

COMMISSION OF INQUIRY RELATING TO  
THE SECURITY AND INVESTIGATION  
SERVICES BRANCH WITHIN  
THE POST OFFICE DEPARTMENT



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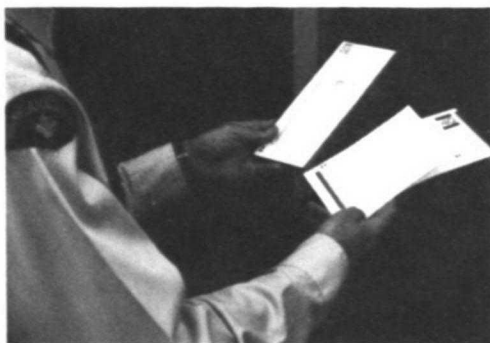
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**The Report**  
of the  
**Commission of Inquiry Relating to**  
**The Security and Investigation Services Branch**  
**Within the Post Office Department**



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COMMISSION OF INQUIRY RELATING TO THE SECURITY AND INVESTIGATION  
SERVICES BRANCH WITHIN THE POST OFFICE DEPARTMENT



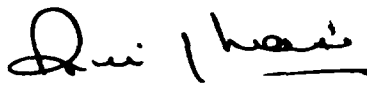
Ottawa, January 7, 1981

The Honourable André Ouellet, P.C., M.P.  
Postmaster General for Canada  
Sir Alexander Campbell Building  
Confederation Heights  
Ottawa, Ontario  
K1A 0B1

Sir:

The Commission of Inquiry relating to the  
Security and Investigation Services Branch within the  
Post Office Department, established under  
Order-in-Council P.C. 1980-1310 dated 15 May, 1980 as  
amended by P.C. 1980-1544, dated 5 June, 1980, has the  
honour to submit the report of its findings and  
recommendations.

Respectfully yours,

  
(Commissioner)

COMMISSIONER/COMMISSAIRE  
JUGE RENE J. MARIN

COMMISSION D'ENQUÊTE TRAITANT DE LA DIRECTION DES SERVICES DE SÉCURITÉ  
ET DES ENQUÊTES AU SEIN DU MINISTÈRE DES POSTES

COMMISSION

COMMISSIONER

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## Format for Recommendations

For purposes of identification, the recommendations of the Commission have been prefixed and numbered according to subject matter. The following is a list of explanation of the prefixes used.

POS.	Peace Officer Status
MOP.	Mail-Opening
SEC.	Security and Investigation



# Introduction

## *Establishment of the Commission*

The Order in Council establishing this Commission of Inquiry, P.C. 1980-1310 dated May 15, 1980 as amended by P.C. 1980-1544 dated June 5, 1980, reads as follows:

The Committee of the Privy Council on the recommendation of the Minister of Justice and the Postmaster General and pursuant to Part II of the Inquiries Act, advise that His Honour Judge René J. Marin of the County and District Courts of Ontario, be appointed as a Commissioner to investigate and report upon that part of the business of the Post Office Department pertaining to:

- (a) the operations and activities of the Security and Investigation Services Branch relating to criminal investigations and the enforcement of the postal offence and penalty provisions of the Post Office Act and the Criminal Code;
- (b) a proposal to confer the status of peace officer, within the meaning of the Criminal Code, upon employees in that Branch relative to the criminal investigations and enforcement activities aforesaid; and
- (c) the circumstances under and the manner in which that status might be conferred upon the employees aforesaid, if at all.

The Committee further advise that

- (a) the Commissioner be authorized to adopt such procedures and methods as he may from time to time deem expedient for the proper conduct of the Inquiry and may sit at such times and at such places as he may decide from time to time;
- (b) the Commissioner be authorized to have complete access to personnel and information available to the Post Office Department and other departments and agencies of the Government of Canada and be provided with adequate working accommodation and clerical assistance;
- (c) the Commissioner be authorized to engage the services of such staff and counsel as he deems necessary or advisable at such rates of remuneration and reimbursement as may be approved by the Treasury Board;
- (d) the Commissioner be required to submit a report to the Postmaster General of Canada embodying his findings and

recommendations and advice relating to future action, if any, within four months, or within such further period of time as the Postmaster General may authorize, and to provide interim reports if so requested by the Postmaster General;

and

- (e) the Commissioner be required to file with the Public Archives of Canada the papers and records of the Commission as soon as reasonably may be after the conclusion of the Inquiry.

The Committee further advise that, pursuant to section 37 of the Judges Act, His Honour Judge René J. Marin be and is hereby authorized to act as Commissioner for the purposes of the said investigation.

The Commission interpreted its terms of reference to require that its final report should:

- describe the nature and extent of the Post Office's security problem;
- assess the measures which the Post Office has adopted to meet its security needs;
- assess proposals which have been advanced, from inside and outside the Post Office, to deal with the security problem, including the proposal to confer peace officer status upon postal inspectors;
- recommend means by which Government might respond to the Post Office's security needs.

Early in the hearings it became apparent to the Commission that it should expand its interpretation of the terms of reference to include an examination of the question of mail opening.

The Commission made two major assumptions in all its activities. First, it assumed security in the Post Office was of concern to both management and labour. Canadian postal employees are represented by four labour unions: the Canadian Union of Postal Workers, the Letter Carriers' Union of Canada, the Public Service Alliance of Canada and the International Brotherhood of Electrical Workers. Both unions and management were involved in all public aspects of the Commission's work. Counsel for Post Office management and counsel for the unions and the Canadian Labour Congress were recognized by the Commission and allowed to question witnesses at public hearings.

Representatives of both unions and management accompanied Commission staff on tours of postal facilities and were consulted informally on the Commission's goals and procedures. This canvassing of both viewpoints has assisted the Commission in its efforts to strike a balance in its final recommendations.

The second assumption was that the Commission should be accessible to the public since taxpayers have a vested interest in a secure and efficient postal service. The Commission held public hearings from July 14, 1980 to October 17, 1980 in each of the four postal regions of Canada. Advertisements were published in both official languages in 45 daily and weekly newspapers during the week of June 16, 1980 (see Appendix A). As a result the Commission received submissions from individuals and organizations in every part of Canada. Further, the Parliamentary Press Gallery in Ottawa was notified of the time, date, and location of each public hearing and, when possible, of the list of witnesses who would be appearing.

The Commission recognized that it was working under two constraints. First, the question of mail-opening was being examined by the Commission of Inquiry Concerning Certain Activities of the Royal Canadian Mounted Police. Although there was no desire to duplicate that work, it was felt that the implications of mail-opening went beyond what might be done by the R.C.M.P. in the name of national security. The Commission, therefore, could not ignore the topic but for the most part directed its examination to other elements of the subject, particularly to the legal aspects and to the impact on postal security.

The second constraint was that, as the Commission examined security in the Post Office Department, legislation was being prepared and debated to convert the Department into a crown corporation. Accordingly, the Commission conducted its inquiry and drafted its recommendations in such a way as to make them equally pertinent to a federal department or a crown corporation. In a number of specific matters, there was concern that the new legislation would be enacted by Parliament before this report could be published. If that were to happen, certain shortcomings in the bill which augured ill for the provision of a secure postal service would be enshrined in law and difficult to change. To meet this the Commissioner wrote personally to the Postmaster General who indicated that he would take steps to have the necessary amendments presented to the Parliamentary Committee examining the bill. The Commissioner also accepted an invitation to appear as a witness before the Committee on December 15, 1980. On that occasion the Commissioner urged that the bill be amended to enshrine the principle of the sanctity of the mail and also specifically to provide for the appointment of postal inspectors.

## Methodology

### Research

The Commission's initial mandate was very short — four months. This was extended by the Postmaster General for three months. Even so it was recognized during the preliminary planning phase that difficulties would be encountered in scheduling witnesses and in having submissions presented over the summer. It was also recognized that the Commission's analytical work would have to be telescoped to allow it to meet its deadline. As a consequence its research and public hearings were conducted simultaneously, and major portions of the research were done by consultants with established reputations in the field of criminal justice. These consultants were given specific tasks to accomplish within fixed time limits:

- to define the extent and causes of loss to the Post Office;
- to examine the impact of loss on the Post Office and its customers;
- to describe the structure, operations, personnel and philosophy of the Post Office security force.

Research consultants were also engaged to analyse the legal implications of granting peace officer status to postal inspectors and, subsequently, to assess the state of the law on mail opening.

An informed and independent evaluation of the security problems and responses within the Post Office was considered essential. The Commission consulted security experts in private industry and within the United States Postal Inspection Service to extend its critical appreciation of the problems and of possible solutions. Expert witnesses on specific security matters within the Post Office were called to testify *in camera* before the Commission.

### Security Investigators

To obtain a professional perspective on the *modus operandi* of the Post Office's Security and Investigation Services Branch and, in particular, to assess the utility of peace officer status for postal inspectors, the Commission obtained the services of four municipal police investigators from Vancouver, Halifax, Ottawa and Toronto. These officers conducted interviews with personnel of the Security and Investigation Services Branch to determine, among other things, personnel recruitment and training requirements and investigative techniques. They also reviewed files of the Security and Investigation Services Branch and assessed the handling of specific cases brought to the attention of the Commission at its public hearings.

## **Field Work**

Without first-hand knowledge of the operations of postal facilities and of security techniques, the Commission could not hope to achieve a realistic perspective on security within the Post Office. The Commission, therefore, toured 12 postal installations, both large and small, in Victoria, Vancouver, Calgary, Saskatoon, Winnipeg, Toronto(2), Ottawa, Montreal(2), Moncton and Halifax. During consultations with United States Postal Inspection Service officials, it also toured American postal facilities in Washington, D.C. and New York City.

## **Documentation**

The Commission at all times made its unclassified files available for public inspection. These files contained the research materials provided by the Post Office which were not classified as "Confidential", and also the materials derived from members of the general public. Furthermore, all exhibits from public hearings were sent, as a matter of course, to counsel representing management and labour. Where possible, the Commission attempted to have papers provided on a confidential basis during private hearings declassified.

Counsel for the unions submitted requests for access to Commission working papers and to numerous Post Office documents which were classified "Confidential". Appendix B presents the ruling on the request for access to Commission papers, and Appendix C is the ruling on the request for access to Post Office documents.

## ***Acknowledgements***

The Commission benefitted from the cooperation and assistance of many organizations and individuals. Foremost among these were the members of the public who took the time and effort to express their views about Post Office security. The high degree of public concern for an efficient and secure Canadian postal service has guided the Commission's deliberations and conclusions. Without this consistent and thoughtful contribution from private individuals, the work would have been much more difficult.

The Commission would like to express its appreciation for the assistance it has been given by all levels of Post Office staff, from senior management to the most junior employees. It is also indebted to the many postal plant managers and local union representatives who accompanied the Commissioner and his staff on tours of postal facilities throughout Canada. Without

their comments on specific security problems, this report and its recommendations might have been of limited practical application. Similarly, the Commission appreciates the kindness of Kenneth Fletcher, Chief Postal Inspector, United States Postal Inspection Service, and his staff in arranging the tours of postal installations in Washington and New York and in discussing the security problems and investigative techniques of the United States Postal Inspection Service. The Commission is also grateful to the Honourable John Fraser, P.C., M.P., and to Sidney Parker, M.P., for sharing with it their views on Post Office security.

Robert Hann of The Research Group in Toronto, and Claude Morin of Maheu, Noiseux, Roy et Compagnie in Montreal, acted as research consultants on postal losses. To them and their respective staffs, the Commission expresses its gratitude for the high calibre of their research. They accomplished a great deal in very little time and with limited budgets. Without their assistance, the Commission's knowledge of the actual losses from the postal system would be minimal. They contributed a great deal to the Commission's understanding of the postal security system.

Philip Stenning, Special Lecturer at the Centre of Criminology, University of Toronto, provided the Commission with extensive reports on the legal implications of peace officer status and on the state of the law on mail opening. His reports saved the Commission much time in surveying the legal aspects of the issues being examined. Clifford Shearing, Coordinator of the Graduate Faculty, Centre of Criminology, University of Toronto, was of great assistance in formulating the Commission's research program.

The Commission was fortunate in obtaining the services of Sergeant Gerald Roy of the Vancouver Police Department, Staff Sergeant Maxwell Gordon of the Metropolitan Toronto Police, Sergeant Alain Méthot of the Ottawa Police Force and Detective Lawrence Clare of the Halifax Police Department. They gave unstintingly of their expertise to advise on the investigative techniques of postal inspectors. The Commission is grateful to former Chief Constable Donald Winterton of the Vancouver Police Department, Chief John Ackroyd of Metropolitan Toronto Police, Chief Thomas Welsh of the Ottawa Police Force and Chief Fitzgerald Fry of the Halifax Police Department for making these investigators available.

David W. Scott, Q.C., of Ottawa, Harvey W. Yarosky of Montreal, and Gérald E. Desmarais of Sherbrooke, Quebec, acted as Commission Counsel for the public and *in camera* hearings. These gentlemen represented the Commission with great skill. Their persistence in wading through the voluminous background material is to be commended. In addition David Scott

rendered splendid service as general counsel for the Commission. The Commission also acknowledges the cooperation of the two other legal counsel who were present throughout the public hearings. Peter McInenly represented the Post Office Department, of which he is Director of Legal Services. Thomas A. McDougall, Q.C. of Ottawa represented the Canadian Labour Congress, the Canadian Union of Postal Workers, the Letter Carriers' Union of Canada, the Public Service Alliance of Canada and the International Brotherhood of Electrical Workers.

The unflagging effort and good humour of its support staff enabled the Commission to operate smoothly, despite constraints of time and budget. Special thanks are due to Alex Inglis for his editorial advice and assistance.

To the many others who assisted, both privately and publicly, the Commission expresses its thanks and the hope that they will find satisfaction in knowing that they have contributed to improving the security of the mail in Canada.

## Chapter 1

# Canada's Post Office

To understand the security problems and responses of the Post Office requires some knowledge of the institution itself. It would be impossible to provide a complete description in this report. It would also be unnecessary. An understanding of certain fundamental characteristics is sufficient. The critical elements of interest here are the objectives, services and organization of the Post Office.

### *Objectives*

A 1978 report<sup>1</sup> described the Post Office in the following terms:

The Post Office is both a business undertaking and a national service. It has seen little change in its functions since Confederation, with the traditional nature of postal service being the collecting, processing and delivery of letters and small parcels to any and all parts of the country. These basic services were developed decades ago, in response to the country's need for a uniform, national mail system covering both communications and distribution.

In order to carry out these functions, the Postmaster General is vested with a number of specific powers under the Post Office Act. He may establish, manage, operate, maintain and close Post Offices and postal routes; appoint Postmasters; establish various systems for the efficient operations of the Post Office; provide door-to-door delivery of mail; provide for the erection of letter boxes and other receptacles for the receipt and storage of mail; provide for the manufacture and sale of stamps and other forms of postage; enter into agreement with other countries with respect to international postal services; and make regulations for putting into effect the various provisions of the Act....

The Post Office was established to fulfill certain social needs, and while almost all aspects of other Canadian institutions have changed beyond recognition, the Post Office continues to carry out the basic function of carrying hard copy and shipping goods and articles from one point to another. Its services are well known, it is a manifestation of the federal presence in almost every

---

1. *Considerations which Affect the Choice of Organization Structure for the Canada Post Office*, Report of a Study Group to the Postmaster General, the Honourable J. Gilles Lamontagne, Printing and Publishing, Supply and Services Canada, 1978, pp. 1-2.



— 80 suburban routes serving 36,885 households.

Operating this network involved:

— 52,800 full-time employees;

— 63.99 million kilometres travelled by about 3,200 vehicles;

— \$1763 million in expenditures, against \$1483 million in revenues.

## Services

During the 1979-80 fiscal year about 6,409 million items of mail moved through the Post Office's network of systems or services and its labyrinth of rate structures, financial and operational procedures.

There are four basic 'classes' of mail. 'First class' is the highest grade of standard service. It can be either domestic or international and is used routinely for letters, postcards, business reply mail, printed accounts, receipts, cheques and other financial instruments. In addition, any other mailable matter weighing up to 30 kilograms can be sent 'first class' on payment of the appropriate postage. 'Second class' mail is reserved for newspapers and periodicals mailed by publishers at statutory and regulation rates. A licence is required to use second class mail which is available only if the publication meets certain criteria. 'Third class' mail includes greeting cards, small parcels up to 500 grams, unlicensed periodicals and association papers, books, advertising matter (both addressed and unaddressed) and other printed matter. 'Fourth class' is for parcels weighing between 500 grams and 16 kilograms. Catalogues and similar printed matter weighing over 500 grams are carried at a special catalogue rate.

A fifth category of mail is for bulk users. 'Postpak' is a mail service using bags or cartons to move goods in bulk at reduced rates. The mail is prepared in containers for delivery intact to the addressee by surface transportation. Maximum weight of a bag to be shipped by Postpak is 30 kilograms and maximum weight of a carton is 23 kilograms.

A number of postal services are designed for speedy delivery. Two of these are electronic. 'Telepost' is an electronic mail communication service allowing messages to be sent over the CN/CP Telecommunications network to a designated post office near the message's destination from which it is delivered by hand. 'Intelpost' is a service for the transmission of documents to other countries by satellite and land line. At the time of writing, the service is available only between Toronto, Ontario, and New York City, Washington, D.C., and London, England.

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Two other enhanced delivery systems use conventional means of transportation. 'Priority Post' generally offers next day delivery for domestic users. It is available only with an individual service agreement in which the Post Office and the mailer agree to specific conditions such as time and location of mail pick-up, destinations, delivery times and frequency of service. The service is available only in bag-lots which must be signed for by the addressee or his agent. The maximum weight per bag is 20 kilograms. The contents can be any combination of items. 'International Priority Post' also requires bag-lots. It may be used for mail to another country with which Canada has a memorandum of understanding for the accelerated exchange of mail. Its use is limited to correspondence, business documents, commercial papers and other non-dutiable items. At present the service is available between Canada and Hong Kong, Britain and the United States.

Yet another accelerated system is provided by Special Delivery. For an additional cost first class mail is delivered by the fastest method available—messenger, letter carrier or lock box.

The Post Office offers several 'signature services' which provide proof of mailing and/or delivery. One of these, 'Registered mail' is described by the Post Office as its "most secure service". An additional registration fee is added to the regular first class rates of postage for this service which can be used for delivery within Canada or to other countries. A receipt is issued at the time of mailing, a record of the item is kept as it moves through the post, and signed, dated proof of delivery is acquired. For an additional fee, the sender can receive an acknowledgement of delivery. Another form of registered mail is provided by the 'Money packet service' which is available for shipments of bank notes, gold bullion, jewellery, negotiable instruments and other items valued at over \$100. Recipients of money packets are notified of their arrival and must come to a designated post office to collect them.

'Certified mail' provides proof of delivery. It is available at additional cost for first, third and fourth class mail within Canada. Unlike registered mail it does not provide the sender with a receipt to prove that the article was mailed. However, it does provide signed proof of delivery. 'C.O.D.' (Cash On Delivery) also provides proof of delivery, although that is not its primary purpose. For an additional cost the Post Office collects the amount due for merchandise on delivery. A receipt is issued at the time of mailing and the amount collected is remitted to the sender by postal money order after delivery. The service is available only within Canada and for amounts up to \$200.

In addition to providing proof of delivery, the four services described above provide an indemnity for customers in the event of loss, rifling or damage. Priority Post and International Priority Post provide indemnities in the event of loss or damage only. For all other classes of mail except second class and mail containing cancelled or uncanceled postage stamps or lottery tickets, the Post Office will sell the customer insurance against loss, rifling or damage. Fragile and perishable items cannot be insured against damage, though they can be insured against loss or rifling. With slight variations similar insurance can be purchased for mail to be delivered outside Canada to any country where postal insurance service is available.

There are a number of subsidiary mail services and categories. 'Second Delivery', as its name implies, provides a second attempt to deliver mail when a first delivery is unsuccessful. The service is only available for Registered, Certified, Postpak, C.O.D. and regular parcels. A special rate is applicable for most books passing on loan between libraries and their patrons. Similarly, educational films get a special rate when passing between a school and its provincial Department of Education.

Business reply cards or envelopes can be used under licence by a business to receive mail from its customers. First class postage plus a service charge is collected from the business on delivery of the mail.

In addition to these services, some mail is carried free of charge. All mailable matter other than fourth class may be sent without postage being paid if it is addressed to or mailed by:

- the Governor General or his secretary;
- members of the Senate;
- members of the House of Commons during parliamentary sessions and during the 10 days following dissolution of the House;
- the Speaker of the Senate and the Clerks of the Senate and Commons;
- the Parliamentary Librarian or the Associate Parliamentary Librarian.

Members of Parliament may also send their constituents up to four free mailings of printed "householder" material during each fiscal year. Mail related solely to Post Office business may be sent free by postal employees. Official change of address notices and literature for the blind can also be sent free of postage.

Figures available from 1978 show that over 80% of all mail was sent to or from business and government with less than 20% being mail between members of the general public. Further, it was estimated that approximately 40% of the mail in Canada is related to financial transactions.<sup>3</sup> Although a

<sup>3</sup> *Ibid* p. 3

good part of this 40% is no doubt composed of bills and invoices, it also includes money orders, cheques, credit cards and money packets which, in addition to cash, can contain bullion, jewellery and negotiable instruments. Other articles of value sent through the mail might include legal documents, airline tickets, furs, records and tapes, stereo equipment, camera equipment, television sets and other electric household appliances such as vacuum cleaners, and firearms.

It is obvious from this partial listing that the Post Office is entrusted with the transportation and care of goods owned by the public which are of considerable value. Much of this property cannot easily be replaced if lost or damaged. Nor is it likely to be acceptable to the Canadian public that the Post Office should allow for "shrinkage", the "acceptable" rate of loss that is assumed by commercial organizations. Also, unlike private or other public firms, it is impossible for Canada Post to make an inventory of the property that it transmits, because "in the course of post" is a never-ending flow.

## *Organization*

Although there is a bill before Parliament to change the Post Office into a crown corporation, it is at present still a department of the federal government established by virtue of the Post Office Act and its employees are public servants. It reports to Parliament through the Postmaster General who has ministerial responsibility for its direction and management. Parliament sets postal rates and grants appropriations from general revenues to subsidize the postal system.

The senior official of the Post Office is the Deputy Postmaster General. Reporting to him are five assistant deputy postmasters general, each having functional responsibility for one of the following areas:

- Operational Services;
- Personnel Services;
- Corporate Affairs;
- Marketing Services;
- Finance and Administration.

Functional responsibility essentially means that the assistant deputy postmasters general have no line management authority over operations in these five areas; they are responsible for national policy and standards — in other words they deal with "how to do" the job not "what to do".

Postal operations in Canada have been largely decentralized. For managerial purposes the country is divided into four regions which, in turn,

are broken into 14 districts. Operational responsibility for each region is vested in a regional general manager.

The four postal regions and the fourteen districts are organized as follows:

- Atlantic Postal Region
  - New Brunswick/Prince Edward Island Postal District
  - Nova Scotia Postal District
  - Newfoundland Postal District
- Quebec Postal Region
  - Montreal Postal District
  - Quebec West Postal District
  - Quebec East Postal District
- Ontario Region
  - Northern Postal District
  - Eastern Postal District
  - Southwestern Postal District
  - Metropolitan Toronto Postal District<sup>4</sup>
- Western Postal Region
  - Manitoba Postal District
  - Saskatchewan Postal District
  - Alberta and Northwest Territories Postal District
  - British Columbia and Yukon Territory Postal District.

Each regional general manager reports directly to the Deputy Postmaster General. Within the regions, responsibility is divided among district managers and regional directors. District managers have line responsibility for the postal districts while the regional directors are responsible for the various 'functions' — personnel, marketing, finance and security. Both district managers and regional directors report directly to the regional general manager.

Clearly the Post Office is a large and complex organization. It is worth noting, however, that it differs from other large private and public organizations. It provides a service for communication and transportation of letters and parcels, for which there are few alternatives, especially in smaller,

<sup>4</sup> The Metropolitan Toronto Postal District is being phased out of the organizational structure. Responsibility for its management is being given to two regional directors, the Regional Director, Metro Toronto Processing Plants and the Regional Director, Toronto Retail and Collection Services.

outlying communities. Since the Post Office is often in a monopoly position in providing these services to Canadians, the efficiency and effectiveness of its activities are extremely visible and publicly sensitive. It has been stated that "the communication function of the Post Office is central to the maintenance and development of our society and economy".<sup>5</sup> Despite the competitive challenge from private courier services and electronic systems, the Post Office, although it may be changed from a government department into a crown corporation, remains an important national agency.

## Losses

To understand the security requirements of the Post Office and the dimensions of the task of the Security and Investigation Services Branch, the Commission sought to establish the extent of the losses experienced. It was not an easy task. Adequate records have not been maintained and the perception of loss is not all encompassing. Since the Post Office could not supply a comprehensive statement of its losses, the Commission brought together what information it could to develop a realistic picture of the losses suffered. In doing so it examined losses from theft, misappropriation of funds, vandalism and accidental causes such as the breakdown of machinery.

Although the Commission was unable to produce a definitive, statement of losses, it was able to establish a firm figure which was considerably higher than that acknowledged by Post Office management. It was also able to identify areas where, although no firm figure could be established, it knew that considerable loss had occurred.

Post Office witnesses before the Commission estimated losses at approximately \$2,000,000. When questioned further, however, it became apparent that they were referring only to payments made to settle claims arising out of loss, damage or rifling of insured mail. The Commission needed a broader definition which included all losses from purposeful activity such as theft and from accidental causes such as mail damaged by Post Office processing. It was also apparent that while the most easily measurable losses would be those borne by the Post Office itself, postal customers also suffer losses as a result of poor security, as does the taxpaying public at large. With these thoughts in mind, the Commission identified the following areas in which losses were being sustained.

- indemnities paid for losses claimed for registered mail, money packet service and C.O.D. items;

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5. *Op cit* p. 8

- indemnities paid for uninsured mail which had been damaged or rifled (part of the contents of the mail was removed);
- theft of postage stamps, remittances and other property;
- cashing of stolen money order blanks;
- uncollected postage due;
- fraud by customers and employees;
- misappropriation of funds;
- financial shortages;
- vandalism and accidental damage to property and equipment;
- vandalism and accidental damage to the property of employees, for which compensation was paid.

The Commission pursued this line of reasoning in further questioning witnesses to determine the extent of losses at the Post Office during the fiscal year ended at March 31, 1980. Examples of testimony follow:

- Commission counsel asked the Regional General Manager of the Western Postal Region, "What would the dollar value ... [of] ... thefts from the mails [be] during the last fiscal year, in the Western region?" He replied, "Well, that is one which I don't think we really know with any degree of accuracy." The Regional General Manager went on to explain that often the Post Office Department is not notified of the loss of personal gifts shipped through the mails in parcels. He suggested that a more accurate picture was available for those categories of mail for which a receipt is issued. Counsel asked, "Are you saying, though, that the number that you might generate from your claims is probably lower than the real value of the losses?" The answer: "Yes, it is definitely lower. Just by how much, I don't know."<sup>6</sup>
- When asked, "Have you any information, within your organization, as to the extent of theft in terms of dollars, from the mails, in the Winnipeg mail processing plant?" the Plant Manager replied, "In terms of thefts, no."<sup>7</sup>
- The lack of statistical data on internal mail theft from Gateway, the largest mail processing plant in Canada, was mentioned by the plant's manager. He testified, "I am not at all sure there is anyone who really knows how much is being stolen ..."<sup>8</sup>
- The Deputy Postmaster General was asked if it was true that the Post Office "has no handle at all" on the real loss to the public. He replied, "That is correct."<sup>9</sup>

6. Transcript p. 1260-1261

7. *Ibid* p. 1216.

8. *Ibid* p. 1804

9. *Ibid* p. 2677



The Commission examined various categories of mail in order to determine the amount lost during the most recent fiscal year (1979-80). In doing so, it was recognized that the figure established would be incomplete. In many cases the Commission's researchers had to limit themselves to sampling the files. Even if it had been practicable to examine all the files, the total arrived at would still not have been the entire amount lost. Many losses occur which go unreported. Although it is not possible to estimate how extensive unreported losses might be, the Commission heard of one incident that was most revealing. Some years ago a mail truck was hijacked. After a considerable period of time its entire contents were recovered. When the recovered contents were matched against the files of claims and enquiries that had been received, it was discovered that only 3% of the articles lost had been reported to the Post Office.

## **Insured mail**

The Post Office sells its customers insurance against loss, damage or rifling of first, third and fourth class mail for delivery within Canada, the United States and other foreign countries offering a postal insurance service. The customer buys insurance by affixing additional postage but does not declare a precise value for insurance purposes. Rather, the article is insured within a range with the minimum and maximum determined by the amount of postage affixed. If an item is lost or damaged, the customer is compensated within the range of the insurance purchased, though not necessarily for the amount claimed.

In 1979-80, the Post Office received 45,148 claims for loss of insured mail. Of these 22,409 were accepted and a total of \$2,222,187.50 in compensation paid. It is obvious, given the discretion of the Post Office in determining whether the customer's valuation is accurate and given the large number of rejected claims, that this figure must be treated as the minimum amount lost. It could be considerably higher.

The Commission asked if the Post Office had statistics on the difference between its valuations and those of its customers for paid insurance claims. These statistics were not available. To fill this gap the Commission's researchers sampled 1,616 files drawn from the four postal regions. These revealed that, on average, customers were paid 8.96% less than the amount claimed. If it were assumed that this sampling held true for all paid claims and that the customers' valuations were accurate, the accepted losses of insured mail would be increased to \$2,439,135.58.

In the case of unpaid claims, the Commission sampled 510 files from the Toronto Postal District. This sample included claims for both insured and uninsured mail. After elimination of those which had been satisfactorily resolved and those in which customers had not indicated the value of the contents, 195 claims were left with an average stated value of \$74. Since more than half the claims for insured mail are rejected, it is apparent that there is a potential for actual losses being considerably in excess of the amount of insurance paid.

Rather than run even the slightest risk of overestimating the losses the Commission decided that it must err on the conservative side and accept the amount paid in insurance claims as the minimum loss suffered by insured mail. In doing so, however, the Commission rejects the argument put forward by Post Office management that in fact there is no loss from insured mail. They argue that since premiums for the purchase of insurance consistently exceed the compensation paid and the administrative costs of the program there is in fact no loss. This is not a tenable argument. That the insurance program makes a profit does not alter the fact that the Post Office itself accepted during the fiscal year 1979-80 that \$2,222,187.50 worth of loss and damage had occurred to insured mail.

The Commission, therefore, concludes that losses to insured mail during the fiscal year 1979-80 were at least:

\$2,222,187.50.

## **Money Packets**

The money packet service is designed primarily for the transfer of currency, bullion and other items of high value to and from remote areas where armoured car and other secure means of transportation are not available. The Bank of Canada makes almost daily use of the service for the transfer of old notes in packages containing up to \$50,000 between its nine centres across the country and remote branches of chartered banks. The Canadian Bankers' Association informed the Commission that its members normally use the service only for the transfer of funds to remote branches where no secure alternative is available. It is apparent, however, that the service is used more widely. Some of the money packet losses reported during the fiscal year were from packages being carried between banks in major centres.

The liability of the Post Office for losses in the money packet service is limited to an indemnity of \$100 per packet. This amount is far less than the

values frequently contained in packets. From several lists supplied by the Post Office, the Commission was able to determine that at least \$1,095,000 was lost from the money packet service during the 1979-80 fiscal year. Of this amount, some \$4,000 was paid by the Post Office in the form of indemnities. Post Office officials argue that the loss from the money packet service is, therefore, only \$4,000. The Commission cannot accept that line of argument in estimating losses from what the Post Office itself describes as its "most secure service". It is also clear that the 1979-80 figure is not an aberration. In the first five months of the 1980-81 fiscal year, 15 money packets valued at \$768,000 have been reported lost. Three of these packets valued at \$183,500 were mailed in the Boston, Massachusetts, area and it has not yet been established whether they were lost in Canada or the United States. If the latter, they will not be included in the calculation of losses for the Canadian Post Office for 1980-81. Even so losses for the five months will total \$564,500 — a greater monthly average than that for the whole of 1979-80.

The Commission concludes that losses from the money packet service during the 1979-80 fiscal year were at least:

\$1,095,000.00.

### **Uninsured mail**

The Post Office may pay an indemnity of up to \$100 for uninsured mail that is rifled or damaged due to processing. During the 1979-80 fiscal year it received 22,445 claims in this category. Of these 1,960 received indemnities totalling \$80,285.67. Since indemnities were only paid for less than 10 % of claims, it is clear that the comments made in the discussion of compensation for insured mail apply with even greater force here. Indeed, the Commission finds itself barely justified in placing the losses of uninsured mail so low. It does so only in order to present a figure that is an indisputable minimum estimate of the losses suffered. There is no doubt that the losses in this category are considerably higher than the amount attributed here.

The Commission, therefore concludes that the absolute minimum loss suffered by uninsured mail is:

\$80,285.67.

### **Registered mail**

Although technically not insurance, by paying the appropriate registration fee customers are entitled to indemnities of up to \$100 or up to \$1,000 if

their registered domestic mail is lost, damaged or rifled. Registered mail to the United States has a maximum indemnity of \$200. For other countries the maximum indemnity is fixed by the Universal Postal Convention. At the time of writing, this is set at \$15.76 in Canadian funds. Once again while the Commission notes that the Post Office may reject a customer's valuation, the amount paid in indemnities is accepted as the minimum loss suffered. Indemnities paid for domestic registered mail in 1979-80 were \$43,404.75; for registered mail to the United States — \$3,202.41; for registered mail between Canada and other countries — \$51,214.14.

The Commission concludes that the minimum loss of registered mail during fiscal year 1979-80 was:

\$97,821.30.

### **C.O.D.**

Items sent C.O.D. have a declared value in the form of the amount to be collected from the addressee. In the case of loss, damage or rifling the sender may be indemnified for up to this declared value. During the fiscal year the Post Office paid 5,203 indemnities totalling \$219,472.53.

The Commission concludes that losses from C.O.D. operations during 1979-80 amounted to:

\$219,472.53.

### **Post Office revenues**

Postal revenues are vulnerable in a number of ways ranging from holdups through stolen remittances to misrepresentation of hours worked. Some of these items lend themselves to exact calculation. Others are virtually impossible to estimate. The Post Office provided the Commission with figures on a number of items:

Theft of cash	\$ 69,922.17
Double payment of money orders	4,041.29
Stolen remittances	23,077.71
Revenue shortages	<u>275,163.00</u>
Total	372,204.17

This list is too limited to be complete even in the area of clearly calculable lost revenues. Shortages of less than \$100 discovered during inspections and audits are not reported to national headquarters. There are

also the more or less incalculable losses that result from customers being undercharged or dishonest employees misrepresenting the time they have worked.

The Commission accepts as a minimum estimate that the Post Office suffered losses of revenue during 1979-80 of:

\$372,204.17.

## **Post Office equipment and property**

The people of Canada have a multi-million dollar investment in the Post Office in the form of equipment and property. The investment includes street letter boxes, mail trucks, and highly sophisticated (and expensive) computers which control equally sophisticated (and expensive) mechanized sorting equipment. The people of Canada also have a huge investment through the Department of Public Works in the thousands of buildings that house postal facilities. Any investment of this magnitude is vulnerable to theft and to vandalism. The Commission has reports of letter boxes being dragged out of Lake Ontario; of "every postage stamp machine in Winnipeg" being "hit" at least once in the course of a year; of vending machines being smashed in employees' rest areas; of postal trucks being deliberately rolled into barriers; of 20 fire extinguishers being stolen; and of an audit revealing a shortage of \$5,100 in vehicle tires. Although 19 cases of arson were reported in the Western Region, 38 in the Ontario Region, 32 in the Quebec Region and four in the Atlantic Region during the 1979-80 fiscal year, the only figure for damage caused by fire provided by the Post Office was \$2,495.61 sustained in two cases. No amount was given for any other form of vandalism.

It is clear that losses from theft and vandalism are considerable. The Commission has no way of measuring their extent. The Post Office does not keep centralized records of these costs. Even regional records are inadequate. One report from the Quebec region recorded 19 incidents of vandalism to trucks (12 of them occurring in only two locations) in one month. The report said nothing about the costs involved. The same thing applies to damage to Post Office buildings, the cost of which, although initially paid by the Department of Public Works, is eventually absorbed by the Post Office through increased occupancy charges.

In addition to the \$2,495.61 referred to above, the only information available on the losses of other Post Office property was in reference to robberies. The Commission was supplied with the following list:

## Chapter 2

# Security

*He who does not prevent crime  
when he can, encourages it.*

*Seneca — Roman philosopher — A.D. 65*

Much attention has been given in the last few years to the complex problems of creating a secure environment for government activities. Each department or agency of government has security problems peculiar to its own functions and responsibilities. Nonetheless it has been determined by the Royal Canadian Mounted Police, Protective Policing Directorate, and generally agreed by the security community that there are certain basic requirements for any security system, regardless of the particular situation.

An effective security system can be described as a series of layers superimposed upon each other in a hierarchical configuration. The first layer is the requirement for administrative and organizational structure. This includes the development and dissemination of security instructions; the appointment of personnel to administer the instructions; the development of clearly defined reporting channels to the appropriate levels of authority; and the communication of security needs based on identified threats to the interests or assets of the organization.

The second layer is the implementation of a comprehensive personnel security program. The aim is twofold. First, to administer effective employee screening to ensure that those who have access to sensitive information, valuable assets and restricted areas are given security clearance. Second, to educate employees about security principles and concepts in general and to show them how these apply to their specific jobs.

The third layer of the hierarchy is the application of physical and environmental security techniques to the assets to be protected consistent with the identified threat and the recognized degree of vulnerability.

Effective security programs which cover these three basic layers are essential to the creation of a generally secure working environment. They form the base upon which more sophisticated and more specific technical

security systems can be built. Specially designed procedures to protect electronic data processing, for example, will not be of much use unless these first three layers are already in place.

In examining the security system of the Post Office and measuring it against these administrative, personnel and physical requirements the Commission became aware of the critical report made by the Protective Policing Directorate of the Royal Canadian Mounted Police after recent security surveys of major postal installations.

The security standard of Canada Post is below the standards for Government Departments. This is due to the lack of security organization; non-compliance with laid down departmental policies and procedures and apparent weakness in physical security.<sup>1</sup>

The object of this chapter is to examine in a broad sense the security problem in the Post Office Department with particular emphasis on the types of threats to security which exist and the current allocation of responsibility to counter those threats.

### *The security threat*

The Post Office Department has been described in Chapter 1. It is a large and complex organization. Through a sophisticated network of equipment, manpower and facilities, it is responsible for the movement of an extremely high volume of items, many of which are of considerable value. The size and complexity of the organization make it potentially vulnerable to breaches of security in a number of ways. For convenience of analysis these have been divided into six categories:

- Theft or damage of mail;
- Theft or damage of equipment and property;
- Theft of revenues;
- Crimes against employees;
- Drug and alcohol offences;
- Illegal use of the mails.

The vulnerability of the Post Office is heightened by the widespread geographical distribution of its facilities. It operates out of over 8,000 buildings in every part of the country, conducts relations with 159 countries, delivers mail on 19,568 postal routes and uses tens of thousands of red and green street boxes for the collection and distribution of mail.

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1. RCMP Security Inspection Report — August 28, 1979.

## Theft or damage of mail

Theft or damage can occur at any stage of the mailing process:

- before delivery to Post Office personnel or facilities;
- after deposit in mail boxes and before being picked up for transportation;
- during transportation between mail boxes, relay boxes, postal stations and/or postal plants;
- within postal stations, sub-stations and plants;
- during distribution on letter carrier routes; and
- after delivery.

As indicated in Chapter 1, available data is not sufficiently comprehensive to estimate accurately the amount of mail stolen in any given period of time. Information on Post Office files, however, confirms that thefts occur during each of the above stages. The following examples illustrate the range and extent of the thefts.

In June, 1979, a supervisor at a major postal terminal in Ontario found a quantity of mail in an employee's locker. When interviewed by postal inspectors, the employee gave permission for a search of his car and residence. The search produced additional mail, a lock bag key and two mail bags. The employee readily confessed and, after investigation by municipal police, was charged with theft and possession of stolen property. Subsequently, he entered a plea of guilty in provincial court.

In the Spring of 1977, the Bill Prankard Evangelistic Association complained that envelopes addressed to them were being opened in the course of post. Ottawa District postal inspectors investigated the complaint and in due course alleged that they had observed a postal employee opening letters addressed to the association and extracting cash and cheques. He was subsequently charged in criminal court under the Financial Administration Act and fired from his job. The court, however, acquitted him of the charge and a later adjudication by the Public Service Staff Relations Board led to reinstatement in his job.

In August, 1973, a mail handler at the Toronto Postal Terminal stole a shipment of gold, which at today's prices would be worth around \$350,000. Investigation by the Metropolitan Police Department and postal inspectors resulted in the arrest of the mail handler and six citizens involved in organized crime activities in Toronto and Montreal. Later the same year postal inspectors and the Peel Regional Police Department investigated the theft from the mails of approximately \$120,000 in cash at the Toronto International Airport. The investigation was not conclusive even though a postal employee was suspected.



In June, 1975, a shipment of postage stamps valued at approximately \$18,000 was stolen from the mails at the Willowdale Post Office. In January, 1976, \$5,000 worth of property was recovered from a mail service courier after he was caught removing items of mail and placing them in his own vehicle. In September, 1977, \$20,000 worth of property was recovered from a postal employee who had stolen an entire shipment of parcels. On March 18, 1980, a gold bar worth about \$20,000 was removed from the mail and a steel bar of similar size and weight was substituted for it. The gold bar had been sent by a bank in Calgary to one in Toronto.

## **Theft or damage of equipment and property**

In addition to the security of the mail, the Post Office is responsible for the security of the property and equipment used for postal services. This includes, *inter alia*:

- mail and relay boxes;
- postal vehicles;
- sophisticated mechanized equipment in the plants;
- sophisticated computer systems to control that equipment;
- postal plant, postal stations and office buildings;
- postal revenues.

Identifying the frequency and loss associated with property and equipment is even more difficult than for thefts of mail. With the exception of box depredations, statistics on damage to postal equipment are not kept in any centralized, coordinated manner. Although concern was expressed to the Commission about the losses in this area, that concern has not led the Post Office to a coordinated assembly of the facts on the extent and nature of the problem. Some examples, however, illustrate the types of losses incurred.

In January, 1979, a citizen saw two juveniles removing a pole letter box. The police were called and the juveniles arrested. The contents of the box were returned to postal inspectors and re-mailed.

In November, 1979, at the South Central Letter Processing Plant in Toronto, a postal employee on the midnight shift vandalized a food vending machine in an employees' rest area. The glass front of the machine was smashed, food was taken, and several of the shelves inside the machine were damaged. Witnesses refused to identify the employee for fear of retaliation and he was not charged. It was alleged that drug abuse had led to the incident.

During a two-week period in August, 1979, three incidents of vandalism occurred in Winnipeg and, although reported to local police by postal inspectors, no action was taken. The incidents included wilful damage to and theft from vehicles parked overnight at the Charleswood Letter Carrier Depot; a fire on the back loading dock of the depot; and the upsetting and theft of mail from a standing street letter box. A letter of complaint about the lack of police response was sent to the Chief of Police.

In the Western Postal Region during 1978, Post Office supplies and labour were used to construct stair runners, a cabinet, a fireplace mantel, tables, metal chimney flashings and other items for the home of a postal employee. The same employee also took "scrap" wood for his personal use.

## **Theft of revenues**

The third area of concern is the appropriation by theft or fraud of Post Office or customer money, money orders, stamps, and other revenues. Such offences include a variety of activities: non-recording of money received at wickets, raising the face value of money orders, misrepresenting hours on time sheets, embezzlement of funds, overcharging or undercharging customers for shipments, and thefts by break and entry. Another revenue problem involves the calculation of postage by the weight of articles delivered to the plant in bulk. It is possible for one customer's mail to be weighed with that of another with the second customer paying for the other's mail. It is also suspected that mail can get into the stream without being weighed at all, resulting in losses of postal revenues. Again, some examples demonstrate the problem.

In December, 1979, a Toronto wicket clerk was arrested and charged with three separate counts of theft. He was overcharging for postage on parcels, affixing the correct amount and keeping the excess for his own use. This case was successfully investigated and concluded by postal inspectors using test parcels.

An employee in a sub-post office in Edmonton was charged in October, 1977, with theft of over \$200. He had made some \$900 worth of postal money orders payable to himself and used the proceeds to pay outstanding bills. In a Quebec sub-post office postal inspectors discovered a cash deficit of \$2,872.79. The wife of the sub-post office manager informed inspectors that she had given \$1,200 to her husband who had not returned home since she gave him the money and had probably, she said, gone into the woods. The remainder had been given to her son to help him buy a lot on which to build a house. The woman signed a "promise to repay" form and no charges were laid.

From April to September, 1979, an employee in Montreal used taxi coupons to defraud the Post Office of \$1,500. The employee cashed the coupons for a larger amount than was required to pay the taxi fares and kept the extra money. In due course a postal inspector's investigation led to criminal charges being laid.

## **Crimes against employees**

Offences in this category include thefts and damage to property, physical and verbal abuse, and infringement of employees' civil and common law rights. Damage to and theft from employees' cars in Post Office parking lots was often mentioned during interviews. Some examples follow.

During one October night in 1979 a person entered the post office in Don Mills, Ontario, through an unlocked employee door and went to the basement. He opened several employees' lockers and stole a Post Office shirt and nylon jacket. He was apprehended later that night by municipal police officers and charged with theft. In August, 1980, an employee in the administrative office of the Post Office in Calgary reported the theft of \$480 from her purse during the noon break. Calgary police were notified and took a statement but the culprit was not caught.

Although no specific cases were formally referred to the Commission, allegations of intimidation and threats of violence were mentioned. These threats have apparently been made against employees who cooperate with postal inspectors, against supervisors who are too conscientious in exercising their responsibilities and against security guards who give tickets for illegal parking or demand to see employee identification cards.

## **Drug and alcohol offences**

Most people interviewed by the Commission expressed concern about alcohol and drug abuse by postal employees, including by some at the supervisory level. Drug and alcohol use in employee parking lots was noted as a particular problem. In fact, one police force estimated that it charged postal employees with alcohol or drug offences in a plant parking lot on an average of three times per week. Most of these charges are apparently not reported to Post Office officials.

In July, 1980, as a result of an investigation by Metropolitan Toronto Police, seventeen persons were charged with drug dealing inside the South Central mail processing plant in Toronto where fourteen of them were employed.

## **Illegal use of the mails**

Illegal use of the mails falls into two categories. The first is when the Post Office is used to send articles for which the use of the mail is expressly prohibited by law. Pornography, explosives and, in most circumstances, alcohol fall into this category. The second is when the mail is used to facilitate other actions which are contrary to law. Examples are chain letters, misleading or unsolicited invoices, unsolicited C.O.D. parcels, harassing or threatening letters, offensive writing, illegal lotteries and betting, and frauds of many varieties.

Very rarely is information on cost or loss resulting from these crimes placed on postal files. Many of the illegal acts are merely annoying or morally offensive. There is no method of determining how many people are affected by these practices or what the costs are to the Post Office and its customers.

Fraudulent schemes involving the mails obviously could have substantial costs to customers. The distribution of obscene material through the mail can become a fraud if it involves purchases which are not delivered. Unsolicited invoices and C.O.D.'s can lead to the purchase of services that customers do not want, or to payments for services that were never supplied. It should be realized that the Post Office has no authority to intervene between buyers and sellers. When a complaint about a misleading invoice is received, little can be done unless customers who have actually been defrauded can be located. Many of these cases must be dropped for lack of evidence. Investigations of illegal use of the mail can be very long, costly and inconclusive.

A classic case of fraud was concluded recently in Montreal. On November 11, 1980, a Montreal resident was sentenced to thirty-three months in penitentiary for a mail-order scheme which cheated thousands of people of \$250,000. The scheme involved a non-existent computerized chess and backgammon game featured in full-page advertisements across Canada shortly before Christmas, 1979. Customers were asked to send for the game by mail enclosing the sum of \$62.45 with an optional \$22.50 for a leather carrying case. The games never arrived. Police investigators determined that the proceeds from the fraud were used to buy gold coins. The recovered coins will be sold to reimburse victims of the fraud.

The fraudulent use of the mails in this way has enormous potential for the criminal element.

## Summary

The ability to estimate accurately the frequency with which various types of offences occur is severely limited by the lack of data collected and available through existing information systems. Nonetheless, from what is available, it seems reasonable to conclude that:

- there are many points at which the Post Office is vulnerable to purposeful activity causing loss or damage;
- for each "point of vulnerability" it has been possible to identify a number of cases where security has been breached;
- many of the offences that have occurred have resulted in serious loss to the Post Office and its customers;
- the increasing amount of theft of mail and damage to mail is causing the public to regard postal employees as less than honest. This in turn is considered a serious matter by both management and labour.

The need to improve the preventive and investigative security response by the Post Office is thus evident. The determination of the most effective type of response, however, is not a simple matter. There are a number of options, ranging from the extreme of disbanding the Security and Investigation Services Branch and relying totally on public police forces, to the other extreme of complete reliance on an internal security service whose inspectors are armed with all the powers the law can provide. The appropriate response will obviously lie somewhere between these two. Whatever system is adopted, however, must be flexible. It must also be designed to accommodate a number of variables, including:

- variations in national and local loss rates;
- the cost of alternative security responses;
- Post Office revenues;
- the willingness and capability of public police forces to provide adequate service to postal installations;
- the feasibility of cooperation between management and labour;
- the complexity of investigations into losses and of preventive security programs;
- the relative training, powers, abilities, and resources available to public police forces and internal security personnel;

- future security requirements arising from electronic transmission of mail and other technological developments.

## *Allocation of responsibilities for security*

The security objectives of the Post Office and the allocation of responsibility for achieving these objectives are set out in two departmental documents. The first, *Security and Investigation Services Organization*, was issued in January, 1972. The other is *Postal Corporate Policy Postal Standards and Guidelines*, No. 22-1-1 of September 19, 1974.

The first of these documents defines the main security objective as being "...to improve customer services and protect postal revenues". Consistent with that, the 1974 directive states,

The Department will provide and maintain adequate security measures for the protection of personnel, mail property and values within the framework of Canada Post.

This security objective is further defined by the following stated goals in the *Security Manual for Postal Inspectors*<sup>2</sup>

- (1) The department will provide and maintain adequate security so that losses are at the lowest possible level.
- (2) The department will provide effective systems to ensure the Canada Post Office meets the requirements of government policy dealing with security clearance and security of information.
- (3) The Post Office Department will ensure readiness to meet other federal government policies relating to EMO [Emergency Measures Organization] and to maintain postal services in situations of national emergencies, civil and labour unrest.

The complexity, size and geographical distribution of postal operations, with the consequent large number of points of vulnerability make it obvious that no one group can successfully assume responsibility for all aspects of security. Although certain groups (such as the Security and Investigation Services and plant security guards) have been given special responsibilities for security, the Post Office has recognized that many responsibilities must be shared by all groups within the organization. For instance,

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2. The relationship between "stated" goals and the goals implicit in actual behaviour will be discussed in later sections of the report. For instance, ensuring that "losses are at the lowest possible level" would obviously require a far greater commitment of resources to security than is at present available.

All levels of employees should have a common concern for security, and numerous functional groups are involved in various aspects of security....<sup>3</sup>

and

The role of every person engaged in the Canada Post Office is not related to his individual responsibilities — there must be a sense of responsibility to the total objectives of the organization and it is therefore incumbent on all to be alert to poor security practices or indications that irregularities are or may be occurring. Staff participation is the key ingredient in creating total security consciousness. The creation of an identifiable group of specialists in the person of the security and investigations organization provides all levels of the organization with resources equipped to promptly and effectively deal with these problems.<sup>4</sup>

The philosophy of shared responsibility is spelled out further in directive No. 22-1-1. It defines the specific security responsibilities of various groups.

*Headquarters Security and Investigation Services*

- (1) provide security policy, standards and guidelines in cooperation with other functional groups and ensure implementation in the following areas:
  - preventive security programs relating to security of mail, postal funds and values, etc.
  - physical security of buildings, facilities and equipment
  - security of information
  - security clearances
  - identification card systems
  - Emergency Measures Organization;
- (2) provide security input into Headquarters programs where required;
- (3) act as co-ordinator in Canada Post Office national security programs;
- (4) act as liaison between other government departments, police departments, foreign postal administrations and other agencies involved in security;

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3. Security and Investigation Services, *Postal Corporate Policy, Postal Standards and Guidelines*, No. 22-H.

4. Canada Post Office, *Security and Investigation Services Organization*, January 1972, page 5, para. 3.1.

- (5) provide functional guidance to regions on matters relating to security;
- (6) monitor the types and frequency of criminal offences committed against the Department for the purpose of identifying criminal trends and security weaknesses and to plan and develop programs to rectify these weaknesses on a timely basis.

#### *Regional Security and Investigation*

2. (1) implement national security policies, standards and guidelines in co-operation with other functional groups;
- (2) promote a climate of security awareness, alertness and responsibility within the Department among management and employees relating to criminal activity concerning mail, postal funds, values, buildings, facilities and equipment;
- (3) develop liaison and co-ordinate various activities of the Canada Post Office with other government departments, police and other security agencies within the region;
- (4) develop and co-ordinate regional preventive security programs;
- (5) provide security input into regional or district programs as required;
- (6) identify criminal trends and security weaknesses, then plan and develop programs to rectify these weaknesses.

#### *Area Managers, Zone Postmasters and Other Travelling Officers*

3. (1) When visiting postal facilities, they should ensure that procedure pertaining to the protection of personnel, mail, property and values are being followed.
- (2) All security weaknesses should be brought to the attention of the plant manager, station manager or postmaster concerned. The details should also be recorded in the visitor's or registration book. If appropriate corrective action has not been taken at the time of the next visit by a travelling officer, the district director is to be informed so that he can bring the matter to the attention of the postmaster or official concerned.
- (3) When security weaknesses are of sufficient importance that immediate remedial action is warranted, the officer will



immediately report the details to the district director with a copy being sent to the Security and Investigation Unit concerned.

*Postmasters, Plant Managers and Station Managers*

4. (1) Postmasters and managers of plants and postal stations are responsible for ensuring that the greatest possible protection for all mail, postal funds and values, etc. is provided for all postal installations under their jurisdiction.
- (2) When security weaknesses are observed, immediately report the details to the district director and send a copy to the Security and Investigation Unit concerned.

*Supervisors*

5. (1) Supervisors are responsible for ensuring that adequate security measures are maintained within their division or section, and where security weaknesses are observed, the matter should immediately be reported to the applicable postmaster or manager.
- (2) They should also instil a general attitude of vigilance in employees under their supervision and impress on them that security precautions exist for their protection as well as that of the Department.

By implication, the direction to supervisors to "instil a general attitude of vigilance in employees" suggests that employees below the supervisory level also have security responsibilities. There is little evidence, however, that employees have been persuaded that "security precautions exist for their protection as well as that of the Department". The educational process in the security field for employees seems to be limited to a stiff warning about the penalties for committing various offences. At a major automated postal plant in Toronto, for instance, new employees are given, and must sign, a form containing the following information:

5. In accordance with Postal Corporate Policy and Postal Standards and Guidelines all Postal Employees must be clearly informed of the disciplinary action that may be taken for offences under this instruction. Especially the section of the Post Office Act and Criminal Code under which a person may be prosecuted for indictable offences.

- (A) Employees are forbidden under any circumstances to tamper, interfere, delay or meddle with, or to place, carry or have in their pockets, clothing or personal equipment any articles of mail which is in the course of post, no matter to whom it is addressed.
  - (B) (I) Employees are forbidden to open and examine any mail which is in the course of post with the following exceptions:
    - (a) First class mail may be opened only at an undeliverable Mail Office and then only by an employee specifically assigned that responsibility.
    - (b) 2nd, 3rd, and 4th class mail may be opened and examined at the office of acceptance and then only by an employee delegated this responsibility by the postmaster.
  - (II) Employees are not permitted to intercept their own personal mail during the course of post.
  - (III) Employees are not to intercept or collect mail for others during the course of duty. Mail must be obtained during off duty hours in the same manner as any other post office customer.
  - (IV) Employees are forbidden to read the contents of postcards, newspapers, periodicals or any other mail in the course of post.
  - (C) Employees may be prosecuted in the courts either under an indictable offence or a summary conviction:
    - (I) *CRIMINAL CODE SEC. 314* — Every person who steals anything sent by post after it is deposited at a Post Office and before it is delivered is guilty of an indictable offence and is liable to imprisonment for 10 years.
    - (II) *POST OFFICE ACT SEC. 76(1) and 76(2)* — Every person who is guilty of an indictable offence under this Act is liable to a fine of up to \$3,000 or to imprisonment for a term of up to three years or both. Every person who is guilty of non-indictable offence under this Act is liable on summary conviction to a fine of up to \$1,000 or to imprisonment of up to two months or both.
  - (D) An employee who contravenes the terms of this instruction is guilty of misconduct and is liable to disciplinary action as may be determined by Postal Management without prejudice to the taking of such legal action as the circumstances of the case may warrant.
6. Falsification of time records, the recording of another employee's time or similar alteration of or tampering with records will result in dismissal.

7. Plant and Safety rules, which are prominently displayed throughout the facilities are for the benefit and safety of employees. Disregard of these rules cannot and will not be tolerated.

At other plants employees are warned about offences in different ways. The method used is a matter of "local option" determined by the line manager of each facility. The employees' broader responsibilities regarding assisting in problem identification, prevention and investigation of offences does not appear in any of the notices brought to the attention of the Commission.

It seems fair to state, therefore, that while the directive "all employees should have a common concern for security" may be a goal of the Post Office, that goal has not been realized.

Senior management is, of course, more likely to be aware of the security responsibilities outlined in policy directives than are more junior employees. It is known, for example, that at least two regional general managers do stress to their senior functional and line managers that they must be "complete managers", accepting responsibilities for cost, service, *and* security. These regional general managers certainly do not treat security as being solely the responsibility of the Security and Investigation staff. This priority role for security is also reflected in the fact that the regional director of Security and Investigation is a member of the "senior management team" of each region. He participates in all monthly senior management meetings, at which security topics are quite frequently discussed. On the other hand, regional general managers admit that the case for shared responsibility for security has certainly not been fully accepted and it is still necessary to keep emphasizing the point.

Another way in which this philosophy of shared responsibility could be put into practice is through inclusion of specific security responsibilities in the job descriptions and business plans<sup>5</sup> of senior managers. However, a search of the job descriptions of managers reporting directly to the regional general managers revealed only the regional directors of Security and Investigation are given particular responsibilities for security. There are, however, security-related functions in the job descriptions for regional directors of Marketing, Financial Services and Personnel.

*Marketing:*

... directs and supervises regional customer service activities and programs to achieve the efficient resolution of customer claims and enquiries....

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5. Plans which outline major problem areas and objectives to be achieved in the next few years.

### *Financial Services:*

... financial planning and control and internal audit techniques in managerial levels having assigned resources... developing and directing, in line with Corporate Policy, the financial audit policies, standards and objectives... by liaising with large volume mailers relative to marketing requests, new programmes to develop improved systems for the reporting of mail volumes and the safeguarding of departmental revenues.

and

### *Personnel:*

... assessing the need for and leading task forces in special studies concerning problems related to human behaviour such as... drug abuse... ensuring that government acts, regulations and procedures are adhered to through the setting up of control systems for the Region as well as the Districts.

A reading of the business plans of these various managers yielded similar results. Only those for the directors of Security and Investigation contain specific mention of security objectives. This seems to imply that other managers have no specific responsibilities for correcting security problems.

In fact, a review of the business plans does not mention any problem areas specifically requiring a security response. (There is reference to reducing damage, but the emphasis is on accidental machine damage.) Thus it appears that while senior managers give priority to security in the context of ongoing routine operations, they do not see it as a particular problem requiring special attention over the next few years.

Given the importance of job descriptions and other formal statements of goals and responsibilities within the public service, the above findings suggest that while the concept of shared responsibility for security may be a goal in the Post Office, it is not a widespread operational reality.

## *Specific security responsibilities*

### **Security and Investigation**

Responsibility for security in the Post Office Department rests primarily in the Security and Investigation function. The function consists of a National Headquarters element in Ottawa, headed by the National Director of Security and Investigation, and regional elements in each of the four postal regions, headed by regional directors of Security and Investigation. Postal inspectors

are employed in varying numbers in each region and at headquarters. Although postal inspectors may be employed at the district level, they do not report to district directors, but to the regional directors of Security and Investigation. On the other hand, the regional directors of Security and Investigation report to the regional general manager and not to the National Director of Security and Investigation, although they do receive "functional guidance" from the National Director. Inspectors are authorized under Section 48 of the Post Office Act to conduct investigations into all matters relating to the business of the Post Office.

In addition to postal inspectors the Post Office employs plant protection officers, Post Office security guards (who are public servants) and commercial security guards hired from the Corps of Commissionaires or private companies.

The Security and Investigation function is divided into two distinct areas of responsibility: preventive and investigative. The prevention element is responsible for preventive security programs for all Post Office installations and assets. At each regional headquarters, there is an 'Inspector-in-charge, Prevention', and each district headquarters has an 'Inspector, Preventive Security'.

The structure of the investigative element is more varied. In the Ontario and Quebec Regions there are 'Inspectors-in-charge, Investigations', while in the Western and Atlantic Regions, the Regional Director is himself the 'Inspector-in-charge, Investigations'. In all districts, the inspector-in-charge is also directly responsible for investigations.

Investigations are conducted into the following categories of offences:

- mail depredations;
- financial irregularities;
- break and enter robberies;
- misuse of the mails;
- money order irregularities;
- street letter box depredations;
- miscellaneous.

A detailed analysis of the Security and Investigation function is found in Chapter 3.

## **Plant Protection Officers**

The position of plant protection officer was created in the Western Region and is used only there at the present time. Plant protection officers

are postal inspectors who derive their authority from Section 48 of the Post Office Act. However, their primary responsibility is the security of a specific postal plant and the mail which flows through it. An extract from a job description illustrates the function:

Under the broad general direction of the Inspector-in-charge, implements and maintains the security activities of the Plant, and measures, programs, analyzes and evaluates the results. Identifies areas of security weaknesses and plans and prepares and implements a Preventive Security Program to rectify the existing weaknesses. Carries out other special studies and projects as required, develops educational programs to promote security awareness of employees at all levels, patrols the premises, directs a Security Guard Force of all guards and takes corrective actions on hazards, which may cause injury or damage to personnel or property. Conducts investigations into reports of suspected illegal acts against the Post Office, prepares and submits reports, documents, court briefs, and attends Court and gives evidence as required. Monitors security related procedures and policies to ensure they are being complied with and submits detailed reports where deficiencies or otherwise are found. Performs other duties as required. The incumbent of this position will be required to work shifts and/or irregular hours.

## **Security Guards**

Security guards are provided by the Post Office Security Guard Force (Ontario Region only), the Corps of Commissionaires and various commercial security guard companies. Their responsibilities are defined in Postal Guideline No. 51-1-8 as follows:

- (1) The primary function of security guards in the Canada Post Office is the provision of physical security measures to prevent, detect and report crimes against the Department.
- (2) However, they are also involved in the prevention, detection and reporting of other occurrences such as fires, building equipment etc., and are in contact with the public and employees at access control points.

A discussion of the use of security guards by the Post Office is found in Chapter 3.

## **Marketing Services**

Marketing Services groups also have important security responsibilities. The regional marketing manager is charged with "the direction of Regional Customer Service activities and programs to achieve the efficient resolution

of customer claims and enquiries and attain cost reduction in the processing of mail". In support of this function, Marketing Services undertakes "security" activities related to problem identification (especially related to claims or costs of damage or loss), prevention, investigation and record-keeping.

To a certain extent, the Marketing Services can improve the way the customer uses the mail. It is an educational role, based on pointing out both the advantages of postal services (essentially, low cost and unlimited distribution) and the deficiencies of a system that must accommodate ever increasing amounts of mail. The introduction of automated equipment and large processing plants has created new problems for the prompt and undamaged delivery of mail, particularly parcels. It may not be possible to create a machine or a process that will accommodate the wide variations in package size, or the fragility of many articles that customers choose to mail. The Post Office does not enforce standards for packaging; it only recommends standards that will reduce the likelihood of damage. It has created limits to its liability for loss by restricting the insurance it makes available and by the maximum indemnity it pays to customers. It also accepts responsibility for its operational problems, however, and attempts to enhance its appeal to its business customers—who generate more than 85% of postal revenues.

Units within Marketing Services are responsible for processing claims and enquiries and providing other customers services. Claims are recorded in logs, by customer, in each zone. By this practice it is possible to identify abnormally large claims by a particular customer or in a given area; a situation which could suggest a problem, related either to customer packaging or mailing practices, or to Post Office processing. In such instances, zone managers make inquiries and examine packaging procedures. They also bear in mind that customers (and their delivery or freight services) have been known to defraud the Post Office. For instance:

- poor receiving practices in large companies may mean that mail which does arrive is not directed to the right person;
- counting bulk mailings is time consuming and is often not done when shipments are accepted at the Post Office. As a result, the number of insured packages received may not correspond to the list which accompanies them. The Post Office, however, accepts responsibility for such short mailings if a postal employee signs the bulk list.
- second class mail, billed by weight to "licensed" customers sometimes may not be properly received or identified and may get into the mail stream free of charge.

Similarly, dishonest postal employees may be attracted by the packaging on expensive or attractive products. Advertising on packages can be discouraged by zone managers if internal rifling or theft appears to be a problem. Zone managers differ in their opinion of whether losses are due to machine damage or employee theft. This may arise from differences in their basic clientele (e.g., whether bankers or electronic manufacturers) or from differences in plant problems.

Large numbers of claims of significant value submitted by a particular customer are frequently referred to postal inspectors for investigation. Unfortunately the criterion for referral is unclear as is the method employed. Customer Services managers estimate that only a small percentage of cases are referred to Security and Investigation each year and in general only when fraud is suspected.<sup>6</sup> At least one zone manager makes it a practice to present each reference in written form. More often, however, a clerk or manager who suspects a criminal problem exists will "walk the request down" to Security and Investigation and discuss it informally.

In summary, Marketing Services personnel are in a position to provide valuable security information. The data they collect and analyze on claims and enquiries can help identify trends in losses and damages and indicate problem areas. Marketing Services personnel also play a preventive role by advising customers on such matters as packaging. Finally, they conduct preliminary investigations of individual claims which can identify security concerns.

Cooperation between the two groups tends to be on an *ad hoc* basis and largely dependent on personal relationships. This lack of communication may be explained by the different orientations of the two groups (i.e., sales vs. investigation and prevention).

## Financial Services

As noted earlier, the job description of the regional manager of Financial Services includes a number of items specifically related to security. Financial Services has primary responsibility for investigating any matter related to financial irregularities. Security and Investigation may become involved in such investigations but they do so only on request.<sup>7</sup>

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6. The Commission has noted with interest that within the United States Postal Service, copies of all claim forms are routinely sent to the Postal Inspection Service which also must approve all major claims for payment.

7. The Commission has noted that the U.S. Postal Inspection Service also performs management and financial audits.



Financial Services has line responsibility for the operations of the Post Office's philatelic and postage stamp depots. With the face value of the contents of these depots running into the hundreds of millions of dollars at any given time, this line responsibility adds another dimension to the security interests of Financial Services.

## **Personnel Services**

Besides its obvious role in recruitment, training and payment of all Post Office personnel (including security employees), Personnel Services has a particular role in any security matters that may lead to the discipline of employees. It also has a role in matters arising out of difficulties with security clearances for employees. As part of the security clearance process, Security and Investigation has employees' fingerprints checked against R.C.M.P. national criminal records indices. The results of these checks are placed on personnel files. Should the results reveal a history of criminal activity, a copy is also kept on Security and Investigation files. Personnel Services, however, are responsible for making recommendations affecting employment.

## **Public Police**

There is a close relationship between Security and Investigation and public police. In fact, there are many instances in which the involvement of either or both Security and Investigation or the public police in the initial stages of a particular criminal investigation is more or less a matter of chance. It often seems to be more a question of who happens to be informed of the offence first or who has the resources available than a matter of conscious decision. On the other hand, there does seem to be a preference both on the part of the police and the Post Office (including Security and Investigation) that internal matters should be handled, where powers and resources permit, by the Security and Investigation group. Exception to this point of view, however, is found among certain postal union groups who would prefer to restrict Security and Investigation activities, and increase the use of the public police instead.

The response of public police forces to requests for assistance varies from jurisdiction to jurisdiction. Generally it is good, although there have been some notable exceptions. Evidence was placed before the Commission which showed that inadequate attention by the public police had, on occasion, hindered investigations. This evidence is contrary to the expressed desire of the Canadian Association of Chiefs of Police that public police and not postal inspectors should be responsible for all aspects of investigation of criminal offences.

## Labour Unions

There were only a few examples brought to the attention of the Commission in which the labour unions have been involved in Post Office security in a systematic and constructive way. One example was the report of the "wicket tour" conducted by the Canadian Union of Postal Workers in Vancouver District which made recommendations about the security of cash and other negotiable instruments. Individual union members have also made reports about security weaknesses from time to time but there is little written evidence to this effect.

In many postal facilities employees use their union membership to intimidate supervisors. It was evident to the Commission when investigating the security responsibilities at the supervisory level that little or no action is taken against employees for minor breaches of security. Often supervisors overlook impropriety or feign indifference in order to avoid an incident which may escalate into a conflict with a union or lead to an adjudication hearing.

## Electronic mail

The Post Office now offers Intelpost and other services which reflect the growing demand for electronic mail systems. Intelpost uses space satellites to transmit information with ultimate delivery of the material, after transmission, by letter carrier. In the view of the Deputy Postmaster General, electronic mail is the Post Office's future:

...It is the natural evolution of mail from dog team, stage coach, truck to aircraft, and now into space, in trying to move it [mail] between points of location.<sup>8</sup>

Evidence before the Commission indicates that the Post Office has no special program designed to meet the security requirements of electronic mail. Security and Investigation has been consulted on physical security of customer outlets of such new services when they are introduced. Security and Investigation staff have neither been consulted nor do they have the necessary technical expertise to advise on electronic mail security problems. The Commission has been informed<sup>9</sup> Intelpost clients are aware that it is not a fully secure service. It is the view of Post Office officials, however, that interception of messages in the course of transmission by Intelpost is a problem for the carrier, Teleglobe, and not for the Post Office.

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8 Transcript p 2784

9 Transcript pp 2764-65, 2674

Post Office officials have further advised the Commission that they rely on R.C.M.P. expertise to audit their computer information systems, apparently at the request of Security and Investigation, and that the Post Office cannot afford to retain in-house experts for computer security.