

Canada provides pre-retirement benefits to older employees laid off as a result of industry contraction.

4. EVOLVING ENVIRONMENT

- Over the medium term the following factors are expected to affect the industry:
 - * modest market growth (1%) in pairage;
 - * a continuation of the switch from leather to non-leather footwear;
 - * the increasing popularity of athletic footwear which will continue to be supplied by low-cost countries;
 - * the application of new state-of-the-art technologies to footwear manufacturing will increase over the medium term;
 - * overall, low-cost imports will continue to grow and maintain pressure on the industry to restructure;
 - * Canadian producers will remain domestically oriented, although they may be able to increase their exports in the Northern U.S.A.

5. COMPETITIVENESS ASSESSMENT

- Canadian footwear management generally lacks international marketing expertise mainly due to the small size of the average firm which inhibits costly and sustained marketing efforts. Canada, however, has specialized to some extent in the production of winter and work footwear, and has earned a world-wide reputation for styling, quality, and ruggedness in these products, particularly in leather winter boots and work footwear.

EXEMPT
15 (1)

- Existing tariff levels alone, however, are not sufficient to offset the labour cost advantages of low-cost sources. While low-cost non-leather import pressures will continue for certain sub-sectors, there are significant business opportunities arising from past restructuring and specialization which have resulted in world class sub-sectors.
- In the medium term, domestic footwear firms must continue to upgrade product lines with greater emphasis on styling in order to remain competitive with the developed countries. Additionally, the introduction of new technologies as they become available, as well as more R & D expenditures must be accelerated. The fragmentation of the industry due in large measure to the ease of entry of new manufacturers and low capital cost requirements, will likely be reduced over time as the industry becomes more capital intensive.

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