

Post Office Act

possible on the background to those changes, the reasons for them and the implications of them. To that end all hon. members have received copies of a financial statement which sets out in greater detail than I would be able to do in a set speech the statistical background to these changes. Copies were distributed to all members of the house on Friday morning, I believe, and others are still available.

Perhaps I can deal first with principle and then move on to a discussion of specific practice. The post office account, that is, revenues compared to expenditures, was last in balance in the fiscal year 1956-57. This fiscal year, assuming no change in rates, we forecast a deficit of \$100 million. Next fiscal year, again assuming no change, the deficit is anticipated to be in the order of \$130 million. Exact comparisons between the figures of today and those of the past cannot be made because, as the hon. member for Hillsborough (Mr. Macquarrie) has noted, there has been a change in the basis of cost accounting, the essential effect of which is to charge the post office for all its real expenditures such as depreciation of buildings and equipment. However, as stated in the 1968 annual report issued by my predecessor, "The recording of these figures by the Canada Post Office gives an accurate picture of the financial situation as it is today." In other words, we are dealing with a real deficit of \$100 million this year and a real deficit of about \$130 million next fiscal year.

Hon. members have raised, and rightly so, the question of whether and why a particular government agency should strive toward a balance between revenues and expenditures. In explanation I would make these points: First, the post office deficit, while it has always existed, is in the process today of reaching critical as well as chronic proportions. A deficit such as the \$130 million envisaged next year is simply unsupportable. Unless controlled it will escalate out of sight.

● (3:30 p.m.)

Second, this bill is aimed not at striking a balance but at reducing the deficit to manageable proportions. A balance is not to be achieved solely by raising rates. The new projected deficit for 1969-70 is \$40 million, after the adoption of these changes, not \$130 million. This gap of \$40 million we hope to close by substantially increasing our productivity and efficiency.

Third, while the post office is aiming toward a narrowing of the gap between revenues and expenditures, it is not our intention to do so in every area of the service. As I shall explain more fully in a moment, as a matter of social policy we intend to accept at this time to run a deficit, that is, to extend a subsidy to certain areas and services, notably to Canadians living in rural areas and to the Canadian publishing industry.

Fourth, the consequences of a deficit, even when the deficit has assumed the proportions we are now facing, are more serious and more damaging to the country as a whole than the size of the deficit itself would suggest. Quite simply, the money has to come from somewhere and that somewhere is the taxpayer. If the post office runs a chronic and substantial deficit, the result is that taxpayers who make little use of the post office services are required to subsidize, either directly through taxes or indirectly through lowered government expenditures in other areas, such as health, education or whatever it may be, those Canadian individuals and business concerns who do make an extensive use of the post office. It means in effect that the financial burden is being distributed unfairly, and this I intend to stop.

Having taken the decision to reduce the post office deficit, we in the department have operated on two bedrock principles, both of which are incorporated in the legislation before you. The first is that the user shall pay for what he uses; the second is that social justice and national need require specific subsidies for specific areas or organizations.

The principle that the user shall pay for what he uses is an extension of the point I made a moment ago. If the user does not pay, then non-users will. This concept was enunciated on page after page of the Glassco commission report, and among many examples I would like to cite the commission's declaration at page 383 of volume 3. It reads as follows:

—charges be made for all services rendered to the public and the amounts thereof be so established as to recover the full cost to the government of the service supplied.

Now there has been for many years one instance of non-users subsidizing the users of the postal services which has given me considerable concern. In studying the graph of post office sales and costs contained on page 4 of the background financial statement, hon. members will have noted that the gap, while