other industrialized nations, the same ease of access to foreign markets that Canada grants to other countries are some of the action the industry is calling for from government policy makers. At the same time, industry leaders are asking government to help in establishing the networking and information sharing mechanisms which will be needed to meet the challenges.

To encourage the development of these changing attitudes to the challenge ahead, the Minister of Industry, Science, and Technology in December 1989, approved the funding of the consultation phase of a Fashion Apparel Sector Campaign (FASC). The Campaign provides an opportunity to develop, through in depth industry/government discussion, a new partnership arrangement based on proactive rather than defensive strategic planning.

FOCUS OF THE SECTOR CAMPAIGN

The document² which outlined the objectives of the Sector Campaign stated clearly that the Canadian government believed that the country's apparel industry was a valued national asset.

² Fashion Apparel Sector Strategy. ISTC. December 1989.

The major strength of the industry was seen to be the tough entrepreneurial nature of its owners and managers. Added to this was a perceived distinctiveness of product design in the North American market. It proposed that committees made up of apparel and allied industry representatives be established to consider five areas judged to be of critical concern to the future development and well-being of the sector. The issues which became the focal point for each of the five committees were as follows:

Market Intelligence

The Canadian fashion industries lack both the national and international market intelligence which they need to be able to identify market niches in both the U.S. and Europe. As most firms are small they cannot afford to finance large scale market intelligence gathering. As this is a critical aspect of export market development it was felt that this could be facilitated through appropriate market research efforts. Data gaps include an estimation of the size of the markets for higher-end products in Canada, the U.S. and in individual European countries.

The Market Intelligence and Development Committee was tasked with this issue and given the mandate to determine the best way to develop markets in Canada and abroad for fashion-oriented clothing.

Market Development

The Canadian fashion industry must seek to develop export markets if it is to achieve international competitiveness in the 21st century. A concerted, focused and professionally executed market development strategy which takes into consideration the promotional dictates of the fashion industry must be developed and sustained over a pre-determined period. Now is the time for ISTC and EAITC to work in conjunction with industry in developing such a market development strategy.

Market Image

If Canada is to become a successful exporter of fashion it must identify aspects of its current fashion image, other than winter outerwear, in the U.S. market and, in the longer term, the European market. Canada should identify its strengths and develop a strong fashion image by capitalizing on those identified strengths. For example, Canada may be able to build on aspects of its unique style and quality. The Image Development Committee was asked to determine how to strengthen the image of the apparel industry domestically and create an appropriate image in the international marketplace.

Management & Technical Skills Development

The industry consultations revealed that there is a dire need in the fashion industry for skilled management particularly in the areas of marketing and production. The poor image of the industry makes it difficult to attract the required management talent. Means of increasing the management depth in the apparel industry must be explored and evaluated.

The advent and adoption by Canadian manufacturers of new technologies related to CAD/CAD systems and to Quick Response have expanded the required skills base from one that requires only cut and sew skills to one that also needs specialized technical skills. The industry's sweatshop image hinders its ability to attract new workers to these technical jobs. The Management and Technical Skills Committee was asked to identify ways to develop a greater degree of managerial and technical excellence; to assure a greater degree of management

continuity; to establish a more effective and relevant educational infrastructure; and, to enhance the image of the industry as an employer.

Technology

Technology was not made a component of the consultative phase of the Sector Campaign. As was expressed in the proposal in November 1989, technology issues were seen as being a part of more general education and communication concerns. The industry must look abroad for almost most of its equipment needs and for all of its technological innovation.

Traditionally, the industry's reluctance to invest in technological innovation has been attributed to an aversion to commit resources to capital expenditures. It is becoming evident now that the major obstacle is more a lack of information, training and expertise. The task is therefore more one of continually alerting the industry to innovations and developments, processes for managing technology, the use of new advances by others, the benefits that technology adoption can yield, and the need for in-house staff expertise.

During the consultation phase, the Directorate was also pursuing the promotion of technological issues and introducing them, where appropriate, into the deliberations. The initiatives included;

- an eight company mission to visit apparel plants in Germany in June 1991 coinciding with the world's leading apparel machinery show the **IMB Cologne**. The members of the mission returned committed to the need for more sharing of experience among Canadian companies at the technical level,
- a consultant's report on the **IMB Cologne** and on the North American equivalent, the **Bobbin Show** in Atlanta, Georgia was commissioned and will be the basis of industry seminars,
- a study comparing the rate of adoption of various technologies by apparel manufacturers in Canada, the United States, and Europe. Both of these studies will be distributed to industry.

These activities resulted in some input to the outcome of the Sector Campaign and are reflected in the recommendations.

Designer/Manufacturer Linkages

Recognizing that design can play a significant role in the competitiveness and value-added of a product it was felt that if manufacturers were to offer a more fashion-oriented product, then the designer community must become a more integral part of the industry. Conversely, if designers are to become more internationally recognized through the promotion and sale of their products, they must be backed by strong manufacturing organizations. The Committee was given the mandate to determine how a perceived communication gap between the designer and manufacturer segments might be bridged, and to identify ways in which the design and production elements of the industry could work together towards a successful future.

Textile/Apparel Linkages Committee

The fact that the Canadian fashion industry is not backed by a strong fashion-oriented textile industry is the industry's most significant weakness. Canadian textile and apparel manufacturers must join forces to find areas of common strategic interest. The Textile/Apparel Linkages

Committee was tasked to determine ways and means to foster improved dialogue and to promote stronger linkages and joint initiatives between the textile and apparel industries in Canada.

THE WORK OF THE COMMITTEES

The committees met regularly over a 12-month period beginning in March 1990 and produced their final reports in March 1991. The enthusiasm of the members can be gauged by the heavy schedule of meetings to which they committed themselves. From the beginning of the consultation process, the members of the ISTC Apparel and Footwear Directorate who acted as Secretariat for the five committees, stressed that the exercise was designed to determine what the industry needed to do and should do for itself, without reliance on government. If it could be demonstrated that a representative number of industry members endorsed the views of the various committees, and that there was a corporate will on the part of the industry to implement the basic recommendations, then government would assist their implementation.

In addition to industry representation, officials of External Affairs and International Trade (EAITC) were members of the Market Development and the Image Committees and officials of Employment and Immigration Canada (CEIC) were invited to participate in the meetings of the Management & Technical Skills Committee. Overall participation in the committee activity is summarized in Fig.1. The provinces of Nova Scotia, Quebec, Ontario, Manitoba, Alberta, and British Columbia attended separate briefing sessions. Representatives of the cities of Montreal and Toronto were also briefed on the aims of the Sector Campaign. A summary of the consultations with other levels of government and with federal departments together with an assessment of future involvement in any Phase III Sector Campaign initiative can be found in Appendix D.

COMPOSITION OF COMMITTEES

<u>GEOGRAPHIC</u>		<u>SECTORAL</u>	
ATLANTIC	2	APPAREL MFRS.	36
QUEBEC	24	DESIGNERS	5
ONTARIO	16	TEXTILE MFRS	5
MANITOBA	6	RETAILERS	2
WEST	3	ADVERTISING	1
U.S.	1	MARKETING	1
	--	MEDIA	1
	51		--
		<u>GOVERNMENT</u>	
		EAITC	3
		CEIC	1
		PROVINCIAL	6
		MUNICIPAL	2
			--
			63

Fig.1

Within ISTC, members of the Apparel Sector Team were kept informed of progress in the consultations exercise and, in the case of Ontario and Quebec sector team members, invited to attend the industry committee meetings which were held in one or other of those two cities.

A number of studies were commissioned by one or other of the committees in order to obtain information and better tackle the issues covered by their mandate. These studies are now in the

process of being published for distribution to the industry at large. A description of each of these studies can be found in **Appendix C**.

FINDINGS OF THE INDUSTRY COMMITTEES:

The mandates of the committees have already been stated and the recommendations they finally arrived at are contained in **Appendix A** to this proposal. How each Industry Committee got from one to the other is, perhaps, best recorded in the words of the ISTC officer who acted as Secretariat for each of the Committees.

Market Intelligence and Development Committee: " Committee members recognized the need for the industry to develop comprehensive and focused strategies to take full advantage of the untapped sales potential offered by markets in Canada and abroad. To address the lack of in-depth market data needed to identify and prioritize markets, the Committee commissioned a major data gathering and image assessment survey by a consulting firm. Committee members were impressed by the market and retailer perception information which was reported to them. It became clear that, in addition to export market penetration efforts, an important industry wide task would be to enhance the identity of domestic apparel in the domestic market. Because manufacturers are best placed to determine their needs in the market, the Committee proposed that a national market and image development group be established to prepare detailed market promotion strategies for both domestic and foreign markets. The group would become involved in all aspects of market and image promotion in Canada and abroad including offering market data services on a subscription basis. Over time, the organization would eventually become self-financing."³

Image Development Committee: "Between the time the Committee was established and six months later when the data gathered by the Consultant began to filter through, the focus changed dramatically. It became increasingly apparent that, without the willingness of industry players to invest both in terms of infrastructure and human capital, it would be impossible to create any kind of meaningful image. The Committee became convinced that first, the industry would have to concentrate on re-establishing an awareness in the minds of Canadian retailers and consumers that Canadian designed and manufactured apparel has a high level of excellence, innovation, and integrity. Once these perceptions were recreated, then, and only then, would it be possible to develop and sustain a strong meaningful image in foreign markets."⁴

Management and Technical Skills Committee: "The Committee expressed concern that manufacturers had not been strongly committed to upgrading their management capabilities.

³ Paul Douglas, Apparel & Footwear Directorate, ISTC; Secretary to the Market Intelligence and Development Committee of the FASC.

⁴ Christina Aislabie, Apparel & Footwear Directorate, ISTC; Secretary to the Image Development Committee of the FASC.

They were also critical of the educational infrastructure for its failure to be more responsive to the demands and needs of the industry. The two studies commissioned by the Committee, one on **technical skill needs** and the other on **management skills**, supported the Committee's conviction that, if manufacturers were going to be competitive, they would have to be more visionary and aggressive in acquiring a better knowledge of "best practice" management, in introducing better in-house training programs, and in attracting more professionally qualified managers. More effort would have to be put into upgrading the teaching capabilities, curriculum, and facilities of existing Canadian educational institutions while taking advantage of the programs and courses offered in other countries, particularly the U.S..⁵

Designer/Manufacturer Linkages Committee: "It became apparent to the Committee over the course of its work that several issues related to designers themselves presented an obstacle to the pursuit of their mandate. Because the fashion design community has never been represented by a strong and effective association it had become isolated from the fabric/product/retailer mainstream. It was felt that a fundamental industry misconception about fashion designers and the design process could be corrected through the creation of a national professional fashion designer association which could provide leadership and develop effective linkages with the proposed national federation of apparel manufacturers. This would help to alleviate the problem between the two groups yet allow for some independent thinking and assist in creating new business opportunities..⁶

Textile/Apparel Linkages Committee: "An initial cautious exploration to find common ground evolved into a series of far-ranging discussions. It was felt that a meaningful dialogue between the apparel and textile industries on issues outstanding between them, was long overdue. The members were surprised to uncover a number of mutual concerns, the resolution of which could yield substantial benefits to both industries.

A central theme of the discussions was the need for Canadian textile producers to better satisfy the fabric requirements of apparel producers. Both sides agreed that conflict often arose out of ignorance of each others' products and needs. This had been exacerbated by a chronic lack of collaboration between the two industries in the past. As a result, the committee concluded that, in order to remain viable over the long term, their industries would have to become involved in joint ventures in such areas as R&D to develop new products, product education, and marketing of their products.

The committee also agreed on the need to further improve communication but was fearful that momentum would be lost with its disbandment. The members urged that immediate steps be taken to recruit broader industry participation in order to ensure the implementation of their final recommendations."⁷

⁵ Marvin Zalman, Apparel & Footwear Directorate, ISTC; Secretary to the Management and Technical Skills Committee of the FASC.

⁶ Charlotte Ward, Apparel & Footwear Directorate, ISTC; Secretary to the Designer/Manufacturer Linkages Committee of the FASC.

⁷ Doug Heath, Apparel & Footwear Directorate, and Nita Saville, Textile & Leather Directorate, ISTC; Secretariat to the Textile/Apparel Linkages Committee of the FASC.

MEETING THE CHALLENGE

The major apparel industry association, the Canadian Apparel Manufacturers Institute (CAMI), has been fully involved in FASC developments and discussions. The cooperation and total involvement of CAMI is essential to the success of the Phase III proposals.

At present, CAMI is a federation formally representing only the provincial associations of Quebec, Ontario, and Manitoba. Its two major activities are to provide information services to members and to represent its members at the federal government level in any policy formulation which affects the industry. It works with and provides some services to embryo associations in Alberta and British Columbia. In all of these provinces there are many companies, some of considerable size, which are not members of their provincial association.

The leaders of CAMI are convinced that the industry needs to tackle tomorrow's challenges in a more unified fashion and that the proposed Apparel Federation is the correct vehicle. CAMI would therefore be subsumed into this new organization. More importantly, CAMI would be the existing nucleus from which the new federation would grow. CAMI felt it necessary to publicly commit itself, in principle, to the general thrust of the FASC recommendations and did so through its paper, "Competing in Style".

In our business culture, individual companies are expected to cope by themselves with the massive changes occurring in the competitive environment. Regardless of size, ...firms must manage worker training, procurement, manufacturing operations, R&D, marketing, and sales.

-C. Richard Hatch. "Manufacturing Modernization: Strategies That Don't Work. Strategies That Do." Entrepreneurial Economy Review. Autumn 1990

The CAMI paper draws attention to the basic principle embraced by the FASC Committees that fashion orientation is a crucial consideration in the future competitive success of the industry. However, CAMI agrees with the FASC Committees that other strategies to increase the value added of Canadian apparel could play an even more important role than fashion orientation in helping the industry to make improvements to meet changing competitive challenges.

CAMI states that the task of making these improvements is the responsibility of manufacturers supported by the fashion design sector. These groups must make strong individual efforts to capitalize on their strengths. Most importantly, the industry cannot afford to waste time in adapting to the changing situation.

CAMI agrees on the need for a strong infrastructure involving a national apparel industry group. It feels that a national organization would play a vital role in building for the future by following the examples of successful manufacturers and that of other countries which have mechanisms to deliver services and improve communications among manufacturers. The concept has been labelled a "Canadian Apparel Federation". CAMI believes that the objective of the new organization should be to "oversee the industry's competitive formation". Examples of effective infrastructures, cited by CAMI are the German Fashion Export Council, the British Clothing Industry Association, and the British Knitting and Clothing Export Council, which are heavily involved in promotion and market development domestically and abroad.

"If the objective of these new [federation] programmes is to enhance the competitive position of the industry, it would be inappropriate to rely upon government grants or programme funding to support and maintain the initiative. Not only would such a step reinforce the industry's reliance upon government but it would be contrary to our advice to government to reduce expenditures and put Canada's fiscal and economic house in order. In any event the short term framework for funding poses a problem. Past industry experience with such funding arrangements has been that there are too many conditions attached or that private sector participation does not materialize once the government funding terminates. Thus government grants or programme dollars would be a short term fix to a long term problem and may actually be counter-productive."⁸

Echoing the objective of the Sector Campaign to develop the basis for a new partnership arrangement between government and the sector, the CAMI paper calls on the federal government to play its part in a new partnership by establishing a positive business environment within which the industry would take up the development challenge presented by the FASC. While many of the specific government actions requested by CAMI lie beyond the mandate of ISTC, their pursuit will require a continuation of the active **advocacy role** developed by the Apparel and Footwear Directorate over the past four years.

The recommendations put forward by the five FASC Committees (**Appendix A**) represent positive actions aimed at promoting a vibrant and competitive Canadian apparel industry, capable of taking full advantage of both domestic and international market opportunities. The achievement of this goal requires that the industry make certain adjustments to overcome current weaknesses;

PHASE III REQUIRES:

1. United effort on the part of the industry coast to coast;

2. Industry-wide financial commitment;

CURRENT REALITY IS:

The industry is fragmented at the corporate level and at the association level. For example, in the province of Quebec, for a variety of historical reasons, there are 29 independent industry associations. The perception in many subsectors (e.g. men's suits and women's sportswear) is that their problems differ from those of another subsector. While this is true at the micro level, there is a growing realization that at the macro level of market services or employee training, needs are very similar and can more efficiently be met by a united effort.

Because of the fragmentation at both the corporate and association level, this industry has little experience in funding or supporting joint ventures of the kind envisaged by the committees and supported in this proposal.

⁸ Canadian Apparel Manufacturers Institute, Canadian Apparel: Competing in Style, July 1991.

- | | |
|---|---|
| 3. The staff to develop, organize, sell, and deliver the industry training and market support services proposed; | No organization capable of carrying out the variety of tasks called for in the Committee recommendations presently exists. CAMI, the only industry organization with any claim to represent the industry nationally, has a staff of two people. |
| 4. Good communications between the industry, its suppliers of fabrics and design, and its customers, the retailers. | Because of the fragmentation of the industry at the corporate and association level, the consequent feeling of domination by its domestic supplier and customer base, and the traditional antipathy of the "mainstream" producers to "designers", there has been little development of linkages between these groups. |
| 5. Design as a national resource. | Design has been internationally acknowledged as an important contributor to competitive market share, regardless of the price point. Fashion design in Canada, from education, accreditation, to industry integration, is currently an unstructured resource that is under-utilized. The professional development of designers and the linkage of design with mainstream industry can be a major contributor to the stability and consolidation of industry's domestic market share as well as contributing to the development of an international image. |

A CANADIAN APPAREL FEDERATION

While the constraints described in the previous section are daunting, the Phase II consultative process has marshalled a core of industry players into a group with a commitment to change. The role of ISTC is to act as a catalyst and facilitator of this change. Phase III of the Fashion Apparel Sector Campaign will be a three year program.

Basic to this sector campaign is the proposal that ISTC support the establishment of an industry directed Apparel Federation. A growing trend over the last five to ten years at the national level in certain countries of Europe and at the state level in the U.S. has been to encourage small and medium enterprises (SMEs) to group together in networks to more efficiently provide members with common services. CAMI, the only existing national industry association proposes to transform itself into a more broadly based organization in order to provide the services detailed in **Appendix A** (and summarised in the following pages), to apparel manufacturers and other related companies.

For the first time in the history of the Canadian industry, the creative arm of the industry, as represented by the fashion designers, will join with the production and marketing strength of the industry in common cause. Linkages with the other industries in the apparel chain, textiles and

retail, will be formalised and strengthened. Fig.2 describes the operational side of the proposed organization.

Its direction would be in the hands of a Board of Directors drawn from regional boards formed across the country. This in turn would receive advice from industry committees at the regional and national level which would focus on **Design, Market, Training, and Data Services**, and also on developing **Linkages** to other players in the apparel production and distribution chain.

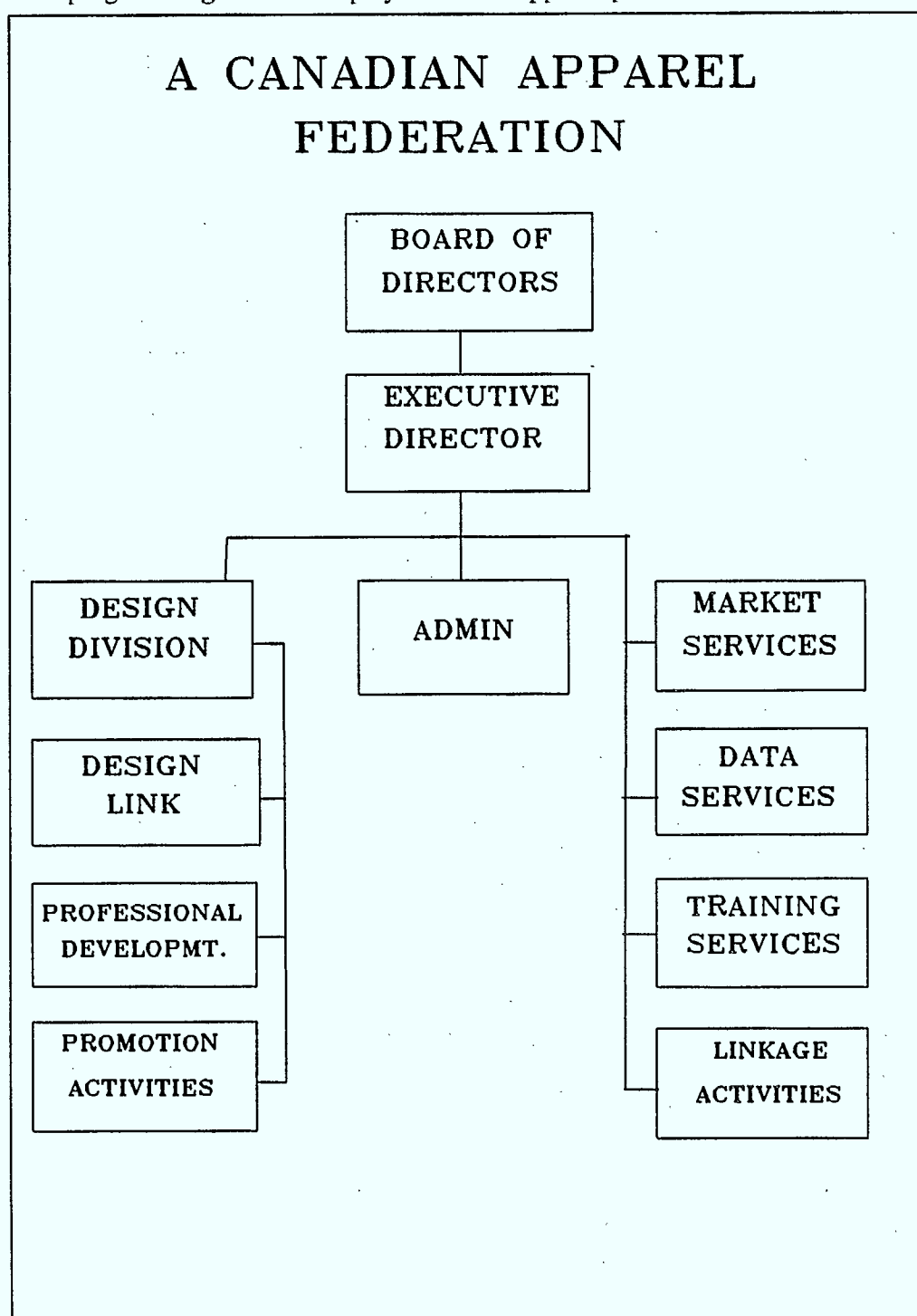


Fig.2

SERVICES OF THE FEDERATION

Market Services

The Market Intelligence and Development Committee of the FASC was critical of the government's export promotion efforts, at least those efforts touching on this industry. Major concerns related to lack of communication, coordination and control. It was pointed out that, on many occasions, major trade show or market promotion initiatives were launched without any consultation with industry representatives who were then canvassed to "come on board" in order to ensure success. Too many projects were "one off" efforts, in themselves contradicting ITC advice to industry that successful export results in any market required a committed, sustained effort over at least three years.

While it was recognized that both ISTC and ITC attempted to reflect the interests of industry groups in producing the annual **International Trade Plan**, direct industry input into this plan of action had never been sought.

There was a perception that eligibility criteria of the **Program for Export Market Development (PEMD)** were weak. It was pointed out that, in the past, companies which were not "export ready" had been included in specific trade show initiatives or received independent PEMD support, particularly in the U.S. market. Their failure to deliver the resulting orders on schedule had created a reputation for unreliability in the minds of a number of U.S. retailers which had attached itself to all Canadian manufacturers.

The recent export success has been partly due to promotion by the Belgian clothing federation through various channels - catalogues, publications, international fairs, distribution of range samples, and TV programmes. All have been aimed at promoting the "Made in Belgium" label, historically overshadowed by the famous French, Italian and, more recently, German brands.

Fitzpatrick Associates, Economic Consultants. The Clothing Industry and the Single European Market, The Economist Intelligence Unit, Special Report 2081, July 1991.

It was acknowledged that the industry was in part responsible for these shortcomings in that it did not provide a focal point which government officials could approach for advice or discussion.

The Federation will provide just such a focal point. It will serve as a network for exporters to communicate with one another nationally and regionally and better cooperate with government trade initiatives. An enhanced level of co-operation and communication with government will greatly improve the quality of these trade initiatives. As well, the Federation will be the ideal vehicle for the industry to provide input to ISTC and ITC in the development of the International Trade Plan.

To further improve the effectiveness of the government's trade initiatives, the Federation would strengthen its relationship of trust with the government and recommend to both industry

participants and PEMD administrators, tighter judgement criteria on the basis of which applications from new would-be exporters could be based.

The Federation will produce a monthly newsletter advertising export and joint venture opportunities, an idea copied from a successful activity of the British industry association.

It will also bring the industry together to organize its own market promotion efforts through regional market weeks, and sub-sectoral cooperative advertising initiatives. Market analysis seminars will also be sponsored.

Training Services

The Management and Technical Skills Committee maintained that the lack of "professional" and continuing management and technical capabilities in all facets of the industry was a major concern which needed to be urgently addressed. While the success of any initiatives would depend on individual companies the Committee called for a national association to take a leadership role in organizing and inspiring its members.

Training, viewed by the U.K. government as the most important area for the clothing industry, will be given a high priority in the 1990s. Local, employer led Training and Enterprise Councils (TECs) have been introduced to supervise and administer all training initiatives.

Fitzpatrick Associates, Economic Consultants, The Clothing Industry and the Single European Market, The Economist Intelligence Unit, Special Report 2081, July 1991.

Activities would include;

- **Upgrading training practices**
 - organizing seminars, courses and workshops to enhance the industry's knowledge of "best practice" techniques;
 - establishing a reference library of appropriate literature, films, and interactive videos;
- **Communication with educational system**
 - providing direction and advice to colleges in curriculum and program development;
 - volunteering industry leaders and managers to act as instructors;
- **Attracting more qualified people**
 - establishing an industry-funded scholarship foundation;
 - organising and funding a student internship program;
- **Improving industry image**
 - involving the industry in career days in high schools and colleges to promote and publicize career prospects.

This would be the first time that the issue of human resource development has been tackled in any formal way at an industry wide level. CEIC hopes to capitalize on the attitudinal changes

which these developments evidence, to enter into a working agreement with the industry to introduce skills-training at the shop floor level. Most of the provinces which have been involved in the consultation phase (**Quebec, Ontario, Manitoba, and Alberta**) have also indicated an interest in complementing federal efforts in the field of training.

The Federation has also received an offer of co-operation and support from the **American Apparel Manufacturers' Association (AAMA)** which operates a most successful education program committee thanks in great part to the support, financial and human, of the large apparel corporations such as Haggar Slacks and Levi-Strauss.

Linkage and Public Relations Activities

In the past, the industry's advocacy efforts have consisted primarily of providing input to government policy formulation on trade, tariff and other industry related issues. The focus was on trade restraints including tariff barriers and bi-lateral import restraint agreements under the MFA. Under Phase III of the Fashion Apparel Sector Campaign, an expanded advocacy role is envisaged for the Canadian Apparel Federation.

The Federation would continue to act as an advocate for the industry with government, focusing on policy issues involving trade and economic barriers to competitiveness. For example, a major element of the marketing/image strategy will be promotional campaigns in U.S. fashion periodicals such as Vogue and Mirabella. Federal legislation limits to five per cent the amount of a foreign magazine's advertising which can refer to Canadian sources of availability. If Canadian manufacturers are to market on a North American rather than a domestic basis, these international magazines provide the most cost efficient way of doing so. Resolution of this and similar issues will be a priority for the Federation.

In addition, the Federation would present the apparel industry viewpoint in forums designed to create linkages with the textile industry, apparel designers and retailers.

The Federation would also act as a clearing house for consumer concerns. It would provide services to consumers making inquiries under the CA Registration Programme as well as provide information in response to common consumer concerns in areas such as garment sizing, labelling, quality evaluation and appropriate care methods.

All of these activities would of course begin at the local level. Regional and provincial committees of industry representatives would network intra regionally/provincially as well as channelling data and positions into national committees.

Once a cluster forms, the whole group of industries becomes mutually supporting. Benefits flow forward, backward, and horizontally. Aggressive rivalry in one industry spreads to others in the cluster, through spin-offs, through the exercise of bargaining power, and through diversification by established companies. Entry from other industries within the cluster spurs upgrading by stimulating diversity in R&D approaches and facilitating the introduction of strategies and skills.

Michael E. Porter, *The Competitive Advantage of Nations*. Harvard Business Review, March-April 1990.

In addition, a more proactive public communications role is envisaged for the industry. This would take the form of a Speakers Bureau made up of industry representatives who would promote the industry by speaking in schools, universities and the community at large. The Federation would represent the views of its members in dealings with the media.

Data Services

Access to timely qualitative data is critical to decision making and the strategic planning process that lies ahead for the apparel industry. Government statistics and informational services are often difficult to access and the quality of the data is often suspect.

With this in mind one of the first and most important activities that the new Federation will embark upon will be the creation of a "fax/back" system that will allow members and public alike to access quality data in a timely manner. This service will, depending on the needs of the user, provide customized data packages for:

In industries like wool cloth, ceramic tiles, and lighting equipment, Italian industry associations invest in market information, process technology, and common infrastructure.

Michael E. Porter, *The Competitive Advantage of Nations*, Harvard Business Review, Mar. - Apr. 1990

- foreign and domestic market intelligence;
- foreign and domestic trade data;
 - MFA & TRQ quota levels and utilization rates;
 - trade statistics;
- foreign and domestic regulatory requirements (e.g. fibre content, care labelling, country of origin, customs tariffs and regulations, safety standards for children's wear and protective clothing);
- CA system statistics;
 - channels of distribution;
 - user numbers;
- buyer/supplier connection;
 - the establishment of a 1-800 telephone number that would utilize an industry data base thus providing the user with a variety of sourcing information.

The first year, set-up and trials, will be the most costly segment of this operation. However, once the service is operational, it will become self-supporting and also generate profit. It is estimated that by year two of operation the system will have broken even and by the end of year three will be generating profits that can be applied to keeping the system up-to-date and be used for other federation activities.

Design Division

The relevance of design within the context of the Canadian industry becomes particularly important when one considers the success of various other countries in penetrating world fashion markets. Paris, long considered the capital of the fashion world, has built its reputation over the past century solely on its innovative design concepts and quality. More recently, Italy and Germany have conquered world markets, like the French, through design innovation and quality.

France's strong international fashion image has made a significant contribution to the economic development of its related industries, for example: cosmetics, perfumes, jewellery, and accessories, and luggage. Out of this related economic development has evolved a lucrative licensing business whereby designers lend their names to various products that are marketed world wide.

It is, therefore, clear that Canada will have to bring design and innovation into the mainstream if it wishes to develop an international fashion image. As noted in the CAMI submission

"Canadian tastes in popular styles and fashion represent a unique combination of cultures, values and environments. Canadian style has developed to a level where clothing design, from the utilitarian to the avant garde, is as much an expression of Canadian ideas as the other arts."⁹

To this end the FASC Designer/Manufacturer Linkages Committee recommended the establishment of a national fashion design council. However, discussion within the steering committee and subsequent discussion acknowledges that a separate council runs contrary to the recommendations of the Designer/Manufacturer Committee and of other Committees regarding a need for integration between the various components of the fashion industry.

There is recognition that the needs and strengths of a designer often differ from those of an apparel manufacturer. However, in keeping with the primary objective of integration, the establishment of a design division within the Federation is believed to be the most practical means to accomplish this goal. The Design Division will be able to address the specific professional development needs of fashion designers while representing the views of designers on the Board of Directors.

Manufacturers and designers alike have indicated that through professional development, closer integration between manufacturers and designers will occur thereby strengthening the vertical structure of the industry. Thus, through the development and application of design, Canadian manufacturers will be in a better position to obtain a competitive edge in the international marketplace.

⁹Canadian Apparel Manufacturers Institute, Canadian Apparel: Competing in Style. July 1991.

In addition to the networking opportunities with manufacturers that will be available through being an integral part of the Federation, additional opportunities will become available as the Federation strengthens its linkages with the textile and retail industries. Apparel manufacturers will in turn benefit from the already strong liaison between designer and organizations such as the Wool Bureau and the Maison du Lin.

Working within the framework of the Canadian Apparel Federation the Design Division will be able to:

- recognize and encourage innovation and design excellence and work towards integrating design and manufacturing;
- address the professional development needs of fashion designers across Canada;
- within the framework of the Federation, participate in the development of a strategy to promote and create an appropriate image for fashion designers and the industry across Canada and in foreign markets; and,
- assist in creating linkages with manufacturers, textile suppliers, retailers and government.

The activities of the Design Division would be concentrated in the following areas:

■ Design Link

- develop a central network where designers can be registered by name together with the specialized service that they offer. The service would be accessible to manufacturers, retailers and suppliers wishing to employ designers on a temporary basis to do freelance, consulting, special projects, seasonal or on an overload work.

Access to the Design Link would be upon payment of a registration fee for the designers and a user fee would be charged to their clients. It is anticipated that the fund generated would support the system and the balance would be applied to other designer activities.

The predominant element is the creation and implementation of "coordination teams" in eight selected regions in France; their management role at the local level of the textile-clothing complex aims at better cooperation between the firms themselves, and favours links between firms and distribution channels.

These regional "coordination teams" are also expected to promote the relationship between clothing firms and designers.

Fitzpatrick Associates, Economic Consultants, The Clothing Industry and the Single European Market, The Economist Intelligence Unit, Special Report 2081, July 1991.

■ Professional Development

- develop workshops, seminars and conferences as required to address issues relating to business activities;
- act as advisor to Canada's educational institutions offering fashion design programs to ensure that Canada's designers receive an education that meets the needs of a competitive and technologically competent industry;
- create, in cooperation with the Apparel Federation and the Provinces, a national standard of education that meets the technical and competitive needs of industry;
- establish an accreditation system that meets a nationally acceptable standards; and,
- act as a coordinator/advisor to various Incubator projects situated in various parts of Canada. Assist with setting the standards for operating an Incubator and the selection of potential candidates.

■ Promotional Activities

- in cooperation with other divisions of the Apparel Federation, develop a national awards program, promoting and rewarding excellence within the industry in design, service to industry, strategic alliances, media activity i.e. photography, journalism, graphics etc; and,
- assist in the development of strategic promotional plans and subsequent projects for designers as integrated members of the Federation.

"...a big part of the problem is the chicken-and-egg situation in which 'you cannot design and make a product until a route to market exists, and you can't market until the product exists'".

John Godfrey, Nations' Business, The Financial Post, October 21, 1991.

FUNDING OF THE FEDERATION (\$3.426 million in G&C funds over 3 years)**Financial Assumptions**

Table 1 sets out the funding requirements for the Federation during its first five years. It supports the confidence that, given the revenue base proposed, the federation could be self sufficient by the end of Year 3. Assumptions on which the revenues are based are set out below;

CA# Fees - The estimate is gross annual revenue. Holders of CA#s would pay to the Federation an annual fee of \$100. There are an estimated 10,000 numbers in active use at the present time. See **p. 21 for a more detailed explanation of this item.**

Market Promotion Fees - The estimate is gross annual revenue. Raised as a service fee on any joint venture marketing projects. The service is modelled on successful services operated by both the U.K. and German apparel manufacturing trade associations.

Membership Fees - The estimate is gross annual revenue.

Conference Income - The estimate is net income after payment of all costs of the conference.

Design Link Fees - The estimate is gross annual income and would offset the annual costs. The estimates assume a break-even operation beginning in Year 4. The U.K. operation on which this initiative is based contributes a profit to the British Clothing Industry Association.

Seminar Income - The estimate is net income after receipt of attendance fees and payment of all expenses.

Data Service Fees - The estimate is gross annual revenue. Data services would be free to Federation members. The assumption is that non-members such as machinery distributors, banks, and other suppliers of services to the industry, would be charged a fee for industry data.

Training Material Fees - The estimate is gross annual income based on rental charges to individual companies or groups for use of the Federation's library of materials.

Publications Income - The estimate is gross annual income.

Scholarship Fund - It is proposed that annual surpluses in the first three years would be invested in this fund which would be administered by a legally constituted Scholarship Foundation. It is anticipated that there would also be corporate donors to the fund.

TABLE 1

**Funding Proposal for the Canadian Apparel Federation
(\$000)**

COSTS	92/93	93/94	94/95	95/96	96/97
Marketing Services:	500	500	400	350	350
Training Services:	300	350	240	200	200
Designer Link:	175	125	125	125	125
Linkage Activities	295	250	250	250	250
CA/Data Services	425	400	400	400	400
Administration	575	550	550	550	550
TOTAL ANNUAL COSTS	2270	2175	1965	1875	1875
Share of: ISTC	2043 (90%)	1088 (50%)	295 (15%)	-	-
Share of: INDUSTRY	227 (10%)	1087 (50%)	1670 (85%)	1875 (100%)	1875 (100%)
Raised from:					
CA # Fees:	-	750	1000	1000	1000
Market Promotion Fees:	-	-	250	300	300
Membership Fees:	250	300	350	350	350
Conference Income:	60	60	60	60	60
Design Link Fees:	-	50	75	125	125
Seminar Income:	-	20	20	20	20
Data Service Fees:	-	20	20	20	20
Training Material Fees:	-	10	10	10	10
Publications Income:	-	5	5	5	5
TOTAL FEDERATION REV.;	310	1215	1790	1890	1890
less; Scholarship fund:	-83	-128	-120	-	-
Share of Industry:	227	1087	1670	1865	1850

Industry Contribution

As noted earlier (p.8), the industry is reluctant to enter into any arrangement with the government to fund initiatives without first being confident that it can uphold its side of the bargain. In its submission "**Competing in Style**", CAMI refers to a number of countries which have established a variety of mechanisms to allow industrial sectors to self-fund industry wide initiatives. It proposes a similar but more modest initiative for Canada in order to provide for the private sector portion of the costs of Phase III of the FASC, the privatization of a section of the **Textile Labelling Act and Regulations**.

Under this Act, manufacturers and distributors of apparel and textile products are required to either print their whole name and address on product labels or a registration number (the CA number). These numbers are issued by Consumer and Corporate Affairs Canada (CCA) upon payment of a one-time fee of \$100 for each CA number. Companies are required to inform CCA of any change in company name or address and various penalties are provided for non-compliance. At present there are 25,000 CA numbers registered in Canada of which, it is estimated, approximately 10,000 could be considered "active".

The CA registration was originally introduced for consumer protection reasons. It allows consumers with questions about an apparel or other textile product to trace the Canadian distributor. In practice, the service is more often used by apparel manufacturers in order to check the source of competitive products, or those supplying the industry in order to develop sales prospects. Information on CA numbers is presently provided by CCA offices across the country, the Montreal office being by far the busiest. Approximately 2000 enquiries were received in a recent 10 day period. Little, if any updating of the files has been done by CCA because of financial and human resource constraints.

The Principle of (maximum feasible) Participation.

The best way to get industry involved in continuous modernization is to put it in charge of the process.

C. Richard Hatch. op. cit.

The industry proposes that the CA registration operation and information service be made the responsibility of the new Canadian Apparel Federation. It further proposes that an annual fee of \$100 be charged to registrants for maintaining the system and for providing a range of other market information services which all registrants would find useful. A number of benefits could result for all parties;

1. The operation would provide the Federation with an activity which would bind not only apparel manufacturers but also importers and retailers into a group with a common interest.
2. The revised fee structure could contribute to the Federation's financial resources needed to support its part of the FASC implementation without requiring an onerous commitment from any single company.

3. Using a 1-800 telephone number and the latest facsimile (FAX) transmission technology, both consumers and business users of this information service would have improved access to the data.
4. CCA could free-up valuable financial and human resources.
5. Implementation would entail a relatively easy amendment to the Textile Labelling Act and Regulations and would in no way undermine the investigative functions and other legal responsibilities or authority of CCA.
6. Since the data is public, with the appropriate software and file maintenance, it could provide both the public and private sectors with valuable and current statistics on the channels of distribution of apparel and other textile products in Canada.
7. Since distributors of apparel and textile products are not compelled to register under the CA number system (the name and address may be printed on the label, if preferred), there would be no perception of compulsion in the new arrangement.

This kind of industry-run registration system would not be unique to apparel. In Canada, the Grocery Products Manufacturers Council (GPMC) has had the responsibility of assigning bar-codes to all firms in all industries on a fee for service basis.

A preliminary meeting has been held with officials of CCA on this issue and encouragement was given to submit a more detailed proposal outlining how the interests of the various players would be protected. The Executive Director of CAMI is now preparing an in-depth proposal to CCA. If the proposal is accepted there would be some up front costs to the industry in establishing the service which the FASC Phase III should support.

It is proposed that the Minister of ISTC support the application of the Canadian Apparel Federation, as represented by CAMI, to assume the duties of administering the CA Registration Programme presently administered by CCA under the terms of the Textile Labelling Act and Regulations.

It is proposed that \$ 3.426 million in G & C funds be approved to support the establishment and operation of the Canadian Apparel Federation during the first three years of operation. A Treasury Board submission seeking approval of a program to share 50% of the aggregate eligible costs will be developed.

ENCOURAGING INTER-FIRM LINKAGES (\$1.2 million in G&C funds over 3 years)

In 1988, ISTC agreed to provide financial support under the Technology Outreach Program (TOP) for the establishment of the Canadian Manufacturers and Retailers Linkages Council (CANMARC) which was formed by the textile, apparel and retail sectors. In its first three years CANMARC has carried out a considerable amount of missionary work to break down long-standing communication barriers between those industries. Its efforts have, to some extent, been frustrated by the recession of the past 18 months as the separate sectors fought to defend their share of shrinking profit margins.

During the deliberations of each of the five industry committees, at one time or another, the need for better co-operation between apparel companies, and between apparel companies and their suppliers and clients was discussed. The need for improved communication and cooperation was included in all of the Committee reports. The type of projects identified included:

- electronic data interchange linkages between fabric manufacturer, apparel producer, and retailer;
- product research, development or design projects involving any two or more of a combination of fabric manufacturer, designer, apparel producer, and retailer; and,
- cooperative market research again involving two companies or more in the fabric/apparel/retail chain.

While a number of companies saw the advantages of such cooperative effort, on too many occasions, lack of trust or fear of risk at the hands of third parties inhibited the development of any project agreement. The proposed Apparel Federation will carry out linkages efforts at the industry level, but encouragement needs to be offered to individual companies to develop improved inter-firm linkages. The program proposed would provide a boost to the continued efforts of CANMARC. Only four to six applications a year are anticipated. Delivery would be a joint responsibility of the relevant Regional Office and the Headquarters Directorate. Within delegated approval authorities, projects would require approval of both the Sector Branch Director General and the Regional Executive Director.

Eligible projects could include "market feasibility and diagnostic studies, technology enhancement or transfer projects, investment promotion, projects to improve production processes, co-operative R&D projects, support for strategic alliances" as set out in Sector Campaign: Assistance to Industry, Terms and Conditions. Departmental support would be conditional on the participants agreeing that, with the exception of commercially confidential details, the progress and results of the project would be recorded and reported for publication as a "case study". Following approval in principle, we propose to consult with an industry panel in drawing up formal applicant and cost eligibility criteria. The Federation would act as an advisory body in selecting appropriate projects and in administering, developing, publishing, and distributing the resulting papers.

Apparel Industry Inter-firm Linkages Program

It is proposed that ISTC contribute up to 50% of the direct costs (to a maximum of \$100,000) of any project which involves more than one firm or other business entity in a joint venture, alliance, partnership, or project, the purpose of which was to improve the development, production, design, or quality of Canadian apparel products.

CAMPAIGN LAUNCH AND ADMINISTRATION (\$450,000 in O&M funds over 4 years)

Following approval of this proposal CAMI will make a formal submission to the Minister of CCA seeking approval for privatization of the CA Number administration. When this is granted in principle, there will be an immediate need to promote the results of Phase II of the FASC across the country. It is our intention to set up a series of "town hall" meetings in the major apparel manufacturing centres to promote the findings and recommendations of the Industry Committees and the mission of the new Apparel Federation. It is anticipated that these meetings would take place in January to March of 1992. This effort would lead up to a national apparel industry conference in May of 1992 which would launch the new federation. All sector players including retailers, suppliers, and apparel importers will be invited to this event and the Minister of ISTC/ITC will be invited to make the major address. Following endorsement by the Sector Campaign a detailed **Communication Plan** will be developed.

It is proposed that \$450,000 in O&M funds be approved to administer the sector campaign over the next four years, and to finance a Communication Strategy including cross Canada meetings and a national industry conference.

SUMMARY OF PROPOSAL

Cash Flow

The table below provides a summary of the cash flow requirements needed to implement the Fashion Apparel Sector Campaign;

	O&M (\$000)				G&C (\$000)		
	91/92	92/93	93/94	94/95	92/93	93/94	94/95
Federation Support	-	-	-	-	2043	1088	295
Inter-firm Linkages	-	-	-	-	400	400	400
"Town Hall" Meetings:	100	-	-	-	-	-	-
Conference:	50	150	-	-	-	-	-
FASC Administration:	-	50	50	50	-	-	-
Total:	150	200	50	50	2443	1488	695

The **\$5.076 million** requested for implementation of Phase III, when added to the **\$1.040 million** expended on the consultation phase is within the approval authority of the Minister of Industry, Science and Technology.

Leverage

The first five years of any organization are regarded as the most critical period of its life. It seems reasonable therefore, to consider the necessary investment in the proposed Fashion Apparel Sector Campaign initiatives over that period of time. It is therefore on this basis that we submit that the summary below compares the financial input of ISTC and the industry over the first five years of the campaign;

	ISTC SHARE (\$000)	INDUSTRY SHARE (\$000)	ISTC/INDUSTRY SHARING RATIO
APPAREL FEDERATION SUPPORT	3426	6734	34/66
INTER-FIRM LINKAGES PROGRAM	1200	1200	50/50
SECTOR CAMPAIGN LAUNCH	300	-	-
SECTOR CAMPAIGN ADMINISTRATION	150	-	-
SCHOLARSHIP FUND	-	331	-
TOTALS:	5076	8265	38/62

ISTC Human Resource Requirements

It is planned that individual officers in the ISTC Apparel and Footwear Directorate will be assigned particular responsibilities to monitor and coordinate program requirements with industry officials during the start-up period of the Federation. Apart from the requirement to monitor the financial aspects of the project, the coordination of the Apparel Federation's efforts with those of other government departments will require a leadership role by ISTC officials. The "town-hall" meetings and preparations leading up to the conference in May 1992 will require a concentrated effort. It is therefore estimated that **1.5 PYs in 1992/93** and **1.0 PY in each of the succeeding three years** will be required and will be assigned from the existing resources of the Apparel and Footwear Directorate.

ECONOMIC CONSEQUENCES

The long term objective of the Fashion Apparel Sector Campaign is to better equip the Canadian apparel industry to compete vigorously and successfully in the more open markets now emerging in this sector which will become even more liberalized by the year 2000. Perhaps more importantly, it provides an opportunity for a fragmented industry characterized by a majority of small and medium sized companies to find common purpose in facing these challenges. Corporate networking in fragmented sectors such as apparel is a growing phenomenon in Europe as small companies find there is strength in numbers, not only in

lobbying government but in tackling markets or training employees. The success of this ISTC initiative will benefit Canada economically in the following ways;

Skills Upgrading

It is estimated that the apparel industry presently employs around 95,000 Canadians. The study on technical skill needs commissioned during the consultation phase shows that the primary means for recruitment of technical and management personnel in Canadian apparel companies has been promotion from within the industry. Traditionally, the industry has been a point of entry to the workplace for groups such as "new Canadians" or those with a low level of job skills. The industry recognises that it can do much more to train and upgrade the skills and motivation of its managers and workers and sees the **Federation** as an essential vehicle in accomplishing that task. While employment in the sector is expected to shrink further over the rest of the decade, success in this endeavour will provide essential and more attractive employment opportunities.

Made in Canada by Canadians

The Canadian apparel industry is 99% domestically owned. "If employment is the only standard by which we judge industrial investment, there is no difference between the contribution made by Canadian or foreign owned companies. But there is an important difference in other respects, including the level of commitment that Canadian owned companies bring to Canada's economic future."¹⁰ The apparel sector in Canada is an essential source for

Government policies that succeed are those that create an environment in which companies can gain competitive advantage rather than those that involve government directly in the process, except in nations early in the development process. It is an indirect, rather than a direct, role.

Michael E. Porter, *The Competitive Advantage of Nations*, Harvard Business Review, March-April 1990.

the development of new Canadian entrepreneurs. A more difficult aspect to quantify is the contribution of **image** to international economic success. The Department of Communications is currently exploring the extent to which design, (and this applies particularly to apparel design), determines the image of a nation internationally. Studies commissioned during the consultation phase of this sector campaign highlighted the perception among U.S. buyers familiar with Canadian apparel, that the product was of high quality and provided an attractive bridge between European and North American styles. The problem was that not enough U.S. buyers were familiar with Canadian product. The success of the **Federation** in spreading and strengthening this image in the United States should not only sell more Canadian clothing but contribute to the marketing of other Canadian products.

Product Upgrading and Innovation

A major point of the proposal for Phase II of this Sector Campaign was that the appropriate strategy for the Canadian apparel industry was to move up-market in product design and fabric

¹⁰ Canadian Apparel Manufacturers' Institute, Canadian Apparel: Competing in Style July 1991.

content. The industry Committees responded that there were other ways to compete and add value through better service, better quality, flexible manufacturing ability, and just-in-time delivery agreements with retailers. However, during the Phase II consultation period, a small but growing number of Canadian manufacturers have moved to incorporate more design content in their products. **The inclusion of designers within the proposed Federation** will serve to further develop an awareness among Canadian manufacturers of the competitive edge that in-house original design can give them.

Import Replacement and Export Development

Studies commissioned during Phase II revealed the Canadian apparel industry's lack of identity in its domestic market, let alone in the United States, its primary export market. Individual Canadian apparel companies could never correct this situation. The Apparel Federation, by encouraging and organizing inter-company co-operation will have a better chance. The first priority identified by the Market Development and Intelligence Committee was to re-establish the image of Canadian labels in their own market. Their major target will not be the low cost supply countries which are expected to take an even larger share of the Canadian market over the next seven to ten years. In fact domestic manufacturers are themselves increasingly becoming importers of this product. The major effort of the Federation will be to group the resources of members to replace U.S. and European imports. Based on this domestic experience, the federation will be better able to support group efforts into the U.S. market.

Competitiveness

Increased skills, heightened quality image, increased presence in the domestic market, proactive relationships with both domestic suppliers, retail clients, and consumers; these are all outcomes which an active Apparel Federation can foster by encouraging the realization in this industry of the strength of numbers. The success of the Federation will be measured in the increasingly competitive edge of its individual members.

CONCLUSION

If one word was required to sum up the efforts and the results of Phase II of the Fashion Apparel Sector Campaign, it would be **COMMUNICATION**. Incidents during the meetings of the various industry committees provided constant reminders that effective communication could not have been common outside the activities of this initiative; fabric and apparel manufacturers enthusiastic to continue their dialogue beyond the term of the sector campaign; - two manufacturers sharing insights about a particular segment of the American market; - group reaction following a presentation of U.S. image or market data. These and many similar incidents pointed out the value of networking and the neglect of the practice in the Canadian apparel industry today.

We believe that the successful establishment of an apparel federation and a fashion design division, delivering the services outlined in this submission, will provide the force which will stimulate and fuel ongoing efforts in communication and networking within the industry. Knowledge-sharing is one of the principal activities of ISTC in the pursuit of its mandate. The

various initiatives around the countries of Europe and in the United States described in the side-notes scattered throughout this submission, suggest that knowledge-sharing within industry, far from inhibiting competitiveness, stimulates the process.

At the beginning of the next century, the Canadian apparel industry will almost certainly be smaller than it is today. The companies which are a part of that future industry will need to be more competitive, more far-sighted, and more dynamic than a large number of those which now exist. The initiatives proposed for this sector campaign will assist them:

Government's proper role is as a catalyst and challenger; it is to encourage - or even to push - companies to raise their aspirations and move to higher levels of competitive performance, even though this process may be inherently unpleasant and difficult. Government cannot create competitive industries; only companies can do that.

Michael E. Porter, *The Competitive Advantage of Nations*, The Harvard Business Review, March-April 1990.

- through domestic market knowledge and promotion, to develop a new and more solid identity in their own market;
- through foreign market knowledge and promotion, to move from that domestic base to develop export markets, initially in the U.S. and subsequently Europe and Asia;
- through training and human resource development, to develop in management and personnel corporate pride in the realization that service and quality are products, not of the company, but of the people in the company;
- through effective communication with the community, to attract the young people who will lead those companies who survive and prosper, in the next century;
- through the professional development and integration of designers into the mainstream of industry to upgrade product acceptance and create a unique Canadian image;
- through cooperation with suppliers to develop new and distinctive fabrications and faster turnaround times; and,
- through cooperation with retailers, to achieve improved market share, faster merchandising cycles and reduce inventories.

A handful of companies in Canada is already doing these things. The networking initiatives proposed by the industry in the course of the sector campaign could encourage many more to emulate them.

APPENDIX A

INDUSTRY COMMITTEE RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	REMARKS
MARKETS	1. Formation of a national market and image development group.(MD-ID)	Service of the proposed new Apparel Federation.
	2. Identification and development of markets in Canada and abroad. (MD-ID)	Activity of the proposed new Apparel Federation
	3. Provision of market data and services. (MD-ID)	Service of the proposed new Apparel Federation. ISTC seed funding sought.
	4. Industry-funded incentives for the apparel and textile sectors to apply more resources to fashion and market research and development activities. (TAL)	Phase III Linkages Program proposal
	5. Identify pilot projects which would be used to develop innovative and integrated approaches to fashion development and marketing.	Phase III Linkages Program proposal
	6. The development of more frequent market weeks. The Council would also attempt to promote truly national shows. (MD-ID)	Activity of the proposed new Apparel Federation
	7. Reaching potential foreign buyers of Canadian apparel through a media campaign.(MD-ID)	Activity of the proposed new Apparel Federation
	8. Create a 'buyer-supplier' connection through the use of an industry database and a toll-free telephone number. (MD-ID)	Service of the proposed new Apparel Federation.
	9. Direct mail promotion campaign directed at the U.S. retail buyer level. Advertising in trade media. Support Canada's show participation and other export initiatives. (MD-ID)	Activity of the proposed new Apparel Federation
	10. The Council would develop priorities for show participation and foreign missions on an industry-wide basis. (MD-ID)	Activity of the proposed new Apparel Federation

Individual recommendations are identified as being from the reports of the following FASC Industry Committees;

MD-ID Report of the Market Intelligence and Development Committee and the Image Development Committee.

TAL Report of the Textile/Apparel Linkages Committee.

MTS Report of the Management and Technical Skills Development Committee.

DML Report of the Designer/Manufacturer Linkages Committee.

ISSUE	RECOMMENDATIONS	REMARKS
	11. The Council would be responsible for industry participation in trade missions. (MD-ID)	Activity of the proposed new Apparel Federation
	12. Maintain industry presence in the U.S. by opening an office in New York on Seventh Avenue for meetings or conferences and to provide showroom space with a runway. (MD-ID)	Implementation at a later date
	13. An annual strategy would be devised and submitted to the Department of External Affairs and International Trade (EAITC) in advance of each fiscal year to assist the government in preparing its international trade promotion plan. (MD-ID)	Activity of the proposed new Apparel Federation
	14. In co-operation with EAITC, co-ordinate incoming buyers' missions and facilitate contacts between interested foreign buyers and Canadian suppliers. (MD-ID)	Activity of the proposed new Apparel Federation
	15. Establish a national, low-cost market data service. (MD-ID)	Service of the proposed new Apparel Federation.
	16. Provide detailed market data on the U.S. (MD-ID)	Service of the proposed new Apparel Federation.
	17. Great Britain and Germany are the only two other countries researched by this Committee which offer the potential for Canadian apparel exporters.(MD-ID)	
	18. The proposed Council could act as a clearing house for foreign inquiries about market opportunities or joint venture possibilities. (MD-ID)	Service of the proposed new Apparel Federation.
	19. Publish a regular newsletter. (MD-ID)	Service of the proposed new Apparel Federation.
SKILLS	1. Program to improve design capability. (DML)	Activity of the proposed new Apparel Federation

Individual recommendations are identified as being from the reports of the following FASC Industry Committees;

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TAL Report of the Textile/Apparel Linkages Committee.

MTS Report of the Management and Technical Skills Development Committee.

DML Report of the Designer/Manufacturer Linkages Committee.

ISSUE	RECOMMENDATIONS	REMARKS
	2. Colleges and universities should modify their fashion design curriculums with new program development to better match identified industry needs. (DML)	Activity of the proposed new Apparel Federation
	3. Develop information resources for integration at the curriculum development level. Work with the schools to develop industry visits and placement program. (DML) (MTS)	Activity of the proposed new Apparel Federation
	4. Develop accreditation for standards for all college courses. (DML)	Activity of the proposed new Apparel Federation
	5. Investigate education and training in other countries, particularly Germany and the U.K. (DML)	Activity of the proposed new Apparel Federation
	6. Establish a program to upgrade or improve design capability. Two components - the acquisition of design technology and the utilization of design consultancy services. (DML)	Activity of the proposed new Apparel Federation
	7. Through the Canadian Labour Force Development Board establish, fashion design apprenticeship and training programs. Special computer training programs incorporating state of the art technologies, such as CAD/CAM systems should also be developed. (DML)	ISTC advocacy activity to bring CEIC and industry together.
	8. Appoint an apparel industry representative to the Canadian Labour Force Development Board. (DML)	ISTC advocacy activity to bring CEIC and industry together.
	9. Encourage new design talent, with a relevant industry apprenticeship and incubator placement program. (DML)	Activity of proposed new National Designer Association.
	10. Establish and manage an industry scholarship program. (MTS)	Activity of the proposed new Apparel Federation
	11. The provision of education and information services to enlarge the pool of export-ready Canadian apparel manufacturers (MD-ID)	Activity of the proposed new Apparel Federation

Individual recommendations are identified as being from the reports of the following FASC Industry Committees;

MD-ID Report of the Market Intelligence and Development Committee and the Image Development Committee.

TAL Report of the Textile/Apparel Linkages Committee.

MTS Report of the Management and Technical Skills Development Committee.

DML Report of the Designer/Manufacturer Linkages Committee.

ISSUE	RECOMMENDATIONS	REMARKS
	12. Work with EAITC to develop a low-cost training programme for new exporters. The Council would work closely with EAITC officials who administer the Program for Export Market Development (PEMD). (MD-ID)	Activity of the proposed new Apparel Federation
	13. Provide direction to colleges and schools in curriculum design. (MTS)	Activity of the proposed new Apparel Federation
	14. Participate in industry career days in schools and colleges. (MTS)	Activity of the proposed new Apparel Federation
	15. Encourage and support student internships in member companies. (MTS)	Activity of the proposed new Apparel Federation. ISTC seed funding sought
	16. Develop a liaison with U.S. colleges, technical centres, and the American Apparel Manufacturers Association. (MTS)	Activity of the proposed new Apparel Federation
	17. Develop a series of management workshops, seminars, and conferences. (MTS)	Activity of the proposed new Apparel Federation. ISTC seed funding sought.
	18. Establish a reference library of publications and educational materials. (MTS)	Activity of the proposed new Apparel Federation. ISTC seed funding sought.
	19. Build up a technical skills program with a three step evolution; 1: using self-teach programs (interactive videos, correspondence courses); 2: organizing locally held workshops for one or more companies; 3: developing a "hub and spoke" service whereby, at a centrally located school employees could participate in either one-semester or two-term co-op programs.	Activity of the proposed new Apparel Federation. ISTC seed funding sought.
IMAGE	1. The development of a detailed image and marketing strategy in Canada designed to heighten retail and consumer awareness of Canadian apparel (MD-ID)	Activity of the proposed new Apparel Federation
	2. Promotion should emphasize retail buyers in foreign markets. (MD-ID)	Activity of the proposed new Apparel Federation

Individual recommendations are identified as being from the reports of the following FASC Industry Committees;

MD-ID Report of the Market Intelligence and Development Committee and the Image Development Committee.

TAL Report of the Textile/Apparel Linkages Committee.

MTS Report of the Management and Technical Skills Development Committee.

DML Report of the Designer/Manufacturer Linkages Committee.

ISSUE	RECOMMENDATIONS	REMARKS
	3. Image promotion to help position the apparel industry within the top half of the market. (MD-ID)	
	4. Image promotion to make Canadian retailers and consumers more aware of the high level of excellence, integrity and innovation that exists within the apparel industry. (MD-ID)	Activity of the proposed new Apparel Federation
	5. In the domestic market develop appropriate strategies and related promotional initiatives designed to highlight the fashion/value image of Canadian apparel. (MD-ID)	Activity of the proposed new Apparel Federation
	6. Develop an advertising supplement or booklet aimed at retail buyers and highlighting Canadian fashion on a seasonal basis. (MD-ID)	Activity of the proposed new Apparel Federation
	7. Informational news releases on Canadian fashion trends to retailers and fashion press (MD-ID)	Activity of the proposed new Apparel Federation
	8. A national fashion week bi-annually to promote the ongoing visibility of Canadian fashion. (MD-ID)	Activity of the proposed new Apparel Federation
	9. A speakers bureau involving manufacturers or retailers who would be prepared to speak to schools, community groups and the media about the Canadian apparel industry (MD-ID)	Activity of the proposed new Apparel Federation
	10. The Market Development Council would work to develop sub-sector specific co-op advertising which would be keyed into the national campaign theme. In some instances, this might include participation by retailers and textile firms. (MD-ID)	Activity of the proposed new Apparel Federation

Individual recommendations are identified as being from the reports of the following FASC Industry Committees;

MD-ID Report of the Market Intelligence and Development Committee and the Image Development Committee.

TAL Report of the Textile/Apparel Linkages Committee.

MTS Report of the Management and Technical Skills Development Committee.

DML Report of the Designer/Manufacturer Linkages Committee.

ISSUE	RECOMMENDATIONS	REMARKS
NETWORKING	1. A regular forum or vehicle should be developed for the textile and clothing industries to facilitate ongoing dialogue, the exchange of ideas, news items, problems, solutions and issues extending beyond the respective mandates of existing industry associations.(TAL)	Cooperative activity of the proposed new Apparel Federation and the Canadian Textile Institute (CTI).
	2. Develop a single, comprehensive Apparel/Textile Directory where supplier of particular might be more easily located. (TAL)	Cooperative activity of the proposed new Apparel Federation and the Canadian Textile Institute (CTI).
	3. Develop a single, comprehensive Directory of Retailers of apparel and textile products. (TAL)	Cooperative activity of the proposed new Apparel Federation and the Canadian Textile Institute (CTI).
	4. ISTC work with and financially assist the implementation of one or two EDI pilot projects between apparel producers, textile producers and retailers, which could be used as a model to promote this important business partnership strategy among the three distinct sectors. (TAL)	Phase III Linkages Program proposal
	5. Industry should form a national fashion design organization to provide an effective, professional voice for the Canadian fashion design community. (DML)	ISTC seed funding sought.
	6. Industry should establish a Design Link, similar in function to the British Register of Apparel and Textile Designers (RATD) , to provide a communication and commercial link between the fashion design community and apparel/textile manufacturers and other designer-related services. (DML)	Activity of proposed new National Designer Association. ISTC seed funding sought.
	7. Apparel manufacturers/designers, retailers, fibre and textile producers and government should identify pilot projects which would be used to develop innovative and integrated approaches to fashion development and retailing. (DML)	Phase III Linkages Program proposal

Individual recommendations are identified as being from the reports of the following FASC Industry Committees;

MD-ID Report of the Market Intelligence and Development Committee and the Image Development Committee.

TAL Report of the Textile/Apparel Linkages Committee.

MTS Report of the Management and Technical Skills Development Committee.

DML Report of the Designer/Manufacturer Linkages Committee.

ISSUE	RECOMMENDATIONS	REMARKS
	8. Establish a regular national conference involving manufacturers, suppliers, designers and retailers to highlight the Canadian fashion outlook for the coming period. (MD-ID)	Activity of the proposed new Apparel Federation
OTHER	1. The textile industry should adopt a uniform fabric specification format. (TAL)	Cooperative activity of the proposed new Apparel Federation and the Canadian Textile Institute (CTI).
	2. Stimulate the recognition of design excellence and outstanding achievement through a system of competitions and awards. (DML)	Activity of the proposed new Apparel Federation. ISTC seed funding sought.
	3. The development of an industry awards program for designers and manufacturers highlighting achievements in excellence and innovation. (MD-ID)	Activity of the proposed new Apparel Federation. ISTC seed funding sought.
	4. ISTC should publicize and encourage the use of their Advanced Manufacturing Technology Application Program (AMTAP) as a first step in assessing the feasibility of substantially upgrading manufacturing processes, such as design, with CAD/CAM systems. (DML)	
	5. Governments should ensure through loan guarantee programs that apparel manufacturers/designers have access to available financing such as, start-up funding, secured loans, low interest loans, long term repayment schedules. (DML)	
	6. Government and industry should identify new sources of funding and investment for apparel firms. (DML)	

Individual recommendations are identified as being from the reports of the following FASC Industry Committees;

- MD-ID Report of the Market Intelligence and Development Committee and the Image Development Committee.
- TAL Report of the Textile/Apparel Linkages Committee.
- MTS Report of the Management and Technical Skills Development Committee.
- DML Report of the Designer/Manufacturer Linkages Committee.

ISSUE	RECOMMENDATIONS	REMARKS
	7. Up-to-the-moment source of trade data would be very useful for apparel manufacturers. This service could be the marketing arm for data now being gathered by the Special Trade Relations Bureau such as quota and TRQ utilization rates; import and export statistics; and information about regulatory issues affecting trade in apparel and textiles. (MD-ID)	Activity of the proposed new Apparel Federation

Individual recommendations are identified as being from the reports of the following FASC Industry Committees;

- MD-ID** Report of the Market Intelligence and Development Committee and the Image Development Committee.
- TAL** Report of the Textile/Apparel Linkages Committee.
- MTS** Report of the Management and Technical Skills Development Committee.
- DML** Report of the Designer/Manufacturer Linkages Committee.

APPENDIX B

THE APPAREL INDUSTRY IN CANADA AND THE INTERNATIONAL MARKET

THE APPAREL INDUSTRY

The structure of the industry is characterized by a preponderance of small entrepreneurial establishments. Half the jobs and the value of shipments are provided by firms with less than 100 employees. The other half is provided by the roughly 11 percent of firms which have more than 100 workers. There is little upstream integration in the industry with virtually all firms purchasing apparel fabrics and yarns from textile mills. With notable exceptions such as the Dylex Group, there is also very little downstream integration. Most apparel firms deal at arms length with their retail customers.

Predominantly Canadian-owned (99 percent), the industry employs about 100,000 people in approximately 2,500 establishments. The industry tends to be located in major centres close to the large consumer markets and large pools of semi-skilled or unskilled labour. Apparel production is a significant part of the economy of Canada's major cities accounting for roughly 18 percent, 17 percent, and 6 percent of all manufacturing employment in the metropolitan areas of Montreal, Winnipeg, and Toronto respectively. Québec provides around 58 percent of employment, Ontario accounts for 30 percent, and the prairies (largely Manitoba) for 8 percent.

In 1989, industry shipments were valued (wholesale prices) at about \$6 billion including approximately \$.2 billion in exports, mostly (80 percent) to the U.S.

Manufacturers are placing greater emphasis on acquiring the latest world-wide technological advances in apparel production. With equipment becoming more automated and computerized, its adoption has resulted in improved manufacturing efficiencies and greater flexibility. This emphasis on technology is concentrated in the larger firms which have the necessary financial and technical resources as well as greater economies of scale.

As well, advanced information technologies are compelling manufacturers to re-assess their traditional marketing practices. The more dynamic firms are adopting the technologies needed to provide "just-in-time" services which the retailers increasingly demand. ISTC will be providing \$1 million to the Canadian Manufacturers and Retailers Council over the next 4 years under the Technology Outreach Program to assist retailers, manufacturers and raw material suppliers to develop and adopt these strategies.

Ranked in comparison to other manufacturing industries (1988 data), apparel is eighth in terms of total employment. The industry has performed quite well financially in comparison to other manufacturing sectors. The industry has generally maintained its profitability and long-term debt-to-equity position over the past ten years. The relatively low ratio in apparel manufacturing (7.1 percent in 1987 compared to 23.2 percent for all manufacturing) is due to its lower capital requirements and reliance on short-term credit. For the same reasons, the after-tax profit on capital employed by the industry from 1973 to 1987 has remained higher than that of all manufacturing (12.2 percent compared with 8 percent for all manufacturing in 1987). In

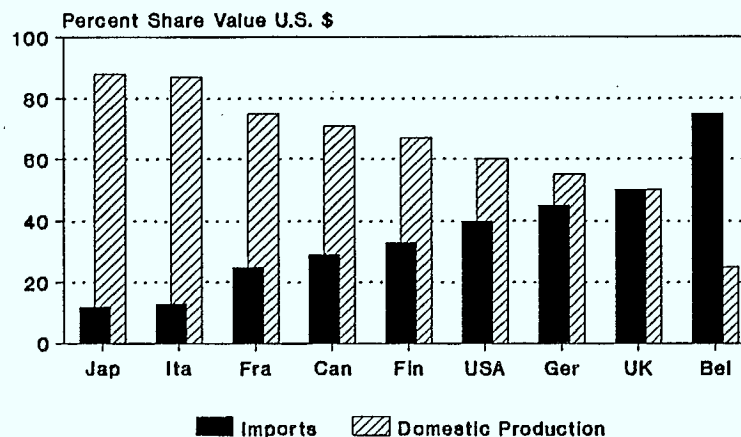
1987, the after tax profit on total income in the industry was 3.2 percent, compared with 4.4 percent for all manufacturing.

There are two important factors affecting the competitiveness of the apparel industry. These are international trade liberalization and raw material availability.

First, trade liberalization should be discussed. Export opportunities are hampered by a range of tariff and non-tariff barriers which the current round of multi-lateral trade negotiations (MTNs) and, more importantly, the Canada/U.S. Free Trade Agreement (FTA) should help to liberalize. On the other side of the coin, the FTA and MTN tariff reductions will lead to increased import penetration in Canada. On balance the apparel industry should be able to sustain a reasonable liberalization of the Multi-Fibre Arrangement (MFA) restraints and tariff levels on finished apparel if phased in gradually and progressively over an acceptable period of time and if accompanied by strengthened General Agreement on Tariffs and Trade (GATT) rules and disciplines.

The question of import competitiveness should be placed in the proper perspective. Between 1975 and 1986, the Canadian market for apparel (in units) increased by 18 percent. During the same period, the volume of foreign apparel entering Canada grew by 27 percent and increased its share of the market from 35 percent in 1975 to 41 percent in 1988 despite high tariff protection (25 percent) and bilateral import restraint arrangements. The share of the domestic market held by the industry compares favourably with that held by other industrialized countries which are major players in apparel. The following table shows that Canada may rank behind Japan, Italy and France but it ranks ahead of the U.S., West Germany and the U.K. This observation must be considered in light of the fact that Canada's apparel market is relatively small thus dissuading the large low-cost suppliers from targeting the Canadian market in the same way they target the U.S. and European markets.

DOMESTIC MARKET PROFILES 1987 Selected OECD Countries



Sources:
Statistics Canada
International Apparel Federation

Imports have nonetheless gained an increasingly significant portion of the Canadian market over the years. Since 1975, the crucial developments in the import situation have been:

- i) the substantial increase (from 16% in 1975 to 28% in 1989) in the share of the apparel market (current dollars) supplied by foreign manufacturers, mostly low-cost; and
- ii) almost all of the growth in the market since the 1982-1983 recession has been supplied by foreign manufacturers.

The government's response to increased import penetration has been to attempt to provide market stability for the apparel (and textile) industry by following an import restraint policy. Apparel manufacturers argued that they needed special protection to give them flexibility to adjust to the difficult circumstances. The policy has involved the negotiation of bilateral quantitative restraint agreements with individual low-cost countries under the GATT sponsored MFA.

It appears that attitudes towards import controls are now changing. Manufacturers realize they must become internationally competitive if they are to survive in an international trading environment. In fact, many manufacturers have combined importing with domestic manufacture to maximize returns. It is also interesting to note that even during these years of import restraints, Canadian fashion-oriented firms have been born and have grown to become success stories.

Next, let's examine the other important factor affecting industry competitiveness. Fabric accounts for about 45 percent to 55 percent of the average production cost of apparel. Apparel firms rely heavily on imported fabrics which on average account for 55% of their total purchases. In the case of more fashion-oriented firms though, imported fabrics can account for over 90 percent of fabrics used. These firms cite the limited diversity and narrow fashion appeal of Canadian-made woven fabrics as the primary reason for this. The duties payable on these fabrics (trade-weighted average of 21.5% for fabrics and, indirectly, 13% for yarns) increase the manufacturing cost for apparel manufacturers by up to ten percent.

The fabric costs in the industry are generally more than those of manufacturers in low-cost countries. The industry is also at a disadvantage with respect to manufacturers in the U.S. and the EC given that the fabric tariffs maintained by both are between one-third and one-half the Canadian rates. It is expected that the government's proposal to reduce Canada's textile tariffs over the next ten years to levels comparable to those of other industrialized countries (now before the Canadian International Trade Tribunal) will address this concern.

The apparel industry has shown itself to be quite resilient despite the difficulties which it has faced. These include the small size of the domestic market, labour intensity, the corporate fragmentation in some product categories and, as noted earlier, the import situation and the inability of domestic fabric manufacturers to provide the range of products needed by the changing apparel producers.

The industry has maintained its viability by building upon its strengths. These include a diversified product range, high product quality, imaginative fashion orientation, flexible manufacturing plants, relatively good profitability and a capacity to compete well with

industrialized countries such as the U.S.A. Some of the more successful manufacturers have moved out of the lowest price ranges where low-cost import competition is the strongest and now operate in market niches which are more difficult to penetrate by offshore sources. The more progressive firms are investing in new technology to improve production efficiency, are quickening their response to their customers' needs. Firms are also importing directly to complement their domestic production.

THE INTERNATIONAL MARKET

Since 1973, world production of textiles and textile products has been growing at an average annual rate of 1% (value added basis) and that of apparel at the rate of 4%. On a volume basis, between 1973 and 1986, there was essentially zero growth in both the production of textiles and apparel in the industrialized countries whereas the developing countries grew at the average rate of 2.4% and 3.7% respectively. Developing countries have therefore been capturing an increasing share of world textile and apparel activity from the industrialized countries particularly in North America as the share of the EC has shown little change since the early 1960s.

Nevertheless, industrialized countries still accounted for 75% of apparel production on a value basis in 1980, down from 92% in 1953. The share of Western Europe has changed very little in the post-war period (at around 30%), whereas North America's share declined from an estimated 59% in 1953 to 33% in 1980. The share by value basis held by industrialized countries reflects their concentration on higher-value added products rather than on commodity-type products.

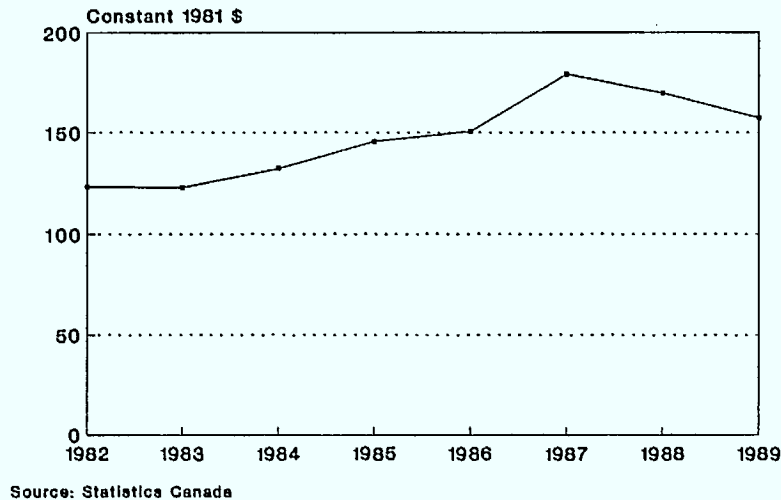
In 1986, the value of world exports of all apparel was estimated to have been U.S. \$62 billion of which Canada had less than a .5 percent share. The largest share by a single country is that of Hong Kong with 14 %, and Italy with 12 %. The European Community (EC) has a 36% share of the global market. It seems that Canada could double its share of world exports without any disruption to the international market.

The centres of world apparel production are not synonymous with what are considered the fashion capitals: Paris, Milan, London, New York, and Tokyo. A small selection of haute couture designers, mostly based in these markets, are considered lead players in influencing the global downstream markets. These are renowned designers such as Yves St-Laurent, Giorgio Armani or design houses such as The House of Dior and Chanel. The competition between the various leaders is considered to be more pronounced than in other creative industries such as film or music. Twice a year the new designer collections are shown within a few days of each other and are compared and criticized by the fashion press.

Canada is not a factor in the international fashion industry. With the exception of a handful of designers/labels which have gained some recognition in the U.S., Canadian products are virtually unknown. This means that when the fashion process begins with each new fashion season, no one looks to Canada for direction. However, Canada does have the necessary ingredients to become an important factor particularly on the North American market. In recent years, countries whose fashion industries are somewhat comparable to Canada's have

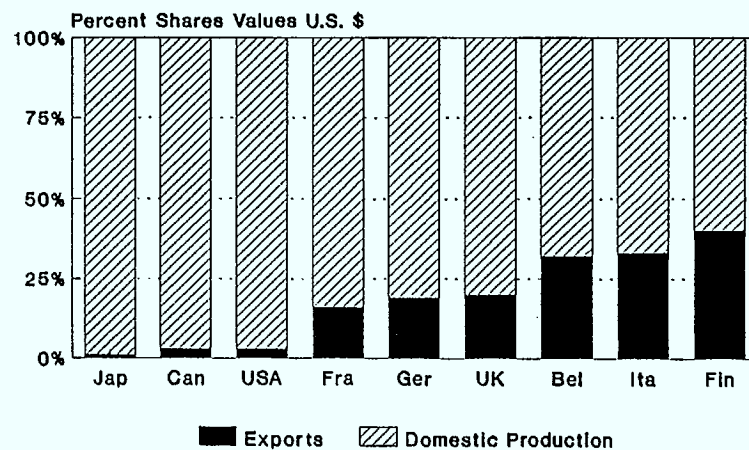
taken steps towards becoming world players and have achieved some measures of success. The most notable examples are Germany and Spain whose primary successes have been in the European markets but whose influence is now reaching North America.

EXPORT PERFORMANCE Canadian Apparel Industry



Although not recognized internationally, in recent years the Canadian apparel industry has been characterized by an increasing level of export activity. Where exports represented 2.6% of industry shipments in 1983, in 1988 they represented 3.3%. The first of the following tables shows the export growth for the apparel industry since 1982 in real terms. It should be noted that most of this growth was directed to the U.S. market and was no doubt assisted by the favourable position of the Canadian dollar relative to its U.S. counterpart. The next table compares exports as a percentage of total production for selected OECD countries to give some indication of Canada's position as an apparel exporter.

EXPORTS PROPORTION OF TOTAL PRODUCTION Selected OECD Countries



Sources:
International Apparel Federation
Statistics Canada

Increasing the penetration of the U.S. and other international markets will require firms to emphasize the design process in product development which will result in the production of a higher value-added product. There is little doubt that the apparel firms could increase their penetration of export markets, particularly the U.S.A., if they follow this tested approach and improve their marketing strategies. At the present time, apparel exports are not consequential but represent a good base from which to begin the process. The table below gives details on the industry's current efforts in this direction.

There are several trends in the marketplace that have contributed to the importance of the design factor to the apparel industry. These include the increased globalization of markets, trade liberalization, the increase in imports and offshore manufacturing, the rising cost of factors of production, the slow rate of growth of domestic markets, and the increased importance of branding as a marketing tool. The objective of Phase III of the FASC is to encourage the apparel industry to prepare itself to meet the challenges presented by these trends.

EXPORTS OF APPAREL 1990

	Value \$000
Coats and anoraks, WG	11,611
Skirts, WG	9,140
Jackets, WG	7,944
Dresses, WG	10,467
Trousers and shorts, WG	24,119
Blouses and shirts, WG	11,566
Swimwear, WG	7,686
Coats and anoraks, MB	10,114
Suits, MB	26,549
Jackets and blazers, MB	7,185
Trousers and shorts, MB	18,881
Babies' garments	4,486
Other	17,827

M= Men's, B= Boys', W= Women's
Roughly 80% is sent to the USA.

Source: Statistics Canada

APPENDIX C

STUDIES COMMISSIONED BY THE INDUSTRY COMMITTEES

In order to assist them in the pursuit of their mandates, four of the five committees commissioned studies which investigated aspects of the problems they had been asked to consider. All of the information received as a consequence of this work will be published and made available to anyone interested in the industry. In some cases an abridged version will be published. The material includes:

MARKET REPORTS

Research on the retail apparel markets in Canada, the United States, the United Kingdom, West Germany, the Netherlands, and Belgium was conducted by **Kormos, Harris and Associates Inc.** with the cooperation of **TMS Partnership Ltd.** for the European research. The resulting data is being made available through a series of market overview reports and individual product reports. The **70** individual product reports, based on 1989 data, contrast the retail sales patterns of the United States and Canada, including price segmentation of each product's market. The U.S. is divided into nine regional markets.

The reports are designed to answer the following questions:

- What is the relative size of the Canadian and U.S. markets?
- How are the markets segmented by price?
- How do retail sales and import penetration levels vary in each of the nine regional U.S. markets?

PINPOINT THE MARKET: CANADA, UNITED STATES, EUROPE

These three market overview reports are based on 1989 consumer panel information. They provide a comprehensive look at each country's apparel market, answering questions such as:

- How big is the market?
- What the annual retail sales for each of the five gender segments (men, women, boys, girls, infants)?
- What is the penetration and growth rate of imports in each market?
- Through which channels of distribution is apparel sold?
- Who are the largest individual retailers of apparel in each market?
- What are the significant product price points for each gender segment?

YOUR IMAGE: HOW ARE YOU PERCEIVED BY RETAIL BUYERS?

Telephone interviews were conducted with over 500 buyers for retailers across the countries for which market data was collected. Based on the responses collected, the report suggests answers to the following questions:

- Are retail buyers aware of the Canadian apparel industry in general or of individual designers or manufacturers in particular?
- What are the strengths and weaknesses of the Canadian industry as perceived by retail buyers?
- What is the incidence of previous experience in purchasing Canadian-made apparel?
- Why do retail buyers purchase Canadian apparel?
- How do individual countries rate as sources of apparel?
- What are the promotional vehicles used by buyers to identify new sources?
- What are the incidence and the destinations of retail buying trips to Canada?

EUROPEAN MARKET ENTRY PLANNING

These four reports were prepared by the **Charles Roche Group** based in the United Kingdom. They provide valuable information to assist Canadian apparel manufacturers with the planning of their entry into markets in the United Kingdom, West Germany, the Netherlands, or Belgium. Information provided includes:

- Sales agent fees and commission structures;
- Laws and regulations governing the relationship between sales agents and the manufacturers they represent;
- Samples of standard sales agent contracts;
- Identification of those channels of distribution and individual retailers for which sales agents can be useful.

THE EXPORTERS: HOW ARE THEY FARING?

This report is based on interviews with 28 Canadian apparel manufacturers. The interviews were carried out by the staff of the Apparel and Footwear Directorate of ISTC together with members of the Apparel Sector Team. It documents their recent experience in exporting apparel. Issues addressed in the report include:

- Products exported;
- Countries exported to;
- Perceived competitive advantages and disadvantages;
- Problems and barriers encountered in exporting apparel.

PARTNERS IN FASHION: DESIGNER-MANUFACTURER LINKAGES IN EUROPE

Prepared by Laurian Davies of the British Apparel and Textiles Centre, this study examines the relationship between designers and manufacturers in six European countries; the United Kingdom, France, Italy, West Germany, Finland, and Spain. The study is based on interviews with association, fashion organization, and government representatives. It examines among other things, their mandates, programs, services, and membership. It also includes the results of a series of interviews with designers and manufacturers as well as relevant case studies examining designer/manufacturer/textile partnerships in Europe.

LEARNING TO LEAD

This study, prepared by **Kurt Salmon & Associates**, profiles the current level of management skills available in the Canadian apparel industry. It also identifies those skills which will be required in the future, examines current management training practices in the industry, and catalogues the facilities and resources available to provide the required education and training.

TECHNICAL SKILLS: SECURING THE FUTURE

Prepared by **Coopers and Lybrand**, this is a study of the skills of those sector employees engaged in technical operations and in many cases responsible for recommending technology adoption. It highlights the extent to which technical skills are being utilized, the areas and magnitude of industry needs in different skills, and the prevailing practices for training technical people. The study also evaluates current training resources available in Canada. An abridged version of the study will be published.

TECHNOLOGY ADOPTION: HOW CANADA COMPARES.

This study, conducted by **Kurt Salmon and Associates**, summarises the extent of technology adoption in selected product sub-sectors of the Canadian, European, and U.S. apparel industries. It highlights:

- the extent to which new technology has been adopted;
 - the causes for a technological gap where one exists between one industry and another;
 - the benefits of the various technologies to the selected sub-sectors; and,
 - recommendations for action based on the character of the Canadian industry and the environment within which it operates.
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APPENDIX D

THE ROLE OF GOVERNMENTS

The Role of the Provinces and Municipalities

Throughout the consultation phase of the FASC, a number of provincial and municipal governments have been consulted and kept informed of progress. In putting together the industry committees, care was taken to ensure that there was balanced regional representation. All of the provinces have indicated a desire to dovetail action at the provincial level with the federal initiatives. Since May when the FASC Committees presented their recommendations there has been time for only preliminary consultations with the other level of governments on how they might coordinate their efforts with those of the industry and the federal government. Once approval in principle has been granted for this proposal ISTC officials, together with industry representatives will negotiate formal agreements or understandings with other levels of government on how they will contribute to the overall effort.

The preliminary discussions suggest that the provinces will be interested in the following areas;

Quebec. Officials have warned that budget restraints will limit the capacity to add much support to the present programs. The province is active in providing export marketing assistance and support for designers. There is interest in supporting the regional delivery of training and human resource development programs.

Ontario. The Ministry of Industry, Trade and Technology (MITT) has made every effort to cooperate in the FASC exercise. Its own consultations with provincial industry representatives were put on hold pending the results of the deliberations of the FASC Committees. The initial reaction of ministry officials is to contribute in the area of training and human resource development. A contribution to any Scholarship Foundation might also be expected.

Manitoba. Provincial officials have indicated an interest in providing worker training support. Discussions are at a very preliminary stage.

Alberta. The provincial government has been supporting the efforts of local industry leaders to establish a regional association linked more closely to its national equivalent. Officials have declared their commitment to integrate continuing industry support with the initiatives flowing from the FASC.

Nova Scotia. The provincial government has already received a request for industry training support as a result of FASC committee deliberations and is waiting to see what the FASC initiatives may be before reacting to the proposal.

British Columbia. Due to turnover in provincial staff, we have not been able to maintain regular contact with officials. At the outset of the FASC, provincial officials indicated an interest in human resource development issues. Officials of the British Columbia Trade Development Corporation will be supportive of any initiatives which

improve communication between the local industry, ITC at the federal level, and themselves.

The Role of the Federal Government

At the beginning of this paper, it was proposed that it was now time to forge a different relationship between the apparel industry and the federal government. For the past 15 years, the federal government's major contribution to the competitiveness has come from the Tariffs Division of the Department of Finance and the Special Trade Relations Bureau (STRB) of ITC. These offices crafted the border measures which protected (import restraints) and supported (duty remission) the industry during its period of "adjustment". Passive members of the industry were helped along with the active and aggressive.

It is clear to apparel industry leaders that the period available in which to become truly globally competitive is now being defined. If the objectives of the Uruguay Round of MTN and the NAFTA are met, North America will be a largely open market ten years from now. Finance and the trade policy units of ITC will still play an active part in the affairs of the apparel industry during the phase-out of MFA and the phase-in of FTA or NAFTA. For example, the industry is impatient to see some action on the commitment of the Minister of Finance to lower tariffs on imported apparel fabrics in order to bring them closer to those of other industrialized nations.

The industry is now calling for a less direct role for government and a more balanced intervention between defensive and proactive measures. Its call is for government to concentrate on establishing the environment in which competitiveness can prosper while it takes care of competitive priorities, for better or for worse. This proposal is sprinkled with examples from other countries, - France, Belgium, the United Kingdom, - where government has put the tools of change into the hands of industry. It was encouraging to see that so many of the activities undertaken are encompassed in the recommendations of the FASC Committees and the proposals for the Canadian Apparel Federation.

Support for the establishment of the Federation and its gamut of services will come from CCA, ISTC, the trade initiatives groups at ITC and the worker training services of CEIC;

Consumer and Corporate Affairs. The support of CCA for the privatization of the administration of CA numbers is the sine qua non in the industry's response to the Industry Committee recommendations. Without a vehicle to create a sense of belonging in this industry, and a common source of funding, the industry's leaders are forthright in their unwillingness to embark on the project. The plans of operation drafted by industry leaders are impressive and suggest that consumers and business clients will enjoy an improved level of service. The industry will need to satisfy CCA officials that the many holders of CA numbers who are not apparel manufacturers will be adequately served and given a voice in the administration of any privatized operation. They would obviously need to monitor and audit the operation in order to ensure that the responsibilities of the Minister under the relevant Act and Regulations were being carried out. If all these questions can be answered to the satisfaction of CCA, then the transfer of responsibility to industry for the CA operation could be a unique experiment in industry/government relations.

International Trade Canada will be called upon to develop a close cooperative working relationship with the Federation and the Designers' Association. When these associations can confidently state that they truly represent the collective wisdom of the industry, trade initiatives or plans should have their endorsement before being adopted. In a period of increasing spending restraints, the more efficacious and focused use of funds dedicated to apparel trade development should be welcomed.

Canada Employment and Immigration Commission The FASC Committees limited their mandate and recommendations to the management and non-unionised portion of the industry. While there are always exceptions, the industry in general has anything but a constructive relationship with its workers on the shop-floor. In this regard, it has fallen behind other allied sectors like textiles, furniture, and even the small fur apparel groups which are working with CEIC and labour to put together training programs.

CEIC is anxious to establish a training and human resource development program with the apparel industry and hopes to launch the initiative as an integral part of the Sector Campaign Phase III. The training initiatives of the Federation can be a launching pad for programs which cover all the workers in the industry, and not just owners, managers, and technical staff.

Communications Canada (DOC) and **ISTC** are in the process of drafting a joint DOC-ISTC Memorandum to Cabinet requesting Ministers' authorization to develop a national design strategy. The former Minister of Communications, the Honourable Marcel Masse, had great interest in promoting Canadian design industries in order to reinforce the Canadian cultural identity. He had requested development of a national policy on design, shaped by discussions based on a Green Paper.

The present Minister of Communications, the Honourable Perrin Beatty continues to support the development of a national policy on design and **ISTC's** Minister Michael Wilson has agreed to a joint presentation. This will ensure that DOC's cultural considerations lead to conclusions compatible with **ISTC's** perspectives on industrial competitiveness. It will also help to raise **ISTC's** design profile among the design community members.

Industry, Science and Technology Canada personnel will be fully occupied over the next three to five years working with the Federation and its Design Division to successfully establish its operations. The Apparel and Footwear Directorate has worked over the past five years to build up this Department's level of credibility within the apparel sector. The success of these efforts accounts in some part for the readiness of the 56 industry representatives to give their time to the FASC Committees. However, given the entrepreneurial nature of the industry's managers, that credibility will never be total. The positive reception given by the industry to the recommendations of the FASC was in large part due to the fact that it was not officials of **ISTC** but industry members who delivered the messages. The existence of a Federation to act as a communication conduit to its members would greatly assist the future efforts of the Department, both to carry out Michael Porter's advice on the "proper role of government", and to continue its advocacy role.

