

CHAPTER 1 — CANADA POST'S FINANCIAL PERFORMANCE

A. Progress Towards Financial Self-Sufficiency

In recent years, Canada Post has made remarkable progress in achieving its objective of financial self-sufficiency. An operating deficit of almost \$600 million in 1981-1982 has now been replaced by a surplus of \$96 million, the first Post Office surplus recorded in 30 years.

The Corporation's financial results have, to a great extent, mirrored those of other postal administrations. As of 1988-1989, the United States Postal Service (USPS), the Australian Postal Commission, the U.K. Post Office and New Zealand Post have all achieved profitable positions.

While rate increases certainly influenced the change in financial performance, much of Canada Post's success can be attributed to increases in mail volume and improved efficiency. The Corporation's efforts to stress productivity, and efficiency improvements in evidence since the mid-1980s have resulted in more reliable service and stronger volume growth. The focus has also been on containing costs. Throughout most of the 1980s, these factors have allowed Canada Post to keep the price of delivering first-class letter mail from increasing at a faster rate than the cost of living as measured by the Consumer Price Index, and to ensure that the price is well below international norms.

Canada Post deserves to be commended for its success. As a result of this financial turnaround, the direct cost of the postal system is, with the exception of certain payments made for public policy purposes, now being borne almost entirely by the users themselves, without an additional burden placed on the taxpayer in the form of an operating subsidy.

We urge the Corporation to continue its efforts to increase efficiency and improve its financial results. In our opinion, more stress should be put on moving from retail and processing facilities in downtown locations to more cost-effective and efficient structures elsewhere. The Corporation would also be wise to achieve greater flexibility in contracting out certain services, such as mail delivery. It is vitally important that Canada Post reduce operating costs devoted to labour, which, at approximately 70%, now impose a considerable burden on financial performance. Only through excellent financial results can the Corporation generate the funds for the capital investment needed to improve service and efficiency. As will be suggested below, a much greater return than that so far recorded will be required.