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Formative Evaluation of the Canadian Apparel and Textile Industries Program (CATIP) - Textile Production Efficiency Component (TPEC/CANtex)

Final Report

January 2007

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Industry Canada

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TABLE OF CONTENTS

Executive Summary	i
1.0 Introduction to the Evaluation	1
2.0 Overview of the Program	1
3.0 Evaluation Methodology	5
3.1 Evaluation Issues.....	5
3.2 Evaluation Design and Methodology	6
4.0 Evaluation Findings and Conclusions.....	12
4.1 CANTex Is Considered to be Well Designed	12
4.2 CANTex’s Delivery	20
4.3 CANTex Seems To Be Contributing to Intended Results	24
5.0 Summary of Recommendations.....	29
5.1 Lessons Learned.....	31

Appendices

APPENDIX A – STEERING COMMITTEE MEMBERS

APPENDIX B – EVALUATION QUESTIONS

APPENDIX C – INTERVIEW GUIDELINES

APPENDIX D – LIST OF INTERVIEWEES

Appendix E – Survey

APPENDIX F - CASE STUDIES

**APPENDIX G – DETAILS OF CANTEX PROJECTS RELATED TO RE-TOOLING RESEARCH
AND/OR DEVELOPMENT**

Minor editorial changes were made to this report in order to prepare the document for posting to the Industry Canada’s Website (including removal of standard Appendices such as list of interviewees and questionnaires). Readers wishing to receive a copy of the original version of this report should contact the Audit and Evaluation Branch at Industry Canada.

**Formative Evaluation of the Canadian Apparel
and Textile Industries Program –
CANtex/TPEC Component
Final Draft Evaluation Report (for review)**

EXECUTIVE SUMMARY

This report sets out the findings, conclusions and recommendations from a Formative Evaluation of Industry Canada's CANtex/TPEC component of the Canadian Apparel and Textile Industries Program. The Evaluation was undertaken during the summer and fall of 2006.

Background

Canada's textile industry is made up of companies who manufacture fibres, yarns, fabrics, and finished textile products. In recognition of the removal of tariffs and quotas on textile and apparel imports from 48 Least Developed Countries, the Government created a \$33 million Canadian Apparel and Textile Industries Program (CATIP) to operate from 2002 to 2005. On February 27, 2004, the Government announced a new Textile Production Efficiency Component for CATIP, called "CANtex", aimed at improving the global competitiveness of Canadian textile manufacturers. CANtex concentrates on encouraging improvements to production processes to increase productivity as well as a re-orientation of textile production towards higher value-added products.

CANtex includes both non-repayable and repayable contributions. Non-repayable contributions are provided up to 50% of eligible project costs, to a maximum of \$100,000. Repayable contributions are provided at a rate of 50% on the first \$2 million of eligible costs, 40% on the next \$2 million, and 30% on costs above this amount, to a maximum total repayable contribution of \$3 million. CANtex is delivered by Industry Canada and Canada Economic Development for Quebec Regions (CED-Q). The CATIP program will sunset March 31, 2010.

Evaluation Methodology

The methodological approach used reflected the standards of Program Evaluation and the expectations set out in Canada's Treasury Board Policy on Evaluation. The Evaluation examined program rationale, program design and delivery, and progress on results to date. It also identified lessons learned.

The methodology included multiple lines of inquiry, including a review of documents, interviews with multiple stakeholder groups, survey of program recipients, case studies, and horizontal analysis across all lines of inquiry. Forty seven individuals were interviewed from Industry Canada, CED-Q, and companies. External interviews covered



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55 of the 200 total CANtex projects as of July 2006. Interviews were also held with 15 companies identified as having a rejected project. All recipient companies who were not selected for an interview were asked to complete an internet-based survey; 25 companies completed the survey. Finally, three case studies were completed.

Overall, the research methods used in this Formative Evaluation provides a good level of confidence that the conclusions reached are valid.

Findings and Conclusions

The Evaluation findings relate to CANtex's design; CANtex's delivery; and progress on results.

CANtex's Design

Overall, the Evaluation findings indicate that CANtex's design is suitable for the program and for applicants' and recipients' needs. In general, interviewed companies and those surveyed responded very favourably to all elements of the program's design that they were asked about with very few concerns or issues.

CANtex's objectives and activities have remained reasonably stable since the beginning of the program. None of the interviewed companies indicated that these changes had adversely affected them.

Interviewed companies and survey respondents were asked to provide comments on four aspects of CANtex's design: the application, the terms and conditions, the reporting requirements, and the disbursement process.

With respect to the program's *application process*, the large majority of interviewed companies and survey respondents provided high marks, strongly suggesting that the CANtex application process was well designed and suitable to the program.

With respect to CANtex's *terms and conditions*, the large majority of interviewed companies and survey respondents indicated these were suitable for this type of program. Furthermore, the \$100,000 ceiling on non-repayable contributions did not appear to present a significant challenge.

With respect to the program's *reporting requirements*, the large majority of interviewed companies and survey respondents indicated that these were also suitable for this type of program.

In general, interviewed companies and survey respondents replied positively regarding CANtex's *disbursement process*.

Even the companies with rejected projects are satisfied with the program's design.

The few comments received from respondents regarding how to improve the program were suggestions on simplifying the application process and to alter the scope of certain elements to allow more flexibility. Even so, those providing the suggestions were still satisfied with how the program is currently run.



CANtex's Delivery

The Evaluation determined that, in the main, CANtex is well delivered. However, the findings suggest that a number of factors appear to have led to uneven program delivery in some regions.

Interviewed companies that dealt with *Industry Canada* provided very high praise for the support provided by program officers, indicating a very high level of satisfaction with program delivery.

Interviewees and survey respondents from Quebec companies, who dealt with *CED-Q*, also rated the delivery of CANtex highly. The findings also indicated some concerns about program delivery in Quebec, specifically related to a long approval process and unevenness in delivery. Interviews with CED-Q officers revealed that there were differences in how the program was delivered across Quebec, suggesting there was variability in the officers' understanding of the program eligibility parameters. Further, because CED-Q officers located outside of Montréal were not easily "backed up" by other knowledgeable colleagues, the companies they dealt with were affected by the availability of those officers. As a result, there was unevenness in delivery, and the overall delivery of CANtex was not as effective as it could have been.

The findings indicate that, because of the different program management approaches implemented by Industry Canada and CED-Q, companies are receiving a different level of service from the two Departments. This indicates a need to take steps to ensure that all applicants and recipients are treated as intended.

CANtex's Results To Date

Evaluation findings indicate that CANtex is likely achieving the types of results that were intended. Specifically, CANtex projects are contributing to the program's intended results, as well as those of the CATIP program.

The program data indicates that CANtex projects in the area of improved management systems or automation processes are more prevalent, with about half as many again in the area of improvement of production processes.

Also, the majority of projects are helping companies keep up with expected productivity improvements prevalent in the textile industry. These changes relate to areas such as financial management, production, and supply-chain management. A few of these interviewees indicated that, without the changes brought through the CANtex project, their company might not be in existence today.

Of particular note, most interviewed companies were able to describe in some detail the types of results that were being achieved as a result of the project, and



many recipients are able to identify and report a quantitative impact from their CANtex project.

Companies indicated that the guidance provided by officers at the application stage has been useful to shape their projects so that they generate intended benefits.

The findings provide strong support for the view that CANtex continues to be relevant to the Canadian textile industry: the majority of CANtex projects are contributing to productivity improvements, many companies can readily identify the results from their projects, and without the support that was provided, some of the companies might not have survived financially.

Finally, CANtex program management now collects some of the performance information necessary to support a future Summative Evaluation of the program. However, more effort needs to be allocated to collecting the required performance information.

Recommendations:

Recommendation 1: To ensure that CANtex clients are served consistently, CED-Q should take the steps necessary to ensure that program officers are fully informed and that backup capabilities are in place to support its officers in delivering the program.

Recommendation 2: Industry Canada and CED-Q should take the steps necessary to ensure that CANtex is uniformly and consistently delivered across Canada.

Recommendation 3: To ensure that Industry Canada is able to report on the results achieved through CANtex, program management should establish a complete and systematic process for collecting and compiling results information, based on the contents of the Results-Based Management Accountability Framework.



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**Formative Evaluation of the Canadian Apparel
and Textile Industries Program –
CANtex/TPEC Component
Final Draft Evaluation Report**

This report sets out the findings, conclusions and recommendations from a Formative Evaluation of Industry Canada's CANtex/TPEC component of the Canadian Apparel and Textile Industries Program. The Evaluation was undertaken during the summer and fall of 2006.

1.0 Introduction to the Evaluation

The objective of this Formative Evaluation is to provide input to inform decision-making concerning program design and delivery, fostering organizational learning, and promoting greater accountability and transparency.

The Evaluation also fulfills a commitment in the Results-Based Management and Accountability Framework of TPEC/CANtex in accordance with the Treasury Board Policy on Program Evaluation and the Treasury Board Policy on Transfer Payments. A condition of the additional funding received for TPEC/CANtex required Industry Canada to undertake a Formative Evaluation of the program covering operations through to March 2006. The evaluation research was conducted during September and October 2006, and, therefore, this report reflects certain aspects of program operations up to the end of October 2006.

2.0 Overview of the Program

The Canadian apparel and textile industries represent two related, but very distinct manufacturing sectors.

Canadian apparel manufacturers are engaged in the design, cutting, sewing, finishing and marketing of a wide range of products to meet the needs of consumers, both at home and abroad. The apparel industry produces a wide range of garments for consumer markets and for specialized applications, such as industrial and military uniforms. While Canada has many large and highly-sophisticated manufacturing companies, small firms predominate the industry.



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Canada's textile industry is made up of companies who manufacture fibres, yarns, fabrics, and finished textile products. The industry, which is modern and capital-intensive, supplies consumer and household markets as well as industrial customers in Canada and worldwide. Manufacturing processes range from the spinning of yarn to the production of woven, knitted, and nonwoven fabrics, and finished textile goods such as household linens and carpets. Dyeing and finishing processes are available within vertically integrated operations as well as from commission processors.

On January 1, 2003, the Government removed all tariffs and quotas on textiles and apparel imports from 48 Least Developed Countries, known as the "LDC initiative." The Canadian apparel and textile industries are among the sectors most likely to be affected and are particularly susceptible to import competition from LDC's because apparel production tends to be a labour intensive manufacturing process and LDC's are low wage countries. As a result, it was decided that certain measures would be put in place to help these sectors accommodate the additional competitive pressures brought to bear on these sectors.

In recognition of these LDC Initiative impacts, the Government created a \$33 million Canadian Apparel and Textile Industries Program (CATIP) to operate from 2002 to 2006. The fundamental objective of CATIP is to assist apparel and textile firms increase their competitiveness through initiatives such as the introduction of best practices, the exploitation of leading edge technologies and the development of global market strategies. This funding was apportioned between contributions for recipients and expenditures for program operations. Contributions have been directed at specific projects by companies, and not-for-profit organizations such as associations. The portion for companies was closed in March 2005; delivery to not-for-profits continues on a limited basis using residual funds. Under CATIP, Industry Canada has supported a total of 240 projects and Canada Economic Development for Quebec Regions (CED-Q) has supported 171, for a total of \$28.4 million in authorized assistance.



TPEC/CANtex

On February 27, 2004, the Government announced a new Textile Production Efficiency Component for CATIP, called "CANtex", aimed at improving the global competitiveness of Canadian textile manufacturers.

Funding for CANtex was originally \$26.7 million over a three year period. Additional funding of \$50 million was announced in December 2004, together with a program extension to March 31, 2010. This brought total funding for CANtex to \$76.7 million.

On September 25, 2006, the government announced a reduction in CANtex funding by \$24.9 million, thereby reducing the overall funding for CANtex to \$51.8 million. As of October 18, 2006, under CANtex, Industry Canada had supported 70 companies with 134 projects, and CED-Q had supported 69 companies with 96 projects. As of October 18, 2006 there was \$23.6 million still available for future projects.

Capital intensive, the textile industry makes cost reductions and internalizes productivity gains through the acquisition and upgrading of equipment and the implementation of improved production processes. While initially, the CANtex program supported projects aimed at improving productivity, effective September 30, 2005, the program was changed to reflect two components: a Productivity Component and a Transformative Component. The Productivity Component is a continuation of CANtex assistance for textile manufacturing companies undertaking initiatives to improve their production efficiencies. The new Transformative Component is for textile manufacturing companies wanting to transform at least a portion of their current textile production from lesser value-added products to higher value-added textile products.

On these bases, program funding is used as an incentive tool covering costs related to encouraging textile company investments in:

- Improved textile production processes to increase productivity, and
- Projects to re-engineer production processes and/or retool equipment and facilities to produce higher-value added textile products.



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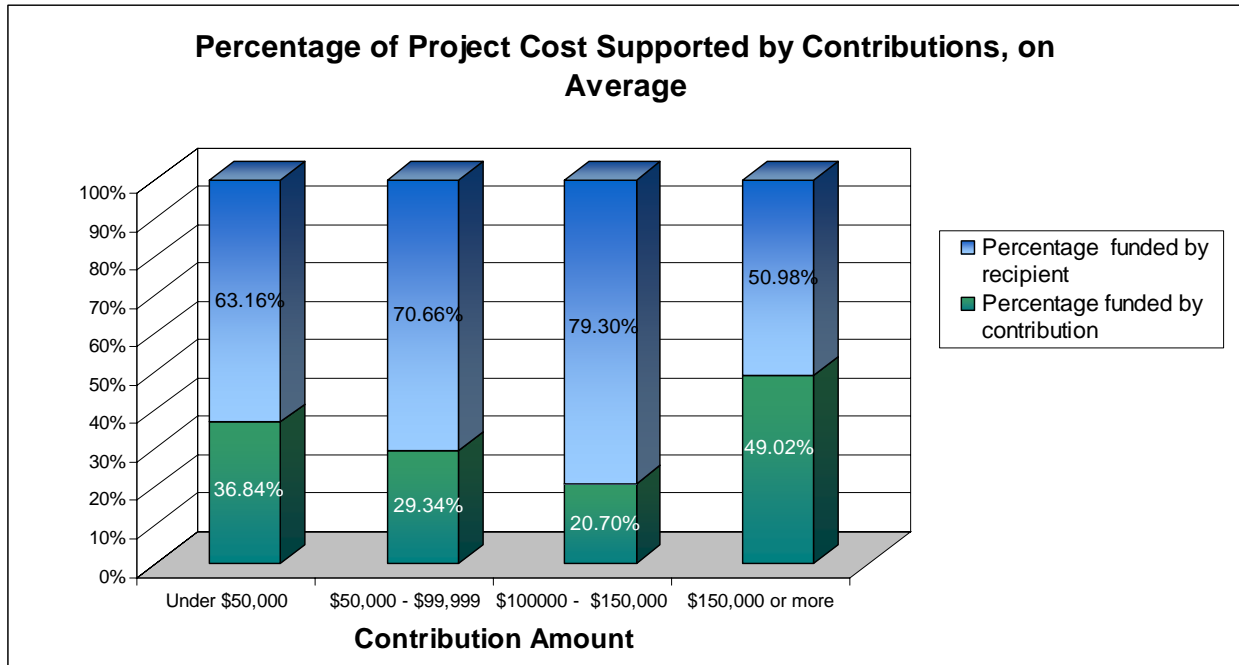
CANtex includes both non-repayable and repayable contributions. Non-repayable contributions are provided up to 50% of eligible project costs, to a maximum of \$100,000. Repayable contributions are provided at a rate of 50% on the first \$2 million of eligible costs, 40% on the next \$2 million, and 30% on costs above this amount, to a maximum total repayable contribution of \$3 million.

CANtex is delivered by Industry Canada and Canada Economic Development for Quebec Regions (CED-Q). Responsibility for the overall administration and reporting for CANtex resides with Industry Canada. Consistent with the original CATIP, funding for CANtex has been allocated in accordance with the distribution of potentially eligible recipient firms. Approximately 55 % of textile shipments are from firms located in Quebec; Ontario accounts for 26%; together Manitoba, Saskatchewan, and Alberta for 9% of firms; British Columbia for 7% of firms; with the remaining 3% spread across the Atlantic region.

CANtex was promoted to potential recipient firms through a variety of mechanisms, including seminars, company visits, direct mail and telephone contact, a website and work through representative organizations.

CANtex can contribute up to 50% of a project's total cost. The average percentage of the project's total cost that was covered by contributions from CANtex, broken down by total project size, is displayed below. Some companies with larger projects (i.e. greater than \$200,000) still qualified for funding under the \$100,000 repayable threshold.





Source: Data provided by CANtex program, as of March 31, 2006

3.0 Evaluation Methodology

This section of the report sets out the methodology used for the Formative Evaluation. The methodological approach used reflected the standards of Program Evaluation and the expectations set out in Canada's Treasury Board Policy on Evaluation.

The Evaluation was guided by Industry Canada's Evaluation Plan and was based on the contents of the CANtex Results-Based Management Accountability Framework. As is the standard practice of Industry Canada's Evaluation function, a Steering Committee was established and included representatives from the industry and the Department. The list of Steering Committee members is included as Appendix A.

3.1 Evaluation Issues

The selection of Evaluation issues was guided by the *TPEC/CANtex Formative Evaluation Plan* developed in 2006. The Evaluation addressed the following areas:

- Rationale – whether the design of the program and its activities are sound and whether the program is meeting the needs of the industry targeted,



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- Program Design/Delivery – whether the current approach to implementing the program is appropriate, consistent and effective,
- Progress on results to date and whether the program is likely to meet expected results, and
- Lessons Learned – focusing on best practices to identify factors that lead to effective delivery and the types of projects most likely to yield good results.

The list of Evaluation questions is attached as Appendix B.

3.2 Evaluation Design and Methodology

The CANtex Formative Evaluation Plan provided the main design elements of the Evaluation methodologies. The methodologies and research instruments were developed in collaboration with representatives at Industry Canada to ensure they reflected the program and project characteristics.

As required by Evaluation standards, the methodology for this study included multiple lines of inquiry. These included the review of documents, interviews with multiple stakeholder groups, survey of program recipients, case studies, and horizontal analysis across all lines of inquiry. Also, as part of a study on a separate component of CATIP, independent of this Formative Evaluation, interviews were conducted with national textile and apparel associations. This provided another source of information regarding the delivery and design of the program that has been included in this Formative Evaluation. Details of these methods are provided below.

Review of Documentation

CANtex program activities generated several types of documents that contributed to the Evaluation research. These included:

- Treasury Board Submissions for CATIP and the subsequent two CANtex program elements,
- Terms and conditions of the program,
- The application form,



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- The contribution agreement,
- Files outlining the projects conducted by recipient companies,
- Files outlining rejected projects,
- Quantitative summaries of projects' characteristics,
- Performance data collected by the program, and
- General correspondence.

These documents were reviewed for information relevant to the implementation of the CANtex program. Where possible, additional context on the information contained in the documentation was obtained during interviews.

Interviews

Interviews were conducted with representatives from Industry Canada, CED-Q, recipient companies, and companies identified as having rejected projects. The interviews followed a structured process using an interview guideline. Questions were open-ended and the interviews were interactive, focusing on the interviewees' particular knowledge and perspective of CANtex. In all, 47 individuals were interviewed. The interview guidelines are included in Appendix C.

The interview sample was developed at the outset of the Evaluation, based on program data from July 2006. As a result, the universe of recipients and projects used for sampling reflects the population as of July 2006 (although the population has increased as the program continued since the time the sample was developed). Furthermore, the statistical results presented in Section 4.0 of this report are based on the recipient and project population as of July 2006, even though the views expressed by interview respondents reflect their experience up to the time of their interview.

Interviews with representatives from Industry Canada and CED-Q

These interviewees were identified by CANtex program personnel. In all, 12 persons were interviewed. They are listed in Appendix D.



Interviews with Recipient Companies

Documents provided by officials from Industry Canada and CED-Q indicated that, at the time of planning the Evaluation, there was a total of 200 CANtex projects involving 135 companies. A sample of 49 projects from 49 separate companies was identified, and the principal CANtex contact from each of these companies was selected as an interviewee. The sample took into account the size of the project, the project type, and the company's geographic location. Also, of the 49 recipient companies selected, 10 of them also had a project that was identified as "rejected" for the program by either Industry Canada or CED-Q. Representatives from those 49 companies were interviewed about their accepted projects, and, where applicable, about their rejected projects.

To encourage response from the sample companies, they were contacted five times, as follows: representatives from the selected companies were contacted by email three times requesting an interview (twice by the Evaluation team and once by the IC or CED-Q program officer), and, if they had not yet responded to the request for interview, they were contacted twice by telephone by the Evaluation team. Of the sample of 49 companies, 28 responded to the request for an interview and were interviewed. External interviewees are listed in Appendix D.

To provide an understanding of the coverage of these interviews, the tables below present a breakdown of the total *projects* undertaken through CANtex (i.e., the universe of projects as of July 2006), the sample of recipient projects selected, and the actual projects that were covered by interviews. The breakdown is by project size, project type, and geographic location of the company.



	Project Size			
	Under \$30K	Over \$30K to \$50K	Over \$50K to \$100K	Over \$100K
Universe of CANTex Projects	21	29	139	11
Number of Those Projects in the Sample	11	10	24	4
Number of Projects in Actual Interviews	4	7	14	3

	Project Type		
	Management System / Automation	People Focused	Process Improvement
Universe of CANTex Projects	137	2	61
Number of Those Projects in the Sample	35	2	12
Number of Projects in Actual Interviews	17	2	9

	Geographic Location of Company				
	B.C.	Prairies	Ontario	Quebec	Maritimes
Universe of CANTex Projects	6	4	89	98	3
Number of Those Projects in the Sample	4	4	19	19	3
Number of Projects in Actual Interviews	2	2	12	11	1



The distribution illustrated in the above tables indicates that the Evaluation findings provide a good coverage of these different characteristics of CANtex recipients.

Although the 28 companies were interviewed about specific projects, collectively the companies have undertaken **55 of the 200** total CANtex projects (as of July 2006), and they were asked their views on the design and delivery of the program through all of these projects.

Also, of the 10 recipient companies selected that also had projects rejected, 8 were interviewed. As a result, the overall interviews provide a good coverage of the CANtex recipient *companies*, and a good overall coverage of the CANtex *projects*.

Interviews with Rejected Companies

Documents provided by officials from Industry Canada and CED-Q indicated that there has been 44 projects from 39 companies rejected by the program. In addition to the 10 recipient companies that also had a rejected project (described above), a sample of 10 rejected projects from 10 other (non-recipient) companies was selected. Of those 10 rejected companies selected, none also had a project accepted by the CANtex program. A representative from each of these 10 companies was selected to be interviewed.

Representatives from the selected rejected companies were contacted by e-mail once requesting for an interview, and, if they had not yet responded, were contacted twice by telephone. Of the 10 selected rejected companies, 5 responded to the request for an interview and were interviewed.

The response from the selected rejected companies was very slow at the beginning of the Evaluation process, and it seemed that the percentage of respondents would be low. In response, representatives from an additional 3 companies identified as having a rejected project and having no accepted projects were also selected for an interview. These representatives were contacted twice by telephone requesting for an interview. Of these 3 additional representatives from rejected companies, 2 responded to the request for an interview and were interviewed. This brought the total number of rejected companies contacted to 13 and the total number of rejected companies interviewed to 7.



Therefore, of the 23 companies identified as having a rejected project (10 of these also had an accepted project, and 13 had only a rejected project), interviews were held with 15. These interviewees are also listed in Appendix D.

Survey

All recipient companies who were not selected for an interview were asked to complete a survey. Of the 135 companies identified in July 2006, 86 were asked to complete a survey.

The survey was developed as an internet site and delivered to the companies by a link embedded in an email message. Each company was contacted twice by email requesting they complete the survey. Of the 86 companies asked to complete the survey, 25 companies completed the survey. The survey is included in Appendix E.

Case Studies of Projects

To complement the above methodologies and provide a greater understanding of CANtex projects, 3 case studies were conducted. The selection of projects attempted to focus a range of the types of activities undertaken within CANtex projects. The case studies that were ultimately completed addressed a number of different vehicles used by recipients to increase productivity. The completed case studies are included as Appendix F.

Analysis

The results from the review of documentation, interviews, survey results, and case studies were examined and synthesized to determine conclusions regarding the issues addressed by this Formative Evaluation. This horizontal analysis enabled a compilation of qualitative and quantitative information.

Level of Confidence

Overall, the research methods used in this Formative Evaluation provides a good level of confidence that the conclusions reached are valid. The Evaluation strived to conduct interviews with a sample of all stakeholders as well as representatives from companies who were rejected by the program.



As indicated later in this report, the common views expressed by informants suggest consensus around what the major issues were and their experiences.

4.0 Evaluation Findings and Conclusions

This section of the report is organized into three subsections, presenting the findings and conclusions from the Evaluation research. The subsections relate to:

- CANTex's design,
- CANTex's delivery, and
- Progress on results.

4.1 CANTex Is Considered to be Well Designed

The Evaluation findings indicate that the design of CANTex supports its objectives and that, in general, it is a well designed program.

Changes to Program Design

CANTex's objectives and activities have remained reasonably stable since the beginning of the program. The principal program changes involved the increasing of funding and broadening the scope of CANTex to include the Productivity Component and the Transformative Component. When asked explicitly about the potential impacts of program changes over the years, none of the interviewed companies indicated that these changes had adversely affected them. The interviewees were largely not aware of the changes to the program's scope. Some interviewed companies commented about differences between CANTex and the original CATIP program, suggesting that there was perhaps some confusion between the two programs.

CANTex's Design Receives High Marks

The Evaluation findings indicate that CANTex's overall design is meeting the needs of recipients.

Interviewed companies and survey respondents were asked to provide comments on four aspects of CANTex's design: the application, the terms and conditions, the reporting



requirements, and the disbursement process. As discussed below, all four of these areas were generally considered to be well designed.

The Application Process

With respect to the program's *application process*, the large majority of interviewed companies and survey respondents provided high marks. CANTex's application involves filling out an application form, which is available on Industry Canada's website, and sending it to Industry Canada or CED-Q by mail along with requested information about the applicant and their proposed project. The requested information relates to the following:

- The company,
- A statement of work for the project,
- Marketing strategies implemented by the company,
- The company's production and distribution processes,
- An environmental assessment of the project,
- Any other government assistance received by the company,
- Prior commitments made to the project by the company, and
- Proposals from consultants to be used during the project.

Once all the information is received the officer assigned to the project contacts the company to discuss the details of the project. The program officer qualifies the applicant and project, and completes a Project Summary Form (PSF) to describe how the project furthers the objectives of the program. Once a decision has been made on the application, the program officer from Industry Canada or CED-Q contacts the applicant to inform them of whether their application has been approved. If the application has been approved, a contribution agreement is issued to the applicant stating the terms and conditions and the amount of the contribution. Receipt and acceptance of the contribution agreement authorizes the applicant to proceed with the project. Also provided is a claim form that instructs the applicant on how to submit claims during the project.

Of the 28 companies interviewed, 20 of them indicated that the application process was suitable.



Also, as indicated in the table below, 22 of the 25 companies that responded to the survey either responded with “somewhat” or “very well” when asked if the application process supported the objectives of the program.

Does the application process support the objectives of the program?						
	Very Well	Somewhat	Neither Supports Nor Impedes	Not Very Well	Not At All	No Comment
Number of Responses	15	7	3	0	0	0

It is also noteworthy that no company surveyed responded to this question with the answer “not very well” or “not at all”.

A small number of companies interviewed indicated that they thought that the amount of detail required for the application process was tedious the first time they went through it, and felt that completed examples would have been useful as guidance. This view was mentioned by only 3 of the 28 interviewed companies. These companies also felt that, while their first application was tedious, they were pleased that subsequent applications relied on the same information and did not require additional effort. Overall, these findings do not indicate that the application process is overly onerous. Furthermore, as discussed later in this report, CANtex officers provide useful guidance during the application process, which likely reduces applicants’ workload.

Even though CANtex program management has devoted significant effort to publicizing the program, a small number of respondents indicated that CANtex needed to be better promoted and publicized. Overall, only three interviewed companies provided this comment, and they did so without prompting. These interviewees said that they had learned of the program through outside sources or simply by browsing the internet. Also, 3 other interviewed companies indicated that they were approached by independent consultants to participate in the



program. Based on the small number of these comments and the effort that CANtex has devoted to promoting the program, there is no strong evidence indicating that CANtex needs a significant amount of additional promotional effort. However, it may indicate that program management needs to maintain a deliberate communication campaign with the program's target companies.

A number of respondents also indicated that the wait time for the application approval was long. However, this issue was raised by Quebec respondents only, and may be attributed to inconsistencies in how the program was delivered in certain parts of Quebec compared to other areas. This matter concerning the consistency of program delivery is discussed in greater detail later in Section 4.2.

Overall the findings strongly suggest that the CANtex application process was well designed and suitable to the program.

Terms and Conditions

With respect to CANtex's *terms and conditions*, the large majority of interviewed companies and survey respondents indicated these were suitable for this type of program. CANtex's terms and conditions outline the eligible activities, eligible recipients, eligible costs, and repayment policies.

Eligible activities for CANtex are productivity and cost-competitiveness initiatives related to textiles production activities. Examples include the re-engineering of textiles production processes, the re-tooling of existing production equipment, and the reorientation of textiles production capabilities toward value-added textiles. An eligible recipient for the program must be a legal entity created for the purpose of earning a profit. This includes corporations, partnerships, trusts, and consortia. Eligible costs include but are not limited to the following:

- Diagnostic studies identifying appropriate textiles production efficiency initiatives and/or assessing market opportunities for new or different textiles production capacity,
- Planning, studies, and staff planning,



- Consulting and legal fees,
- Wages and salaries,
- Equipment installation,
- Engineering costs,
- Software costs,
- Staff training, and
- Equipment, machinery, and marketing costs up to 20%.

Costs related to the acquisition or improvement of equipment, including hardware, land, or buildings, are not eligible.

Of the 28 companies interviewed, 22 of them considered the terms and conditions to be acceptable and reasonable. When asked how well the terms and conditions supported the objectives of the program, 24 of the 25 companies surveyed answered “somewhat” or “very well.” The breakdown of the survey response is in the table below.

Do the terms and conditions support the objectives of the program?						
	Very Well	Somewhat	Neither Supports Nor Impedes	Not Very Well	Not At All	No Comment
Number of Responses	14	10	1	0	0	0

Furthermore, the \$100,000 ceiling on non-repayable contributions did not appear to present a significant challenge. Only one interviewed company commented that they could accomplish more if the non-repayable limit were higher. This view is not unexpected, inasmuch as recipients would likely always support larger non-repayable contributions.

Only three respondents provided suggestions for broadening the terms and conditions of the program, for example to allow support for expenses that had



been made prior to approval of the application, supporting downstream buyers of textile companies' products, and also supporting marketing efforts.

Also, it is noteworthy that the Evaluation's Steering Committee members who were representatives from industry associations had strong views about CANtex not supporting some types of recipient initiatives that had previously been eligible under the Firm Component of CATIP (which ended March 31, 2006). They indicated that members of their associations had approached them with concerns that they continue to need assistance with a range of market and business development activities that are not eligible under CANtex, but were under the Firm Component of CATIP. They indicated that, according to comments received from their members, there was little advantage in being a productive company if they are not able to secure buyers for their product.

These views suggest that the sector may have some program needs that are not met by CANtex. However, overall, the Evaluation findings indicate that CANtex's terms and conditions did not cause difficulties for applicants or recipients.

Reporting Requirements

With respect to the program's *reporting requirements*, the large majority of interviewed companies and survey respondents indicated that these were also suitable for this type of program. CANtex's reporting requirements involve submitting project data, schedules, plans, and project monitoring reports, in sufficient detail, throughout the duration of the project.

Of the 28 companies interviewed, 24 of them considered the reporting requirements to be acceptable. When asked how well the reporting requirements supported the objectives of the program, 20 of the 25 companies surveyed answered "somewhat" or "very well." The breakdown of the survey response is in the table below.



Do the reporting requirements support the objectives of the program?						
	Very Well	Somewhat	Neither Supports Nor Impedes	Not Very Well	Not At All	No Comment
Number of Responses	17	3	3	0	1	1

Some interviewed companies indicated that the reporting requirements were onerous but reasonable. In general, these companies indicated that the CANtex reporting requirements were similar to reporting disciplines that they applied internally for their company anyway, and that the CANtex reporting requirements simply required them to prepare this information sooner than they would have otherwise. Overall, the Evaluation findings indicate that the reporting requirements for the program are considered to be suitable.

The Disbursement Process

No concerns were identified with regard to the program's disbursement process, other than two interviewed companies comments related to delays in payment caused by government year end.

Funds are disbursed to recipients after they provide documented claims for eligible costs incurred accompanied by a brief report of the work completed or to be completed. Claims are not to be submitted by the recipient more frequently than monthly.

In general, interviewed companies and survey respondents replied positively regarding CANtex's disbursement process. A few interviewees commented favorably on the speed of the disbursement process, with one of those interviewees saying that the response from government representatives was "quite quick during the disbursement process." Of the 28 companies interviewed, 26 of them considered the disbursement process to be acceptable. When asked how well the disbursement process supported the objectives of the program, 22 of the 25



companies surveyed answered “somewhat” or “very well.” The breakdown of the survey response is in the table below.

Does the disbursement process support the objectives of the program?						
	Very Well	Somewhat	Neither Supports Nor Impedes	Not Very Well	Not At All	No Comment
Number of Responses	19	3	0	0	1	2

Overall, the Evaluation indicated that the disbursement process for the program is considered to be suitable.

View of Companies with Rejected Projects

As indicated, the Evaluation interviewed 15 companies that were identified as having a rejected application. There were various reasons why these applications were rejected, which include non-eligible costs included in the application and the applying company not being considered part of the textile industry. All but one of the company representatives interviewed stated that they fully understood the reason for the project not being allowed to proceed, even though they were not happy with the decision. Of these 15:

- 8 withdrew or cancelled the project themselves after discussing issues related to their project with CANtex officers. These interviewees indicated that they intended to alter and resubmit their application in the future;
- 6 undertook the project on their own, but on a smaller scale. These interviewees indicated that they needed to pursue this project even without CANtex support, but on a smaller scale, since it was essential to their company’s survival; and
- 1 did not proceed with the project at all.



Of the 15 rejected projects, 8 of those companies also had one or more “accepted” project. Those eight companies still thought very highly of CANtex’s design. Of the remaining seven that haven’t received any program funding:

- Two were withdrawn by the company, rather than refused by the program. Those two companies hoped to resubmit the project at a later date, and still commented positively on CANtex’s design.
- Of the remaining five companies, four still believed that CANtex was a useful program, and the other was disappointed that he wasn’t considered eligible because he wasn’t in the textile industry.

Therefore, generally, even the companies with rejected projects are satisfied with the program’s design.

Overall, the Evaluation findings indicate that CANtex’s design is suitable for the program and for applicants’ and recipients’ needs. In general, interviewed companies and those surveyed responded very favorably to all elements of the program’s design that they were asked about with very few concerns or issues. Most comments from respondents regarding how the program could achieve its objectives more efficiently (i.e., how to improve the program’s cost-effectiveness) were suggestions on simplifying the application process and to alter the scope of certain elements to allow more flexibility. Even so, they were still satisfied with how the program is currently run.

4.2 CANtex’s Delivery

The Evaluation determined that, in the main, CANtex is well delivered. However, the Evaluation findings suggest that a number of factors appear to have led to uneven program delivery in some regions.

As indicated earlier, CANtex was delivered by Industry Canada for recipients located in provinces outside of Quebec, and by CED-Q for Quebec recipients. Documents received indicate that significant interaction has occurred at the working level of Industry Canada and CED-Q to address any delivery concerns that may arise between the two Departments.



Interviewed companies that dealt with *Industry Canada*, provided very high praise for the support provided by Industry Canada program delivery officers. One interviewee expressed the views of many others when he said: "We received very good support from the folks at the CANtex program." When asked to provide an overall score on program delivery from one to 10, where 10 was "very good" and 1 was "poor", the 17 interviewed companies that dealt with Industry Canada provided an average rating of "8.9". It should also be noted that the lowest score provided by any company was a 7. When asked if the program's delivery met their expectations, all of the 14 companies that completed the survey who had dealt with Industry Canada responded with either "the delivery has met most of my expectations" or "the delivery has met all of my expectations." The breakdown of survey response is in the table below.

Has the program's delivery met all your expectations? (Industry Canada Clients)					
	Met <u>All</u> of My Expectations	Met <u>Most</u> of My Expectations	Met <u>Some</u> of My Expectations	<u>Not Met</u> Any of My Expectations	No Comment
Number of Responses	7	7	0	0	0

This indicates a very high level of satisfaction with the program delivery provided by Industry Canada.

Interviewees and survey respondents from Quebec companies, who dealt with *CED-Q*, also rated the delivery of CANtex highly. When asked to provide an overall score on program delivery from one to 10, where 10 was "very good" and 1 was "poor", the 11 interviewed companies that dealt with CED-Q provided an average rating of "7.5". When asked if the program's delivery met their expectations, 9 of the 11 companies that completed the survey who had dealt with CED-Q responded with either "the delivery has met most of my expectations" or "the delivery has met all of my expectations." The breakdown of survey response is in the table below.



Has the program's delivery met all your expectations? (CED-Q Clients)					
	Met <u>All</u> of My Expectations	Met <u>Most</u> of My Expectations	Met <u>Some</u> of My Expectations	<u>Not Met</u> <u>Any</u> of My Expectations	No Comment
Number of Responses	2	7	2	0	0

The findings also indicated some concerns about program delivery in Quebec, specifically related to a long approval process and unevenness in delivery. Of the 11 Quebec companies interviewed, 8 commented on the delays in the approval process. Also, 4 of the 11 survey respondents located in Quebec commented on delays in the approval process.

With respect to unevenness in delivery, interviews with CED-Q officers revealed that there were differences in how the program was delivered across Quebec, suggesting there was variability in the officers' understanding of the program eligibility parameters. Specifically, some CED-Q officers indicated that companies could have more than one concurrent CANTex project, whereas another officer indicated that concurrent projects were not allowed under the terms of the program. Officers at Industry Canada suggested that, based on their feedback from companies, CED-Q officers may have been denying applications to companies that were not in financial need, whereas financial need was not a criterion for eligibility. Comments regarding this confusion were also provided by representatives from industry associations, which they heard from the members of their associations. While this finding was not validated through the interviews with companies, it suggests the potential for variability in program delivery between some regions of Quebec and other regions.

Further, because CED-Q officers located outside of Montréal were not easily "backed up" by other knowledgeable colleagues, the companies they dealt with were affected by the availability of those officers (i.e., absences due to sickness, vacations, etc...). The impact on companies of not having depth in program delivery capability in some areas of



Quebec was revealed in interviews. For example, two interviewees stated that CED-Q delivery officers that they were working with went on extended leave, which hampered communications and response times from CED-Q to the company, and ultimately delayed the project approval. Conversely, this was not the case for companies that dealt with Industry Canada officers, since with its centralized delivery, the absence of one of those officers was covered by a colleague.

The Evaluation findings indicate that, overall, the delivery of CANtex was good or very good according to the majority of program recipients. However, the findings also indicate that some clients in Quebec experienced delays and, due to the regional delivery model implemented in Quebec, some delivery officers were not as well-informed as they could have been. As a result, there was unevenness in delivery, and the overall delivery of CANtex was not as effective as it could have been.

Recommendation 1: To ensure that CANtex clients are served consistently, CED-Q should take the steps necessary to ensure that program officers are fully informed and that backup capabilities are in place to support its officers in delivering the program.

Furthermore, the findings indicate that, because of the different program management approaches implemented by Industry Canada and CED-Q, companies are receiving a different level of service from the two Departments. In particular, apart from the differences attributed to individual officers above, companies located in Quebec indicated that the approval process in Quebec is slow, whereas companies located elsewhere did not. These findings suggest that Departments need to take particular care when partnering in the delivery of a program to ensure that applicants and recipients are treated as intended.

Recommendation 2: Industry Canada and CED-Q should take the steps necessary to ensure that CANtex is uniformly and consistently delivered across Canada.



4.3 CANtex Seems To Be Contributing to Intended Results

This Formative Evaluation was intended to explore progress on expected results. Evaluation findings indicate that CANtex is likely achieving the types of results that were intended. Strong interaction with program officers at the application stage is a likely contributor to this positive outcome.

A Concentration of Projects Focused on Management Systems and Process Improvement

The program data indicate that CANtex projects in the area of improved management systems or automation processes are more prevalent, with about half as many again in the area of improvement of production processes. The following table displays the distribution of project types for the program as of July, 2006.

Number of CANtex Projects by Type		
Mgmt. Systems / Automation	People Focused	Process Improvements
137	2	61

This observation does not constitute a deficiency or concern. It simply indicates that companies applying for assistance focused on projects that would improve their management systems or production processes, rather than on projects related to people, perhaps reflecting the condition of the textile sector.

Projects Are Helping Companies Stay Abreast Of Industry Developments

The findings indicate that the majority of projects are helping companies keep up with expected productivity improvements prevalent in the textile industry.

According to interviews, the majority of projects are helping companies to undertake productivity-related changes intended to keep them competitive in the marketplace. These changes relate to areas such as financial management, production, and supply-



chain management. The following provides some examples of the types of projects being undertaken:

- Implementation of a new information management system that will allow the company to more quickly and accurately analyze financial data and act accordingly;
- Development of transportation equipment used in the company's factory to transport material more safely and efficiently;
- Implementation of new textile production processes that allowed the company to mass produce products in order to meet tight deadlines on anticipated contracts;
- Development and implementation of a new information system that allows managers and the sales force to remotely access sales data.
- According to interviewees, these types of projects, which involve the implementation of well-known and well-established practices in the industry, are essential to the future viability of their companies. Of the 28 companies interviewed, 19 had indicated that the productivity gains resulting from the CANtex project allowed them to "catch up" to the rest of the industry. A few of these interviewees indicated that, without the changes brought through the CANtex project, their company might not be in existence today. One interviewee captured the thought by saying: "We are alive today as a result of this program."

Of particular note, most interviewed companies were able to describe in some detail the types of results that were being achieved as a result of the project. Companies were able to describe improvements such as:

- Increased efficiency by 24% after installing equipment that handles material more efficiently with less downtime,
- Reduced number of days for company's end of month, multi-site, inventory consolidation process from 20 to 7, and



- Increased productivity of 50% after one year after implementing a new management information system.

This level of measurement may be possible because many of the projects focused on productivity improvements, and those improvements were identifiable by the companies because they were integral to their production processes and the results were visible and/or tangible. This finding is important, since it suggested that many recipients are able to identify and report a quantitative impact from their CANtex project.

Two illustrations of projects that were state-of-the-art leading edge technology improvements, as opposed to implementing well-established practices or technologies, involved:

- A program recipient has developed a new prototype curing system that is used during the curing process of rebar. The rebar they produce has a unique fibre glass threading. According to the interviewed representative, no other company or organization has ever attempted using this particular method as part of this process. The company currently has the technology working, and has started the patent process. It is continuing to work to optimize the design.
- Another program recipient has developed digitizing software that is used to convert embroidery designs to an auto vector format. The auto vector format can then be inputted into most embroidery machines. The company uses this technique to treat and add value to textile products. The project, at the time of the interview, was in a quality control stage. They plan in the future to develop a web based interface that its clients can use to access and use the software. They hope that the software will be able to address 90% of customer's designs with a two hour turnaround. If they can reach this goal, they feel it would place them well ahead of their competitors.

When asked their views on the overall results achieved by the CANtex program, 27 of the 28 interviewed companies indicated they were satisfied with the results they were achieving within their projects. The views of companies can be captured in the following



sample statements made by interviewees: “We as a company are very grateful that the government was able to help the textile industry”; “The program allowed us access to initiatives we wouldn’t have gone ahead with”; and “The funding and support is very visible in our company.”

As indicated earlier, CANtex is a component of CATIP, which is larger in scope and was designed to assist apparel and textile firms diversify their markets and increase competitiveness. The findings from the Evaluation indicate that CANtex projects are also contributing to CATIP’s objectives. CANtex projects are contributing to the following CATIP-specific intermediate results (as outlined in the CATIP Results-Based Management Accountability Framework):

- Firms/industries adjust to lesser developing countries’ market access,
- Develop competitive advantage,
- Increase efficiency,
- Improve technological capacity,
- Reduce business costs, and
- Improve order and inventory replenishment.

Overall, these findings related to project results suggest that CANtex is contributing in a measurable way to the productivity of Canadian textile companies and may be playing an important part in the survival of selected companies.

Guidance at the Application Stage Is Adding Value

Interviewed companies indicated that the guidance provided by officers at the application stage has been useful to shape their projects so that they generate intended benefits.

When interviewed companies were asked which projects worked well and which did not, they indicated that none of the projects was “not working well.” They indicated that they had received good feedback at the project application stage, and that this provided good guidance on defining the project parameters. They indicated that the dialogue with the officer added value towards getting the types of results that CANtex was striving toward. In their view, the dialogue was useful to develop with the program officer a good



understanding of what the project would be, which enabled them to focus on getting the project implemented quickly according to expectations. Some interviewees indicated that this review by program officers may have slowed the application stage. However, they indicated that, in retrospect, the guidance made a difference in terms of helping to define a project that was successful.

This finding suggests that the information, advice, and guidance provided by program officers during the application stage are valuable factors in the program's ability to achieve intended results.

CANtex Continues To Be Relevant

The Evaluation findings strongly suggest that CANtex continues to be relevant since it is generating results that are consistent with its objectives.

The data on supported projects and results from interviews indicate that the majority of CANtex projects are contributing to productivity improvements. Interviews indicate that many companies can readily identify the results from these projects, and that without the support that was provided, some of the companies might not have survived financially. These findings provide strong support for the view that CANtex continues to be relevant to the Canadian textile industry.

In general, respondents believed that CANtex was a relevant program that could help many more companies. One interviewee stated that "companies would be silly not to use it."

This evaluation is also intended to report on the CANtex projects related to re-tooling research and/or development. At the time of writing this report, 19 projects of this type have been undertaken by 17 companies. The total amount approved for these 19 projects is \$3.67 million. Details of these projects are set out in Appendix G. Although CANtex was altered to include these types of projects on September 20, 2005, very few projects were developed and approved for several months, which likely accounts for the relatively small number of these projects to date. Furthermore, of the 17 companies with at least



one project related to re-tooling research and/or development, 7 of them had a representative interviewed as part of this Evaluation.

Information for Future Evaluation

CANtex program management now collects some of the performance information necessary to support a future Summative Evaluation of the program. However, more effort needs to be allocated to collecting the required performance information.

The review of current practice within the program indicated that information is being collected in the project reports on some principal project characteristics, such as: types of activities undertaken by recipients, enhancements to production equipment, reconfiguring workplaces, and changes in technologies. However, program management is not yet collecting in a systematic way much of the information that is set out in the Results-Based Management Accountability Framework (RMAF) to enable a future measurement of the results achieved by CANtex. This effort needs to be focused on implementing a systematic approach to collecting the necessary information.

Recommendation 3: To ensure that Industry Canada is able to report on the results achieved through CANtex, program management should establish a complete and systematic process for collecting and compiling results information, based on the contents of the Results-Based Management Accountability Framework.

5.0 Summary of Recommendations

The Evaluation determined that CANtex continues to make sense as a vehicle to promote investments in productivity, cost-reduction, and a re-orientation of textile production towards higher value-added products. Results to date suggest that the program is generating identifiable and quantifiable results in companies' operations.

The design and delivery of the program are generally suitable. However, there are issues concerning uneven delivery in certain areas of Quebec and between Quebec and other provinces.



Program management currently collects some performance information on projects supported through CANtex. However, more effort needs to be allocated to collect performance information that is set out in the RMAF to support a future Summative Evaluation of the CANtex program.

The following table sets out the recommendations from the Evaluation.

Conclusion	Recommendation
<p>Conclusion 1</p> <p>Some clients in Quebec experienced delays and, due to the regional delivery model implemented in Quebec, some delivery officers were not as well-informed as they could have been. As a result, there was unevenness in delivery, and the overall delivery of CANtex was not as effective as it could have been.</p>	<p>Recommendation 1</p> <p>To ensure that CANtex clients are served consistently, CED-Q should take the steps necessary to ensure that program officers are fully informed and that backup capabilities are in place to support its officers in delivering the program.</p>
<p>Conclusion 2</p> <p>Because of the different program management approaches implemented by Industry Canada and CED-Q, companies are receiving a different level of service from the two Departments</p>	<p>Recommendation 2</p> <p>Industry Canada and CED-Q should take the steps necessary to ensure that CANtex is uniformly and consistently delivered across Canada.</p>
<p>Conclusion 3</p> <p>Program management is not yet collecting in a systematic way much of the information that is set out in the Results-Based Management Accountability Framework (RMAF) to enable a future measurement of the results achieved by CANtex. This effort needs to be focused on implementing a systematic approach to collecting the necessary information.</p>	<p>Recommendation 3</p> <p>To ensure that Industry Canada is able to report on the results achieved through CANtex, program management should establish a complete and systematic process for collecting and compiling results information, based on the contents of the Results-Based Management Accountability Framework.</p>



5.1 Lessons Learned

The Evaluation identified a number of lessons to be learned concerning CANtex, as follows:

- The \$100,000 ceiling on non-repayable contributions did not appear to present a significant challenge to program delivery
- Guidance provided by program officers at the application stage can help to shape a project to be successful
- The reporting requirements and disbursement process were considered reasonable
- When delivering a program in collaboration with another Department, all Departments involved should ensure that sufficient mechanisms are in place to prevent, identify, and resolve delivery issues as quickly as possible, including mechanisms to involve top management in a timely manner
- The vast majority of projects undertaken by companies with the support of CANtex focus on productivity improvement and companies are tracking quantitative results from them.

