

Supply—Post Office

small. However, I would point out, Mr. Chairman, that all these statements have failed to take into account several major items not only of cost but of revenue, and these items should form an important part of any cost study analysis of the post office or any other department.

By way of example, the year 1962-63 had a reported operating revenue of \$222 million and an expenditure in excess of \$218 million, leaving an alleged paper surplus of roughly \$3½ million. The hon. member for Digby-Annapolis-Kings will recall that during the year in question there was a retroactive pay adjustment, a salary adjustment, amounting to some \$4½ million which wiped out this paper surplus, so that in actual fact there was a deficit.

In addition to that there was \$32,600,000 odd items in uncharged services, which were supplied to the Post Office Department by the Department of Public Works and the Department of Finance which does not even appear in the records of the Post Office Department. This appears in the records of the Department of Finance and the Department of Public Works. When all these items are taken into consideration, including a credit to which the Post Office Department would be entitled for free mailing services which we provide to certain departments of government, then instead of an alleged surplus in the year 1962-63 of \$3,600,000 odd we have an actual operating deficit of \$30 million in that year.

During the year 1963-64 the financial position of the department has continued to deteriorate. Notwithstanding rate increases, which were introduced last November and which brought in \$1,800,000 odd in new revenue, a very substantial deficit still exists. Our total recorded revenues—and here I will have to examine my notes—during that year show that revenues were up in the fiscal year which finished March 31 last by \$13 million. In other words, our revenues were about \$235 million. But our expenditures also increased by more than \$23 million, and we had an actual operating loss of over \$6 million. That is shown by the records of the post office.

There again these figures—and this time I hope the next annual report of the Postmaster General will correct this situation—do not include another figure of approximately \$4 million for free mail services which we have provided to the Department of Agriculture and other departments. Even more important, they do not include an

amount in excess of \$35 million again provided by the Department of Finance and the Department of Public Works. For instance, in the figures there is no charge for superannuation of the post office employees, and there are about 42,000 such employees. The superannuation has all been charged in the records of the Department of Finance. The same is true of post offices in federal buildings used by post office employees.

Mr. Nowlan: But is not that superannuation charge true of all departments?

Mr. Nicholson: Yes; but nevertheless it is an operating expense of the Post Office Department which I hope will be corrected in other departmental accounting practices, as well as in that of the post office. When all these figures are taken into consideration, as the annual report which I hope will be filed before too long will disclose, we had an excess of expenditures over income in the fiscal year recently ended in excess of \$37 million.

This, Mr. Chairman, was a picture of the immediate past. I should now like to comment, because this is what we are here to do, on the current fiscal year 1964-65. During this fiscal year we anticipate postal revenues in excess of \$250 million—a little higher than a quarter of a billion dollars. That sum will include the increases, which were brought in last November amounting to some \$1,800,000 and the increases which took effect on April 1 of this year, approximately \$5 million. Notwithstanding this we will have expenditures ranging in the same vicinity, and we will again come out with an excess of expenditures over income of roughly \$34 million during the year. Frankly, that was the basic reason which lay behind the introduction of part of this resolution No. 12 on the order paper to which I have referred. It was hoped that that resolution concerning the abolition of the local rate would bring in, not \$30 million or \$38 million as some members have mistakenly suggested—they must have confused some figures—but that the increase would bring in approximately \$8½ million. We would still have a deficit of upwards of \$20 million, even if that increase could be taken into account. Deficits of that magnitude are bound to continue so long as the present structure of rates and services continues. There is no alternative to a deficit unless there is a change in the rates.

Even if, as I said a moment ago, the proposed increase brought about by the abolition of the local rates—the dropping of the four cent charge and the substitution of a five