

CHAPTER 2 – POSTAL SUBSIDIES

The federal government has traditionally paid subsidies to Canada Post in support of the Canadian publishing industry, and has made payments related to public policy programs, such as Northern Air Stage, Parliamentary Free Mail and Literature for the Blind. An amount of \$203.6 million is budgeted for these programs in 1990–1991, of which \$174.6 million is to be allocated to the publishers and \$29 million to the other three programs.

The government has decided to reduce spending in two of the four areas, with the publishers' subsidy to be cut back and eventually eliminated, and the Northern Air Stage subsidy phased out. The other two, Parliamentary Free Mail and Literature for the Blind, have remained untouched. Planned spending in these latter two areas totalled \$14 million for this fiscal year.

Economists are generally of the opinion that universally-provided subsidy programs are not cost-effective. Given that these programs are universal, many subsidy recipients are benefiting from them needlessly, in some cases at the expense of greater subsidies for those more deserving.

It is also recognized that it is easier to verify the true need for direct subsidies in programs where there is a direct relationship between sponsoring agency and recipient. In the case of the publishers' subsidy, for instance, one cannot identify the true cost to Canada Post of handling publications mail. Similarly, it is difficult if not impossible for northern residents to obtain reliable cost information from the Corporation about its Northern Air Stage mail service. In both instances, a more accurate assessment of the true need for the program could be gauged through a more direct link between the government and subsidy recipients.

We support policy shifts that would remove indirect social program subsidies from Canada Post, as long as they were replaced by direct subsidies with spending levels sufficient to satisfy requirements. The Committee therefore recommends that:

The Government of Canada consider the replacement of postal subsidy programs with direct recipient programs.

A. Publishers' Subsidy

For more than one hundred years, the federal government has provided the Post Office with a subsidy designed to offset the revenue shortfall which it incurs against total publications mail costs. In doing so, the government has attempted to satisfy three