study noted that private-sector firms with similar characteristics would normally have done so.

The government has adopted the recommendations of the Warburg/DS study and has instructed the Corporation to operate within a commercial mandate, and by doing so generate a financial return adequate for a private-sector firm of similar size with similar corporate objectives. In its latest five-year Corporate Plan, Canada Post has accordingly set a return on equity (ROE) target of 14%, to be achieved in 1993-1994. This would be substantially higher than the current return of 5.9%, and would generate an additional $802 million in profits over the next five years.

The Corporation has also adopted a dividend payout target of 40%, starting in 1989-1990. This will ensure that a return of $300 million will accrue to the federal treasury over the five-year planning period, with additional funds devoted to support of the firm's capital investment plans.

The Committee heard conflicting evidence on the merits of the new private-sector definition of financial self-sufficiency. Opinion was split on whether the Corporation should be exceeding its initial target of breaking even. The Canadian Labour Congress (CLC) argued in favour of using the new profits to improve and expand postal services, to increase wages and to reduce postal rates. The CLC was of the view that many of the problems in labour relations and service cut-backs are a by-product of having tried to push Canada Post toward financial self-sufficiency too quickly. The Congress, while not opposed to the concept of financial self-sufficiency, felt that the initial target should have been achieved over a much longer period of time.

The Canadian Union of Postal Workers (CUPW) shared the CLC's concerns and recommended that the Corporation use the profits to improve service to rural Canadians and to city-dwellers currently receiving mail in community mail boxes. The Union also argued that the legal mandate of the Corporation as set out in subsection 5(2) of the *Canada Post Corporation Act* does not include as a minimum requirement the achievement of a specified profit margin nor does it obligate the Corporation to distribute dividends to the government.

For their part, both the Retail Council of Canada (RCC) and the PSRC approved of the new definition of financial self-sufficiency. The Retail Council argued that the profit incentive provides the Corporation with the stimulus to enhance efficiency and, as a direct result, improve service. The Chairman of the PSRC, Mr. Alan Marchment, felt that the new target of profitability could be supported only if it was achieved through an increase in competitiveness, efficiency and innovation, and not reductions in service. While the 14-15% return target was not unreasonable as an eventual target, these groups expressed