

*Supply***GOVERNMENT ORDERS**

[Translation]

**BUSINESS OF SUPPLY****ALLOTTED DAY, S.O. 63—FOOTWEAR INDUSTRY—IMPORT QUOTAS**

The House resumed consideration of the Motion of Mr. Tardif (Richmond-Wolfe):

That this House regrets that the Prime Minister has once again broken an election campaign promise, this time by failing to maintain quotas on imports of shoes and by compounding this betrayal by failing to make adequate provision for the thousands of workers whose jobs are adversely affected.

**Hon. Michel Côté (Minister of Consumer and Corporate Affairs and Canada Post):** Mr. Speaker, I resume my remarks where I left off this morning when I was talking about the impact of quotas on Canadian consumers. As I was saying, since quotas have given a monetary value to import permits, one can easily understand why those who have obtained such permits on the basis of their purchases in previous years would rather not use them to buy cheaper shoes. They will prefer to buy more expensive shoes to take full advantage of their limited number of import permits.

Undeniably this strategy serves the interest of importers, but it has a significant and undesirable social effect on the price of various categories of imported shoes. Since high-priced imported shoes bring in a higher shortage premium to begin with, importers have a tendency to buy more of them. They cannot do that unless they buy smaller quantities of cheaper shoes, because their import quotas are limited. In turn this reduced supply for buyers of cheaper shoes leads to higher prices on the domestic market.

Therefore the result of quotas is to lower the supply of cheaper shoes imported into Canada and increase their prices as compared with those of other categories of imported shoes. It is particularly detrimental to poorer consumers who are least able to afford them.

While it is hard to determine exactly the total costs of quotas to consumers, the research conducted on behalf of the tribunal shows how substantial they are. According to those reviews, since 1968, consumers have paid out between \$450 and \$500 million more than they would have had there been no such quotas.

Mr. Speaker, the quota system not only increases the price of shoes, both imported and Canadian, but also lessens the choice for consumers. Indeed, retailers cannot buy freely abroad because of those quotas and Canadian manufacturers are unable to offer items comparable with foreign production in all styles of footwear. In addition, price increases and restrictions in the variety and availability of shoes have probably helped reduce the total demand of shoes by almost 12 per cent since 1978.

This Government's new policy on quotas will phase out the costs incurred by Canadian consumers. This policy furthers their interests especially where low-income consumers are concerned.

● (1530)

[English]

Although some larger retailers benefited from the global quota regime, the retail sector as a whole was hurt by that policy, with the greatest competitive harm having been experienced by the small independent retail business segment.

To understand the impact of the global quota regime on the retail sector, one must keep in mind that quotas create product scarcity. Quota allocation is costly to obtain, and a quota regime introduces rigidity in the characteristics of product supplies. Because the cost of acquiring quota allocation is independent of the volume of imports, it represents a heavier burden for the small independent retailer and weakens his ability to compete. Because quotas create product scarcity, they force smaller retailers to offer a narrower product range than their customers wish, thus reducing the retailer's ability to compete and thereby diminishing the value of his investment. Because quotas introduce rigidity in the supply of imported product, retailers are unable to respond to changes in customer demand, thus reducing the competitiveness of both the retail and manufacturing sectors.

Because quota permits have been allocated mainly on the basis of historical import performance, new entry into the retail business has been discouraged artificially. Quota limitation also has a dampening effect on the ability of existing business to expand. Without the freedom to enter and expand or exit and contract, competitive forces do not work—

**The Acting Speaker (Mr. Paproski):** On a point of order, the Hon. Member for Kamloops-Shuswap (Mr. Riis).

**Mr. Riis:** Mr. Speaker, I hesitate to interrupt my colleague halfway through his reading, but we have been here in the House in excess of a year and this is an opposition debate that is taking place. We have heard the Minister for International Trade (Mr. Kelleher) read a statement, and we are now hearing another Minister read a statement. There is a place for that. My recollection of the rules—

**The Acting Speaker (Mr. Paproski):** The Hon. Member has been in this House for a long time and should know that his is not a point of order. If he would like to bring that matter up at another sitting, that is fine; but not at this time.

**Mr. Côté (Langelier):** Thank you, Mr. Speaker. Over-all, the net effect of quotas has been to increase the concentration in the retail sector and to reduce competition. Quotas have also had an adverse effect on employment in the retail sector. Restricted supply means fewer sales—and at higher prices, of course—and fewer sales means retailers need fewer stores and fewer employees.