

**Submission to the  
Canada Post Corporation  
Strategic Review Advisory Panel  
by the Canadian Labour Congress**

**September 2<sup>nd</sup>, 2008**



**Canadian Labour Congress**

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**Congrès du travail du Canada**

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## **Introduction**

On behalf of over 3.2 million members, all of whom are shareholders in and customers of the Canada Post Corporation (CPC), the Canadian Labour Congress (CLC) welcomes the opportunity to present its views on the strategic review of the CPC, requested by the Minister of Transport, Infrastructure and Communities and Minister responsible for the CPC.

The CLC and its postal unions have had a longstanding interest in Canada's postal service. About 66,000 of our members are employees of the Canada Post Group. Most of the employees working for the Canada Post Corporation are represented by the Canadian Union of Postal Workers (CUPW), Canadian Postmasters and Assistants Associations (CPAA) and the Public Service Alliance of Canada/Union of Postal Communications of Canada (PSAC/UPCE).

Our interest in the strategic direction of the Canada Post Corporation goes back many decades. For example, in the period leading up to the creation of Canada Post as a crown corporation in 1981, the CLC was heavily involved in the drafting and finalization of Bill C-42 the "*Canada Post Corporation Act*". We have submitted our comments and views about the mission, the structure and the evolution of the CPC on several occasions<sup>i</sup>. Throughout the years, our basic approach to Canada Post has remained consistent. From its inception we have argued for an improved and expanded public postal service that provides universal, accessible and affordable service to Canadians –wherever they live.

## **The Review**

This mandate review panel has been handed the task of examining a large, complex, highly visible, public asset with the obligation to make recommendations on market and competition, public policy objectives and responsibilities, commercial activities and financial/performance targets. We note that the panel has been given relatively little time to complete such a complex task. We also note that the review of such an important public asset is being done over the summer months, without public hearings, which should be held across Canada in both urban and rural areas.

We recognize that these factors could discredit this review and reiterate that the following principles, as stated in the Panel's mandate, are essential for the maintenance of a universal, accessible and affordable postal service for all Canadians. These principles are: support against privatization, maintenance of the CPC as a crown corporation, support for a universal, effective and economically viable postal service and continuation of the role of the CPC as an instrument of public policy through the provision of postal services to all Canadians. However, the CLC is extremely concerned with the absence of a strong commitment to maintain legal provisions essential for the funding of a universal, accessible and affordable public postal service for all Canadians. We are concerned with the possibility that the current review could lead to the deregulation of our public postal service.

## **Public Policy Objectives and Responsibilities of our Postal Service**

Historically, the postal service has played an important role in building our nation by uniting our vast but sparsely populated territories and regions.

From confederation until recently, the postal service linked together virtually every community in the country. Canada Post's role as an instrument of national unity should not be overlooked or undervalued, especially now in a globalized world. Postal employees are proud of the important and positive contributions made by the postal service in the enhancement of the cultural, social and economic life of Canadians. Postal employees are aware that, through their labour, they provide an important communication link for friends and families. The postal service also serves as a lifeline for charities, service clubs and non-governmental organizations which add so much to the quality of life of Canadians. Furthermore, as part of their work, postal employees help to transport the multitude of specialized publications, such as magazines, which help to preserve the many cultural identities that comprise our nation.

The postal service also plays a significant economic role. In a country in which small businesses compete against large multinationals and small communities compete against large urban areas, the postal service acts to equalize communications costs and reduce the disadvantages faced by those working in smaller businesses and in smaller communities. Also, as an employer, the postal service offers many job opportunities, many of which are in rural areas and are occupied by women. Canada Post is often one of the few potential employers for women in rural communities.

Our public postal service provides universal and affordable services to all Canadians, no matter where they live. As the second largest landmass in the world and one of the smallest population densities, access to a universal and affordable postal service is an important piece of public policy required to maintain a healthy social and economic network within Canada.

**Deregulation: Not the Solution!**

The mandate of the Canada Post Corporation is straightforward and sets out three basic objectives: maintain and improve service, achieve financial self sufficiency and improve labour relations<sup>ii</sup>. As stipulated in Section 5 of the *Canada Post Corporation Act*, the objectives of the Canada Post Corporation are to establish and operate a postal service for the collection, transmission and delivery of messages, information, funds and goods, both within Canada and between Canada and places outside Canada. The mandate of Canada Post includes the need to conduct its operations on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada and that is similar with respect to communities of the same size. The CPC also has the obligation to utilize the employees of the Corporation in a manner that will both attain the objectives of the Corporation and ensure the commitment and dedication of its employees to achieving those objectives.

In order to do this, Canada Post was granted, in 1981, the sole and exclusive privilege of collecting, transmitting and delivering letters (not weighing more than 500 g)<sup>iii</sup>. The exclusive privilege to deliver letters was introduced as a means to redistribute the cost of delivering letters in all part of the country, while providing equal access to postal service to all Canadians. At that time, legislators understood that market forces alone could not guarantee a reasonable level of service at affordable prices to all Canadians, especially those living in rural or remote areas. It has been estimated at that time that the cost of servicing rural and isolated areas was “six to ten” times the existing postage rate of a first class letter<sup>iv</sup>.

Many postal observers believe that the deregulation of the CPC's exclusive privilege would lead Canada Post into a downward spiral, as private sector competitors focus on profitable areas and services, leaving the unprofitable parts to our public postal service. With fewer profits, Canada Post would find it increasingly difficult to provide public postal services, especially in rural

and remote areas. It is the postal service's exclusive privilege on letters that allows it to generate enough revenue to provide universal postal service.

In countries in which public postal services have been fully deregulated, especially in small countries with high population density, the introduction of competition for the delivery of letters was not economically advantageous for citizens. The Canadian Labour Congress notes from the experience of other postal services and postal unions around the world that deregulation usually leads to a deterioration of postal service and higher rates for the public and small business, accompanied by a deterioration of the labour market and labour relations. The breaking of Canada Post's exclusive privilege would jeopardize its capacity to achieve its mandated objectives as sets out in Section 5 of the *Act*. It would lead to the decline in mail service, especially in rural areas, with higher cost for small business in rural areas and less job opportunities in rural areas, especially for women.

Any deregulation in this exclusive privilege would jeopardized the universality, accessibility and low cost of the public postal service for all Canadians. In the event that the federal government would decide to deregulate our postal service by reducing or eliminating this exclusive privilege, we believe that they would have only two alternatives: dramatically reducing services or finding other sources of funding to pay for a universal service. Neither of these options are in the best interest of Canadians.

### **Financial Targets: A Destructive Measure for the Future of our Postal Service.**

The CLC believes it is essential to maintain the current objectives and mandate of the Canada Post Corporation. Indeed, the principal objectives – maintenance and extension of services, operating on a self sustaining financial basis and ensuring good relations with the workforce – are models for any public corporation.

While the conversion to a crown corporation has been positive and much progress has been made, we believe that the interpretation of “the need to conduct its operations on a self-sustaining financial basis” as specified in Section 5 of the *Act* has taken precedence over the other goals of the Corporation with negative consequences for both services and jobs.

The primary objective of the CPC is to provide a basic public service with the goal of equalizing access to a public postal service. We agree that the CPC should be self-sustainable in a commercial environment, and having a financial and policy framework dictated by the Government also makes sense. It allows ministers to provide broad policy direction to the Canada Post without interfering in their day-to-day operations. But the problem is not the framework so much as what the government has asked Canada Post to do under the framework.

The government's financial and policy framework for Canada Post calls on the post office to act like a commercial enterprise that generates commercial profits and dividends, even though it has a legal mandate to provide and improve public postal service, not maximize profits. The framework instructs the corporation to provide a commercial rate of and pay an annual dividend of 40 per cent of net profit.

While we recognize that the postal service must adapt to an ever changing world, we do not approve of the fundamental orientations provided in the framework currently in place at Canada Post. More specifically, the financial and policy framework provided to CPC must be carefully scrutinized by the strategic review in terms of their compatibility with the other important corporate objectives, like universality and accessibility of postal services.

With the intensification of competition from other sources of communication, like the internet and text messaging, investments and development of new

products and services are required for the maintenance and the development of our public postal service. The obligation to make such investments should be at the top of the agenda, not discussions about a rate of return for the federal government.

## **The Future of Our Postal Service**

The Canadian Labour Congress is worried that as a result of this review, the federal government will either reduce or eliminate Canada Post's exclusive privilege to handle addressed letters. Canada Post has an exclusive privilege so that it is able to generate enough money to provide a universal and affordable postal service to everyone, no matter where they live in our huge country, be it a large urban centre or a rural or isolated community. We are worried about the orientation of the financial and policy framework of CPC and its impact of the public policy goals of our postal service.

The quality of our public postal service, access to an affordable postal service for all Canadians and many good jobs, especially jobs occupied primarily by women in rural communities, will be jeopardized if Canada Post were to be deregulated or if it could not continue to invest in the expansion of products and services due to obligations related to a narrowed financial framework. The CLC believes that the primary objective of a public postal service has to be maintained, and surpluses of the CPC should be re-invested in the improvement and expansion of our public postal service.

In our opinion, the federal government has no mandate to deregulate Canada's postal service. Neither the government or the management of Canada Post have even engaged in a public debate to explain their position on deregulating postal services and to consider the views of those who currently own the postal service – the Canadian public. We believe the framework for Canada Post does not provide adequate directions or objectives regarding public accountability. This situation allows Canada Post

- a public corporation - to close post offices and cut off rural delivery without consulting with the public and other major stakeholders. Canada Post needs a clear, uniform and democratic process for making fundamental changes to its postal network and delivery system.

We believe that no changes to our public postal service and to Canada Post's mandate should be considered without the direct input and consent of consumers, workers, stakeholders, members of the public and Members of Parliament. The fact that the current strategic review is being conducted without public hearings, in both urban and rural areas across Canada, seems to demonstrate the government's intention of unilaterally modifying Canada Post's mandate, without the consent of Canadians. Such consensus was achieved when the legislation creating Canada Post was unanimously passed in 1981, and this consensus should be replicated for any future major changes to the CPC.

The Canadian Labour Congress will condemn any attempt by the federal government to deregulate all or part of Canada Post. The primary public policy objectives of universal, accessible and affordable public postal service must be protected against the market in the best interest of all Canadians – wherever they live.

This document is respectfully submitted on behalf of the Canadian Labour Congress:

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Kenneth V. Georgetti  
President

SS\*ahcope225/N/SEP/SS/Canada Post Submission Aug 25

- i Apart from its involvement with Bill C-42 “*Canada Post Corporation Act*”, the CLC submitted briefs to 1985, 1989 and 1996 mandate reviews.
- ii See Section 5(2) of the Canada Post Corporation Act.
- iii See Sections 14 and 15 of the Canada Post Corporation Act.
- iv See Postal deregulation: *Its impact on postal workers and the response of a postal union*, Prepared for the 14<sup>th</sup> Conference on Postal and Delivery Economics 31 May – 3 June 2006, Bern, Switzerland, Geoff Bickerton, page 14, 2006