

always must pay.

Dealing briefly with the report on posts and telegraphs, if we are to accept the Secretary's own statement and figures as correct, it changes the picture that was given the public for the past several years, when they did show small operating profit. In reality, if a fair and proper amount had been set aside for depreciation etc., it would have more truly shown a loss, and we can clearly see that it will take far more than the so-called accumulated surplus to bring their equipment up to date — not forgetting the huge burden they have thrown on the country by almost starving most of the outport operators and postal staff. In this case we do not need to mention specific cases as the report is there — it gives you the gruesome picture.

It has been stated by high-ranking officials that the policy of the Commission of Government in forcing them from 1934 onwards to close out so many small telephone and telegraph offices was very unsound, like the forming of road committees to replace the former road boards. In order to give these unfortunate people some semblance of service, the department I understand is now considering the reopening of a limited number of these offices each year, thereby admitting that in the light of new evidence the lines should have been left standing.

Again, here we find a lack of co-ordination between the Secretary and the staff. One can go to one clerk or postmaster and get a rate, and go to another and get an entirely different rate on the same matter. When the rate is disputed it is surprising to find how their opinions differ, and how they entirely disagree over the wording of the act....

Mr. Higgins I have only a few comments to make on this report. It does strike me as outstanding that the government should be criticised by a department of the government. Unless I am wrong, I read this into the question outlined on page 2. The question was put bluntly to them, "If the government told you that hard times are imminent, and relentless retrenchment must become the rule of conduct in all departments, what would your reactions be? What about your plans

for a new and improved telegraph service then?" Their reply was that in that case they would inform the government that they could not undertake to carry on the telegraph system as it is practically collapsing. It strikes me that this is an extraordinary situation. This is the position. It is not the Committee's finding that the telegraph system is collapsing, it is the people responsible for its upkeep, the people responsible for having it in shape. They knew it was collapsing — it did not suddenly fall down and go "boom". It is a most extraordinary policy for the government to collect \$179,000 profit for the past seven years off a service that is dying on its feet. It seems extraordinary that you let your machine, which is earning you money, get into such a condition. It seems stupid. There is no explanation except the usual one, indifference.

On another matter I presume the Committee did discuss the matter of this radio-telegraph service as compared with the old land line. I wonder if Mr. Smallwood would enlarge on what the Committee's findings on that were, whether it is as satisfactory as the old service, and what is the comparative cost?

Mr. Smallwood In answer to Mr. Higgins' first point, it was not until the war broke out that the department was even paying its way. It lost money, year by year, as regularly as a clock ticks away the time....

[Mr. Smallwood read a list of losses between 1919-20 and 1929-30]

What happened then was this — the slump came and the great policy of retrenchment was introduced. You remember when the government brought in Sir Percy Thompson and Mr. Penson (who afterwards became a Commissioner), and they instituted a relentless program of economy and retrenchment.¹ In that program the postal telegraph system suffered tremendously. Post offices were wiped out or closed down. Salaries were reduced, and the subsidy that the department was paid for carrying mails was reduced tremendously. It had been up around \$500,000 a year, and finally in 1934 it was cut down to \$150,000.... The operating loss took a dip from \$872,000 in 1930-31 down to \$542,000; then

¹Sir Percy Thompson, deputy chairman of the Board of Inland Revenue, was appointed to investigate Newfoundland's financial position in 1931. He was succeeded by John H. Penson. For further information see Peter Neary, *Newfoundland in the North Atlantic World, 1929-1949* (Kingston and Montreal, 1988), p. 14 and p. 82.