

requires sound financial administration of the Corporation's business and a fair return on its equity investments. To achieve this goal, the Corporation must offer satisfactory services to customers at a competitive price that will maximize profits. In a competitive environment, pricing policies of Canada Post must take into account basic economic principles of supply and demand. It must consequently consider the effects that its commercial postal rates will have on current or potential competition.

47. As stated above, Canada Post does not have a monopoly with respect to the delivery of publications (newspapers and periodicals) in Canada. Canada Post, through the *Canada Post Corporation Act*, does have a limited exclusive privilege with respect to the collection, transmission and delivery of "letters" in Canada including addressed advertising mail, but the Corporation has no statutory protection for the remainder of its business and must compete with existing or potential competition, as the case may be.³⁵ Any publisher, foreign or domestic, is free to arrange for the delivery of the publisher's newspapers or periodicals to subscribers or newsdealers via Canada Post at the applicable rate for which the publisher is eligible or alternatively, with private distributors in Canada. Additionally, as mentioned in Canada's First Submission, foreign publishers have the option of mailing their copies addressed to Canadian subscribers or newsdealers with their own postal administration at the applicable international printed matter rates.

48. As stated in paragraph 113 of Canada's First Submission, almost 50 per cent of foreign publications mailed in Canada are accorded special rates negotiated by major foreign publishers pursuant to long-term agreements with Canada Post. Those rates are substantially less than the commercial International Publications Mail rate and relatively close to the commercial Canadian Publications Mail rate.³⁶ The willingness of the Corporation to enter into such special-rate agreements reflects the reality that large foreign publishers have the resources and purchasing power to credibly threaten full or partial delivery in Canada via current and potential private distributors. Smaller foreign publishers have neither the volume nor the density of mailings to warrant their effort to access private distribution (often organised on a city by city basis) in Canada. Canadian commercial publishers have credibly threatened to move to private distribution in the past.³⁷ This has motivated the Corporation to develop commercial Publications Mail rates that are financially attractive when compared to that of current or potential private distributors.³⁸

³⁵ See the correspondence and internal memoranda set out in Exhibit G.

³⁶ Contrary to what the United States contends, several large foreign publishers enjoy discounts, pursuant to long-term agreements, similar to the mail preparation discounts offered to Canadian publishers.

³⁷ Those threats are substantiated by certain factors such as the proximity of the Canadian publications to their markets, generally greater density of those markets (typically commercial trade publications oriented towards businesses in urban areas) and concentration of ownership in the industry.

³⁸ Paragraphs 47 and 48 address issues raised in the Question of the United States to Canada.