

Tuesday, August 1, 2000.

Hon. Martin Cauchon  
Minister of National Revenue  
312 West Block  
House of Commons  
Ottawa, Ontario  
K1A 0A6 By Fax and Post

Dear Minister Cauchon:

On behalf of the Canadian Taxpayers Federation, I write to you today with respect to the "Tax Loss Carry Forwards" that continue to be carried and recorded in the Annual Reports of Canada Post Corporation.

Specifically, I wish to inquire as to the legality of approximately \$270,000,000 in tax loss carry forwards which have been recorded as Notes in Canada Post's Annual Reports since fiscal year 1994/1995 (the relevant Notes are enclosed with this letter).

As you are no doubt aware, Canada Post Corporation became subject to federal corporate income taxes effective March 27, 1994. However, for the fiscal year ending March 26, 1995, we note that Canada Post claimed approximately \$320,000,000 in tax loss carry forwards as a Note to its financial statements.

From what we can determine, Canada Post through its acquisition of 75% ownership of Purolator Courier in November of 1993, was eligible to include some \$44,000,000 of Purolator's tax loss carry forwards and \$8,000,000 of net unclaimed tax deductions in its statements of consolidated operations for the 1993/1994 fiscal year. Indeed, Canada Post appropriately "Noted" these line items (Note #5 – Business Acquisition) in its 1993/1994 Annual Report.

In 1993/1994, Canada Post also recorded a net loss of \$270,390,000. From the explanatory Note (Note #10 – Income Taxes) in the 1994/1995 Annual Report, Canada Post Corporation indicates that "consolidated tax loss carry-forwards in the amount of \$320,000,000 are available to reduce future income taxes." It appears that Canada Post's loss for 1993/1994 has been carried forward as a tax loss carry forward to 1994/1995.

However, as noted above, Canada Post did not become subject to corporate income tax until March 27, 1994. **Therefore, one is left to ask how Canada Post can carry forward a tax-loss from a year when it was not subject to federal corporate income tax?**

Today I request that you investigate this situation to see if you concur with our analysis or if your efforts yield a different conclusion. Copies of the relevant sections of Canada Post's Annual Reports for the last seven fiscal years as well as a simple spreadsheet analysis which chronicles the growth and depletion of Canada Post's are enclosed to assist you with your investigative efforts.

It is ironic to note that the regulatory impact statement issued on June 2, 1994 with respect to Canada Post's new status was to make "Canada Post taxable" and "place the corporation on a more even footing with its private-sector competitors." Yet, these questionable tax loss carry forwards have had the opposite effect by reducing Canada Post's tax liabilities by some \$270,000,000 conferring a unique advantage to Canada Post.

I thank you in advance for your interest and trust that you comprehend the seriousness of this matter and the questions of fairness and proper financial disclosure that have arisen. I look forward to hearing from you at your earliest possible convenience. In the interim, should you have further questions or require more information, please do not hesitate to contact us at 613-234-6554 or 1-800-265-0442.

Sincerely,

Walter Robinson,  
Federal Director

cc: Rt. Hon. Jean Chretien  
Hon. Alfonso Gagliano