

We now have an industry which has undergone a process of adaptation, adjustment and change. It has made significant changes in product mix. It has strengthened its position in its most favourable market segments. It has sought out new methods of competing. It has improved the efficiency of its management and financial information systems. And it has continued to employ state-of-the-art technology and has moved upward in the quality scale in the market.

As a result, we now have an industry that, with one temporary and limited exception -- the makers of women's and girls' footwear -- is ready to stand up to the international challenge.

The Tribunal pointed out another relevant detail about the transformation of the footwear industry. The quota system had little effect on it. The changes were brought about primarily by the pressures of the marketplace rather than eight years of quota protection. A particular source of the industry's strength, for example, has been its ability to fill orders for short runs of new products on very short notice.

The government has therefore concluded that further granting of import relief to the whole industry would not be in the country's economic interest. Accordingly, effective December 1, 1985, import controls will be continued only on women's and girls' dress and casual footwear. This sector accounts for nearly half of the Canadian industry's sales, and it is the only sector which the Canadian Import Tribunal found would be injured by an immediate removal of quotas.

Moreover, in this sector of the industry, the Tribunal recommended -- and the government is committed to -- a phasing-out of quotas over the next three years. They will be increased by 6% the first year, 8% the second,

and 10% the third year. By then, the quotas will have been in force for eleven years.

In coming to this decision, the government was influenced by the actual effects that the footwear quotas have had. They have driven shoe prices up. Canadian consumers have paid somewhere between \$450 million and half a billion dollars more for footwear than they would have had there been no quotas. This increase has been felt most by lower-income Canadians, both because their budgets are lower and because low-cost imports have been restricted. And, because prices were higher, demand for footwear decreased. Judging by the figures produced by the Import Tribunal, Canadian consumers now buy roughly 12 percent fewer shoes than they would have if quotas had not been in force since 1978.

At the same time, the benefits accorded to the industry were minimal. In 1983, for example, consumers paid an extra \$85 million for their footwear, while the industry produced only \$29 million more than it would have without the protection of quotas.

Who gained from the quota system? The principal beneficiaries were not Canada's footwear producers. The ones who gained the most were the holders of footwear quotas -- mostly importers and large retail chains. Smaller outlets were adversely affected because they had allocations too small to take advantage of price reductions for bulk buying.

There is a broader consideration, as well, in the government decision to reduce and phase out footwear quotas. The fact is that continuation of the quotas would have seriously affected Canadian interests in other sectors of the economy.

The imposition of quotas invariably