

Proceedings on Adjournment Motion

servicing their needs. Our armed forces are justifiably proud of the contributions they have made to Kingston's social and economic communities and the citizens of the area have done much to integrate the lives of the military people with their own. In short, there is not a situation in Kingston that would justify the armed forces taking extreme measures to provide basic shopping services to the military personnel in the area.

● (10:20 p.m.)

One might argue that the lower prices involved would justify the establishment of Canex stores in the vicinity of any armed forces station in view of the fact that our military personnel are poorly paid. This might have been an argument a few years ago when military salaries started at about \$45 or \$50 a month, but that has changed drastically in recent years. Now our armed forces are among the highest paid in the world, and while they might feel that they deserve more at least they are making a good living.

There is one more aspect of the Canex question that deserves our full attention, and that is the aspect of unfair competition to the established merchants in Kingston if a Canex store should be established in or near the community. The merchants of Kingston, like merchants in any other community, have invested in businesses to the extent of the local requirement. In the case of Kingston this has meant investing in facilities that would serve the needs of military as well as civilian clientele. If you take the traditional military customers away from Kingston businesses, it is obvious that the loss would be quite considerable and in many cases it would be sufficient to destroy businesses in the city and vicinity.

Needless to say, merchants, merchants' associations and city officials have all joined forces in protest against the planned establishment of Canex stores in Kingston. It may well be that the Kingston situation will establish guidelines for the government with regard to opening Canex stores in other areas across Canada. If they do succeed in opening a Canex store in Kingston, the door will be opened to similar installations in towns where the financial loss to local merchants could be disastrous.

I urge the Minister of National Defence to consult with city officials and merchants' associations in Kingston before the Canex store is approved. There are both short-range and long-range implications in such a policy that should not, and must not, be ignored.

Hon. Donald S. Macdonald (Minister of National Defence): Mr. Speaker, I thought the hon. member had come here to bury Canex, but instead he appears to have come to praise it. However, I am glad to have the oppor-

tunity to put on the record certain facts to inform both the hon. member and the Kingston area about the operation of the Canex system.

The policy of the Department of National Defence is to provide through non-public funds, that is to say non-tax funds, resale outlets on all defence establishments whether they be located in urban areas, in remote areas or overseas. The purpose of this policy is twofold: first, to provide a convenience and benefit to the members of the forces no matter where they are directed to serve and, second, to generate the profits required to permit recreational, welfare and morale programs to be maintained at optimum levels.

The hon. member said that there should not be such stores in more settled areas. But I think it must be quite clear that without the inclusion of resale activities at large defence installations within the exchange system, such as those at Canadian Forces Base Kingston or Petawawa, it is doubtful that support could be provided to our remote and overseas installations such as at Inuvik, Chibougamau or Lahr.

I should point out to the hon. member and to Kingston residents that the exchange system is subject to all federal and provincial sales taxes on goods offered for resale. In addition, overhead costs of heat and electricity are gradually being assumed by the exchange system. Insurance on plant and inventory is a responsibility of the exchange system and not the Crown, and I emphasize again that these are not public funds. Except for the base exchange officer, that is to say one employee, all payroll expenses are met by the exchange system. I would argue that the Canex system is not unfair competition with local merchants. In particular, it caters to authorized patrons only, that is, to service families and to civilians employed on the base, while local merchants have the entire population to serve. On the contrary, I would suggest that the increase in population that comes along with a Canadian Forces Base is very much to the benefit of local merchants.

But perhaps the best argument in favour of Canex is an experience I had at Petawawa during the fall emergency. The residents of Pembroke emphasized to me that because the troops were away from the base, local sales had gone down. What better illustration could one have for the proposition that the establishment of a forces base in an area is good for the local business merchants? I thank the hon. member for providing me the opportunity to put on the record once again the facts of the Canex operation.

Motion agreed to and the House adjourned at 10.28 p.m.