concern about the speed at which it would be reached and the fact that service to customers could be jeopardized.

The Committee also is concerned about the maintenance of adequate levels of service. Yet we are of the opinion that the realization of private-sector return levels will provide distinct advantages for both the Corporation and the Canadian consumer. And while the concerns about the speed at which the Corporation achieves the target are entirely understandable, we believe it is better to strive towards a set target. Only with a disciplinary tool in place will financial performance be assured.

A number of points can be made to buttress the case for the increased generation of profits. As Gerard Harvey, Chairman of the Management Board of International Post Corporation, noted before the Committee, an adequate level of profitability is required to ensure that obsolete or deteriorating capital equipment is being replaced. Canada Post has spent on average a mere 3.7% of net assets each year on capital expenditures since 1981, with the result that the asset base has not been effectively maintained. Capital investment is required to replace the capital stock and by so doing to improve the efficiency of postal operations and the reliability and speed of service. By engaging in a major capital expansion program, such as the Corporation recently announced, Canada Post can construct and improve mail-processing facilities, expand and modernize the vehicle fleet, and enhance its data processing network. To help finance these necessary expenditures, the Corporation requires additional profits.

The implementation of higher target levels of return will also enable dividends to be provided to the shareholder (the government). This payment may in turn be applied to the deficit and could provide the Canadian public, long a victim of government funding to the Corporation, with a sizeable financial return.

It should be noted that the dividend requirement, along with the adoption of an increasingly commercial orientation, is not unique to Canada's postal system. Australia Post, long viewed as being comparable to Canada Post in operational characteristics, is expected to contribute dividends to the government from fiscal 1989–1990 on, pay corporate taxes, adopt financial targets and establish a private-sector share capital structure.

Similarly, both the United Kingdom and New Zealand Post Offices are required to provide dividend and tax payments to their national governments. New Zealand Post, for instance, has committed itself to maintaining a future dividend rate of 40% of aftertax profits, while also paying corporate tax at a rate of 48%. All told, the firm paid the government $130 million in dividends and taxes during 1987–88 and the first half of 1988–89.