



Public Service Alliance of Canada
Alliance de la Fonction publique du Canada

**Submission by the
Public Service Alliance of Canada**

**to the
Canada Post Corporation Strategic
Review Panel**

September 2, 2008

The Public Service Alliance of Canada (PSAC) proudly represents 160,000 workers from coast to coast to coast, the majority of whom work in the public sector at the federal level and in Canada's three northern territories.

PSAC represents 2,300 employees of Canada Post who are members of the Union of Postal Communications Employees (UPCE), a Component of the PSAC. Our Canada Post members perform administrative, technical and clerical work, including customer support for businesses and consumers. These workers are the first point of contact for Canadians who need advice and assistance on their postal services.

PSAC and its Component, UPCE, are pleased to provide the Canada Post Corporation Strategic Review Panel ("the Review Panel") with this submission.

The Strategic Review Principles

The PSAC is pleased that the principles in the terms of reference of the Review Panel clearly exclude the privatization of Canada Post. In effect, the principles state that Canada Post will remain a Crown Corporation with a mandate to provide a universal, effective and economically-viable postal service, and with the continuing obligation to act as an instrument of public policy.

What the principles do not rule out at the outset is deregulation, i.e. the reduction or elimination of Canada Post's monopoly or exclusive privilege on certain types of mail.

The PSAC firmly believes that both privatization and deregulation must be ruled out in this and any future strategic or mandate reviews of Canada Post. We believe that the public interest should be the key guiding principle in evaluating any reforms at Canada Post, and that public policy objectives should take precedence over commercial objectives.

Deregulation

From our perspective, a public postal system with its "universal service obligation"—the obligation to provide basic postal services in all corners of Canada at affordable prices—is essential to the economic well-being of Canada and all Canadians. It is part of our public infrastructure, and it facilitates communication between Canadians from coast to coast to coast. It contributes to social cohesion, and to the economic well-being and competitiveness of rural communities. As such, to quote CEO Moya Greene, Canada Post is "just as essential as highways, bridges, airports and shipping lanes".

The "exclusive privilege" to deliver letters is a fundamental feature of our post office. Canada Post holds this exclusive privilege so that it can finance its

universal service obligation – i.e. the obligation to provide affordable service to everyone, no matter where they live. Removing the exclusive privilege will erode Canada Post's revenue base, and could put the universal service obligation at risk. Rural and remote areas, where it is more expensive to provide postal services, could very well be the most at risk.

Bill C-14 currently before the House of Commons, which would rescind Canada Post's exclusive privilege to deliver international letter mail, is a move towards deregulation. The PSAC opposes Bill C-14 and recommends that the government withdraw it.

International experience with postal deregulation should deter us from considering it as an option here in Canada. While some countries have fully deregulated their postal system, only three countries—New Zealand, Finland and Sweden—have had a deregulated system for a sufficient period of time to evaluate the consequences.

Little has changed in Finland because new entrants are required to contribute significantly to a universal service fund if they choose, as most corporations will, to operate in the most lucrative high density areas.

In Sweden, deregulation has been a financial success for large volume business mailers, who have seen their prices decrease considerably, and nothing short of a hardship for small business and the public, who have seen a 90% increase in the cost of a regular letter over the first ten years following deregulation. The economic and social costs of postal deregulation in Sweden are equally disturbing, with a net loss of 14,000 jobs, a dramatic increase in absenteeism, and a transformation from full-time to part-time employment.

In New Zealand, standard postal rates have remained relatively consistent but wages paid to postal workers have declined relative to the average industrial wage.

Despite the experience in Sweden and New Zealand, a number of other countries have moved towards postal deregulation. The European Union is gradually reducing member states' postal monopolies, with the current monopoly applying to letters weighing less than 50 grams or costing 2.5 times the price of a standard letter. Complete elimination of European postal monopolies, originally scheduled for 2009, has been extended to 2011-2012.

Following deregulation of the Royal Mail in 2006, the government of the UK initiated a restructuring plan that will see the closure of 2,500 post offices and service cuts across the system.

Moreover, in the short time since deregulation, companies competing with the Royal Mail have taken over 25% of the bulk mail business, which is putting their

universal service at risk and will result in the loss of service and/or increased rates in remote and outlying areas.

The PSAC holds the view that deregulation has not, is not and cannot work to the benefit of citizens of these countries, and should not be contemplated in Canada. Moreover, not all countries are created equally, and while it is difficult to predict with precision the consequences of deregulation in a country such as Canada, where more than 4 million of the 14 million postal addresses are rural, it is likely that deregulation would lead to cutbacks in both urban and rural areas; attempts to lower labour costs and increasingly difficult labour relations; price increases for individual mail and mail not contested by the competition; price reductions for products contested by the competition; reduced profits and eventual financial losses; further cutbacks in delivery services and rural services; increase user fees for non-contested products.

Nothing in this scenario is in the public interest.

It is worthy to note that save for international remailers, the C.D. Howe Institute and the like, no one in Canada is really calling for deregulation. The 1996 Canada Post Mandate Review recommended that the government reject deregulation, noting that it would be almost impossible to maintain universal postal service without the exclusive privilege to deliver letter mail.

Public Policy Objectives

As pointed out above, the PSAC firmly believes that the universal service obligation must be maintained, if not enhanced.

The provision of universal service at a uniform rate is the single most popular aspect of Canada Post. A 1996 Angus-Reid poll found that 91% of respondents think that a universal service at a universal price is one of the best things about Canada Post.

Moreover, the PSAC fully supports the position of the Canadian Union of Postal Workers (CUPW) that the universal service obligation should include the collection, processing, transmission and delivery to all points of call for a minimum of five days per week for all of the products currently processed and delivered by Canada Post, including national and international mail, ad mail, newspapers, publications, packets, parcels and express mail.

We also support the inclusion of door-to-door carrier delivery service in the universal service obligation, with immediate priority to be accorded to elderly and disabled residents.

The PSAC supports the continued requirement that the Canada Post Corporation be mandated to meet public policy objectives through the delivery of programs including Materials for the Use of the Blind, Government Free Mail, the Publications Assistance Program, the Library Book Rate and the Food Mail Program.

The Food Mail Program, which subsidizes the cost of moving healthy perishable food to approximately 145 northern communities in Canada that do not have year-round surface transportation access, has a particular significance for PSAC members in the three northern territories, Labrador, and northern communities in Québec, Ontario and the Prairie provinces. In the three northern territories, the PSAC is the largest union.

As pointed out by Indian and Northern Affairs Canada, for the years 2006-2007, a family of four in most isolated communities in the Northwest Territories or Nunavut, for example, would spend \$370 to \$450 a week to buy a basic nutritious diet. In northern Québec, they would spend approximately \$305 to \$365. This compares to \$195 to \$225 in cities in southern Canada. In isolated communities, a two litre jug or carton of milk typically costs between \$6 and \$8.

The northern populations are growing, living expenses are high, and access to healthy food is a growing concern. For example, in Nunavut, where 56% of all Food Mail Program funding went in 2006-2007, the population grew by 2.3% between 2006 and 2007, compared to 1% in Canada as a whole, largely due to high fertility rates.

The PSAC strongly supports the continuation of the Food Mail Program.

The PSAC endorses the recommendation that the Canada Post Corporation conduct an audit of all postal services offered to Aboriginal Peoples and consult with Aboriginal organizations and unions with a view to improving postal services.

With respect to rural post offices, the PSAC supports the permanent extension of a moratorium on the closure of rural post offices.

Post offices are an essential public service to rural communities. As pointed out in the submission to the Panel from the Rural and Cooperative Secretariats at Agriculture and Agri-food Canada, "Given the prominence of Canada Post services in rural communities, its impact on a region's competitiveness is significant both by providing access to important services as well as providing employment opportunities. ... The loss of a post office signifies to community leaders that the federal government is not investing in rural communities, threatening their ability to compete in the long term. It is viewed as another slight against rural customers. Any closure or reduction of services has an economic impact and is seen as a divestment in rural competitiveness."

Reduction of services to rural communities is not in the public interest. Maintaining and expanding them is.

Commercial Objectives

One of the fundamental questions in this Strategic Review is whether or not the CPC Multi-Year Policy and Financial Framework, established in 1999, is still relevant and sufficient for the CPC to meet its public policy and commercial objectives, and whether or not CPC has the financial capacity to meet its social and public policy objectives.

The PSAC believes that the social and public policy objectives of the CPC should define the Financial Framework in which it needs to operate, and that its commercial viability should be defined largely in terms of its capacity to fund and expand the “affordable and universal postal services to Canadians” that it is mandated to provide.

On the price cap formula, the PSAC believes that the restriction on increases in letter mail rates to 2/3 of the annual rate of growth of the Consumer Price Index (CPI) is not relevant and should be removed. The very name suggests this. The CPI measures price increases for a standard basket of goods typically purchased by Canadian families, and not the labour costs and goods purchased by a very large and sophisticated institution mandated to process and deliver a range of postal services to more than 14 million addresses. Other measures need to be used to set prices at CPC, and we believe that an appropriate price cap must be based on input costs, including the price of labour, fuel, equipment and facilities.

On dividends, the PSAC believes the obligation of CPC to pay them to the federal government is somewhat symbolic. Some, but by far not all private corporations pay dividends. Many private corporations suspend dividends when they need to finance significant plant expansion or enhancement, new product development and the like. While an argument can be made that CPC should pay dividends if it is to “play” on the commercial turf and be seen as a viable competitor, a stronger argument is that any financial gains should be reinvested into infrastructure, service improvements and expansion of public policy programs.

It also needs to be made clear that CPC is a Crown Corporation and not a private corporation. As such, its owners or “shareholders” are the people of Canada, and not the government of Canada. Any “profit” generated by CPC can be paid as a dividend to the government on behalf of the people of Canada, reinvested in the corporation, or paid directly to Canadians in the form of improved service, stable prices, sustainable infrastructure and the like. These last two options are the ones we support.

Protecting the Environment

One of the most important and growing social costs is that of global warming and the resulting damage to our environment. It is increasingly clear that individuals, governments and corporations have to do more now, not later, to reduce our carbon footprints and to protect our environment for our future generations.

In addition to its essential role as a legislator and policy maker, the government of Canada can and must play a significant role in directly reducing its environmental footprint. It can and must do this through its building and infrastructure program, procurement policies and the like. In this regard, it has every right to expect that CPC will follow suit. Environmental protection is a legitimate public and social policy objective for the CPC.

CPC announced in early 2008 that it is constructing “a state-of-the-art, environmentally-friendly mail processing plant” in Winnipeg at a cost of \$50 million, which it claims will be the “model for the modern Post and future plants across the country”. Regrettably, this initiative is the only significant comment on the environment and CPC’s environmental footprint in the entire 2007 Annual Report. Much more needs to be done and can be done.

The PSAC would urge the Review Panel to recommend the inclusion of environmental protection in the public policy objectives of the CPC, and to address the adequacy of the necessary financial resources that CPC has to do so.

While there are obvious procurement policies that CPC could put in place, such as the purchase and use of hybrid vehicles, we believe that a comprehensive arms-length environmental audit of CPC should be undertaken at the outset. This audit should assess the CPC’s current carbon emissions and establish reduction targets, as well as the overall impact of postal services on the environment in their own right and in comparison to other delivery systems.

Conclusion

As many stakeholders have already noted, the current strategic review has been conducted with limited resources, a very tight summer timeline, no meaningful public consultation, and dialogue with a limited number of stakeholders, including corporations competing or wanting to compete for a share in the services currently provided by CPC.

The PSAC has noted earlier that the “owners” or shareholders of the CPC are the people of Canada. The mandate of CPC was defined in legislation – the *Canada Post Corporation Act* – and unanimously adopted by Parliament in 1981. Any significant changes to the mandate of CPC and to the services delivered to the people of Canada need to be the object of public consultation and debate.

The PSAC maintains that the public interest should be the primary guiding principle in any review of CPC. It is against this principle that we will evaluate the outcomes of this Review.

Respectfully submitted on behalf of PSAC and its Component, UPCE,



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Summary of PSAC's Recommendations

1. The public interest should be the guiding and overriding principle in evaluating any current and future strategic or mandate reviews of the CPC.
2. CPC should maintain the exclusive privilege to deliver national and international letter mail. Deregulation - the reduction or elimination of CPC's monopoly or exclusive privilege on certain types of mail – must be taken off the table.
3. The government should withdraw Bill C-14, which would amount to the partial deregulation of CPC.
4. The universal service obligation should be maintained.
5. The universal service obligation should include the collection, processing, transmission and delivery to all points of call for a minimum of five days per week for all of the products currently processed and delivered by Canada Post including national and international mail, ad mail, newspapers, publications, packets, parcels and express mail.
6. The universal service obligation should include door-to-door carrier delivery service.
7. CPC should maintain the mandate to meet public policy objectives through the delivery of programs including Materials for the Use of the Blind, Government Free Mail, the Publications Assistance Program, the Library Book Rate and the Food Mail Program.
8. CPC should conduct an audit of all postal services offered to Aboriginal Peoples and consult with Aboriginal organizations and unions with a view to improving postal services.
9. The moratorium on the closure of rural post offices should be extended permanently.
10. The social and public policy objectives of the CPC should define the financial framework in which it needs to operate. Commercial viability should be defined largely in terms of the CPC's capacity to fund and expand the "affordable and universal postal services to Canadians" that it is mandated to provide.
11. The price cap should be adjusted to reflect all "input costs" – including the price of fuel, labour, equipment and facilities.

12. Any financial gains made by CPC should be reinvested into service improvements, sustainable infrastructure and public policy programs.
13. A comprehensive arms-length environmental audit of CPC should be undertaken at the outset. This audit should assess the CPC's current carbon emissions and establish reduction targets, as well as the overall impact of postal services on the environment.