

the rate should be 35 cents or 50 cents per flight mile, although at the same time he knew that the contract entered into between the Post Office Department and Trans-Canada Air Lines—I speak subject to correction—calls for a rate of 60 cents. On further cross-examination he told one of the members of the standing committee which investigated this matter that the guess of the hon. member might be as accurate as the guess of the post office official charged with the responsibility of carrying out the terms and conditions of the contract to which I have reference.

The point I want to make to the new Postmaster General is this. There is in the department for which he is responsible a certain contract, in force until December 31 of this year, between the department and Trans-Canada Air Lines to pay for the carriage of mails at the rate of 60 cents a mile. That contract, of course, he must honour. But I am informed that the average rate in the United States, where traffic is more dense, the mail more voluminous, and the mail carrying planes, perhaps, not quite so de luxe, is 19½ cents, say 20 cents for convenience in figuring. We are paying three times that rate. I am quite willing that a somewhat higher rate shall apply in the sparsely settled areas of Canada. But a charge three times as great, representing a figure which in the committee would not be recognized by the officials, is one which should be revised when the present contract expires. I ask the serious attention of the Postmaster General to this matter, for several reasons.

First, we know that 69·5 per cent of all the revenues of Trans-Canada Air Lines should not come out of the till of the Post Office Department. When Trans-Canada Air Lines makes its report at the end of the calendar year and in that report says that it has earned its depreciation charges, its interest, and is going to show a small profit, that may be a statement of fact taken from the record, but how was the money earned? It was earned because it made a favourable contract with another department of the government, namely the Post Office Department.

I have remarked in this chamber within the past fortnight that we have been unfortunate in not having had a Postmaster General to look solely after the interests of the department. The ministers who were temporarily in charge have been running other departments; they have been very busy, and they are only human. I am glad that we now have a Postmaster General to supervise and operate the department, and I ask him to see to it that no improvident contract such as the one I have mentioned shall be entered

into by his department when the present contract expires. He has asked for an appropriation of \$4,460,651 for the air mail service, whereas the entire costs of operating that service last year were only \$2,250,835.

He knows, I know, and the Minister of Transport knows that there will be a great expansion in the schedules, more service across Canada. But let us be frank and fair with the Canadian people and tell them that Trans-Canada Air Lines, while giving a good service, does have a deficit. But I say to the government, "Do not dip into the sacred till of the Post Office Department and take out \$4,450,000 to subsidize Trans-Canada Air Lines." That is what is being done. The government must not do this and then, when the balance sheet comes out, report that there is an operating profit after depreciation and interest charges have been paid. The report states: The company's operating budget for 1940, based on the assumption that the second trans-Canada schedule will be operated in the spring and that its services will be extended to Windsor—and I congratulate the government in this connection; I noticed the schedule in the press to-day—and to New York and Buffalo during the summer, contemplates that there will be a profit for the year after depreciation and interest. Let us state the real facts. They should read something like this: The company's operating budget for 1940, based on the assumption that this parliament will vote \$4,450,000 out of the post office till, almost 10 per cent of the total \$40,000,000 which comes to the Postmaster General, contemplates that there will be a profit for the year after depreciation and interest.

I offer these observations for whatever benefit they may be to the minister. May I ask him one or two questions. Does the contract at 60 cents expire December 31, 1940? Second, what portion of this vote asked for now will be for the fiscal year ending March 31, 1941? Could the minister give us some idea of the expansion of air mail services and the revenue which he is receiving from the extra postage received, putting that into some readable equation alongside the vote now asked for?

Mr. MULOCK: First of all in regard to the question of the extension of services, the particulars of increases in trans-Canada services, as compared with last year, are as follows:

Moncton-Montreal: The 1939-40 estimates contained provision for operation of this service for three months from January 1, 1940. The operation for the full fiscal year involves an increase of \$140,379.