

Our vision of the post office

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The federal government recognized the importance of the post office early on. It opened post offices as part of nation-building, realizing that they encouraged business, roads and rail development. In 1867, the same year as confederation, it created the Post Office Department as a branch of government. In 1981, it transformed the post office into a Crown corporation called Canada Post. This move allowed the post office to adapt to changes in communications and challenges from competition while continuing “its role of promoting the general welfare and advancing the national economy”.

The government also joined the Universal Postal Union (UPU), a United Nation’s agency that acts as a forum for co-operation between postal services. As a member of the UPU, Canada is a signatory to UPU’s Universal Postal Convention which provides for universal

postal service. It defines Universal Postal Service as “the permanent provision of quality basic postal services at all points in a member country’s territory, for all customers, at affordable prices”.

Important though it is, like many national and international institutions today, the post office is continuing to change as a result of powerful economic, political and technological forces. For example, some post offices are being partially or totally privatized after being run for hundreds of years as a government operation with a monopoly. Others are being deregulated. The services provided and the nature of postal work are changing as a result.

While the CUPW recognizes that our post office must adapt to an ever-changing world, it does not support transforming our public-oriented post office into a commercially driven business through privatization and deregulation.

There are alternative ways of dealing with the challenges that our public post office faces in today’s world.

An outline of CUPW's proposals is presented below. They should be debated publicly.

CUPW wants a post office that:

a) Remains a publicly owned enterprise, responsible to Parliament and the public;

Maintaining Canada Post as a crown corporation, that is, as a publicly owned enterprise, is the best way to insure that it respects its legislated mandate, which is to provide the public with a universal postal service. A universal postal service is one characterized by privacy, security, universality and affordability.

Crown corporations like Canada Post have both public and commercial activities. But they are distinct from commercial enterprises in that they are designed to serve the public interest, not simply to maximize profit.

As a crown corporation, Canada Post is responsible to Parliament, and through Parliament, to the public. Theoretically, this line of accountability should help the public ensure that it performs its national public service function in an open and transparent manner.

b) Adheres to its public service mandate;

Canada Post says it is a commercial enterprise with a business mandate.

The Canada Post Corporation Act (CPC Act) gives the post office a public service mandate. It requires that our public post office provide basic customary postal service while having regard for "the need to conduct its operations on a self-sustaining financial basis". It says that postage rates shall be "fair, reasonable and sufficient to defray the costs incurred by the Corporation in the conduct of its operations under this Act". In addition to requiring Canada Post to break-even and have rates that cover costs, it says the corporation shall declare and pay a dividend if the corporation can, and the government chooses to take a dividend.

But the Act doesn't require Canada Post to make profits, let alone pay dividends on profits.

The Financial Administration Act (FAA) says that "there is a reasonable expectation that the corporation [Crown corporations like Canada Post under Part II of Schedule III] will pay dividends" and "ordinarily earns a return on equity." But there is nothing in the FAA that requires a commercial rate of profit or

the kind of dividends that a business might be required to pay.

In short, there is absolutely nothing in the CPC Act or the FAA that requires the corporation to adhere to a commercial mandate by making commercial profits or providing commercial dividends.

In spite of this, the federal government has asked Canada Post to act like a profit-driven commercial enterprise.

The government's financial and policy framework for Canada Post calls on the post office to provide a commercial rate of return (15% in 2005) and pay an annual dividend of 40 per cent of net profit.

This means millions of dollars that people pay in postage are currently siphoned off to provide Canada Post with commercial profits (\$199 million in 2005) and the federal government with lucrative dividends (\$59 million in 2005), instead of being used to improve service and maintain affordable rates.

The government's framework for Canada Post is fundamentally at odds with the corporation's legislative mandate to provide public postal service and its public policy objectives, as a Crown

corporation, to serve the public interest. While Crown corporations like Canada Post have both public and commercial activities, they are distinct from commercial enterprises in that they are designed to serve the public interest, not maximize profit.

The government needs to change the framework so that Canada Post does not have to provide commercial profits and dividends. It needs to tell Canada Post to act like a public service, not a commercial enterprise.

c) Retains exclusive privilege over the delivery of standard letter mail;

Having the exclusive privilege to deliver standard letter mail within Canada enables Canada Post to provide a universal postal service. Postal services cost less to provide in large, high density urban areas than in dispersed, low density rural areas. The money Canada Post makes in urban areas offsets the cost it incurs in rural areas, allowing it to provide equivalent services to both areas at the same affordable price.

Breaking the exclusive privilege, that is allowing other businesses to compete for the provision of postal services (i.e. deregulating the market), would jeopardize the universal service. Of

necessity, these businesses would attempt to provide services where they could make money, most likely in the urban areas, leaving rural areas with less service.

Deregulation would threaten the ability of Canada Post to offer a universal service at a low postage rate in rural areas because its revenue in urban areas would be drastically reduced due to reduced volume, as well as to reduced price for some products necessitated by competitive pressure.

d) Provides door-to-door delivery in urban areas;

Canada Post should re-invest profits into expanding door-to-door delivery in urban areas. In fact, providing door-to-door delivery was its policy until 1975. After that, it started to introduce “community mailboxes” located on the street.

Since 1984, it has installed more than 271,000 community mailbox modules at over 105,000 sites across the country. They serve more than 2.9 million customers.

As well, expanding door-to-door delivery would reduce a discrepancy in the level of service provided to people

who pay the same basic postage rate as those who receive door-to-door delivery. It would also increase the number of addresses to which uniformed Canada Post employees deliver every business day, thereby expanding their potential to deliver new services to the doors of the public and business.

Expanding door-to-door delivery would quickly, and relatively inexpensively, create a significant number of new jobs across the country.

e) Provides rural delivery;

In accordance with its Universal Service Obligation, Canada Post should preserve and improve delivery to rural areas, notably by maximizing service to the lot line. At the same time, it should ensure that rural delivery is provided safely.

f) Maintains post offices in rural and urban communities;

Rural communities require a post office if they are to receive the services to which they are entitled under Canada Post’s Universal Service Obligation.

And through these services, Canada Post links communities from coast to coast to coast, fulfilling its historical, but still

relevant, national integration function. Frequently it is the only federal government presence in rural communities. Often times it is the only national institution of any kind, particularly since the commercial banks began withdrawing from rural areas.

Moreover, post offices play a unique and vital role in rural communities. They generate stable economic activity that contributes to their long term economic viability, and they often serve as a centre of their social life.

g) Delivers admail;

Canada Post should deliver admail. It helps businesses grow and it helps charitable organizations fund raise. Both kinds of organizations use it. From Canada Post's point of view, it generates mail volume and revenue as electronic communication poses a threat to traditional mail and revenue sources.

h) Maximizes environmentally friendly practices;

As a crown corporation, Canada Post must respect Canada's environmental obligations under the Kyoto Accord. It could easily lead by example in this area by introducing a number of straightforward measures. For example,

extending door-to-door delivery by letter carriers on foot will reduce the number of corporate vehicles on the road, as will having letter carriers use public transportation or corporate shuttle vehicles, rather than their own vehicles, to get to their routes. Converting its fleet to hybrid vehicles, as Purolator is doing, will reduce fuel emissions. Offering large volume mailers discounted postal rates for using re-cycled paper will encourage paper re-cycling. Taking a more aggressive approach to retro-fitting its buildings will reduce its energy consumption and wastage more rapidly.

i) Offers industry leading parcel and courier services to small business, large corporations and the public, regardless of location;

Mail volumes have not decreased at Canada Post. In fact, they increased in 2005 compared to 2004. However, many industry commentators predict that they will decline because of electronic communications. On the other hand, they also believe that parcel volumes will increase since many electronic messages generate parcel deliveries.

If parcel delivery is the growth area in postal services, CUPW wants Canada Post to improve its service offering, especially to small and middle size business.

This will sustain, and grow, Canada Post in the event that traditional volumes decline.

In fact, in addition to delivering conventional letters, parcels and packets, Canada Post should deliver “everything that goes to the door.” Controlling the last kilometer, so to speak, will maximize the use of the corporation’s infrastructure while enhancing the security of delivery services in an environmentally friendly manner; i.e. one person to the door rather than several.

And regarding security, it is an important issue in today’s electronic world, and the public post office provides a secure communications system to everyone, no matter where they live, at reasonable cost.

And, of course, if Canada Post does not expand in the delivery market, its private sector competitors will, strengthening their viability and weakening that of Canada Post.

j) Develops new products and services;

To improve its long term viability, and become the carrier of first choice in Canada, in this fiercely competitive

world of fast changing communications technology, Canada Post must introduce new services.

Government and financial services quickly spring to mind, especially in rural areas from which government offices and the established banks have withdrawn.

But there are many other possibilities as well: data management services; bill and parking fine payment services; transit, lottery and entertainment ticket selling; parcel pick up and “call for” services; new services to small and home based businesses, including product delivery and shipping consultation services.

k) Keeps jobs in communities;

In keeping with its mandate to serve the public good, Canada Post should keep jobs in communities where postal work exists.

Canada Post jobs represent decent employment opportunities and stable economic activity that help sustain communities over the long term. They also manifest a federal presence there.

On the other hand, withdrawing jobs undermines their viability.

For example, by closing the Quebec City plant, Canada Post will cost that community 300 regular jobs that provide benefits and a pension. It will also eliminate the economic stimulus generated by the plant's extensive purchase of goods and services.

The same loss of jobs and economic activity occurs in the rural communities that lose their post offices. These losses might be smaller in numerical terms because rural post offices are smaller than urban plants, but the adverse effect on the rural communities is greater because they have fewer alternatives and less potential to attract new ones.

l) Maximizes the amount of work done “in-house”, and minimizes the “contracting-out” of work;

The more work that Canada Post does “in-house” (i.e. using its own regular employees), the more its operations are truly public services that reflect its legislated mandate. When Canada Post “contracts-out” work to the private sector, it is, of its own accord, privatizing and deregulating elements of its public service function.

Canada Post contracts-out a substantial amount of work that its employees can do. For example, it contracts-out all building maintenance, computer

systems, and street furniture installation and maintenance. It contracts-out a significant amount of its retail services through franchise outlets. It also contracts-out a substantial amount of equipment repair, vehicle repair and trucking services.

Pilot projects jointly evaluated by the union and management demonstrated that contracting-out work is not always cheaper than doing it in-house. Moreover, they showed that management has less control over the quality of contracted-out work than of in-house work.

And, of course, contracting-out work takes work away from its employees, undermining their job security, their internal career development opportunities and their morale.

m) Provides its employees with safe, unionized, decently compensated jobs, and good working conditions;

In terms of safety, postal workers have a high injury rate, among the highest of all occupational categories in Canada. In 2004, CUPW members suffered 7,752 injuries. Forty one per cent (3,533 injuries) were disabling.

Letter carriers suffered 61 % of all injuries (4,731 injuries). With respect to compensation, wage increases have not reversed the decline in real wages that occurred in the 1980's and 1990's as a result of back-to-work legislation and government wage controls.

Regarding working conditions, Canada Post uses a significant amount of part-time and temporary labour, and performs a lot of work at night. In 2004, for internal workers, regular part-time hours comprised 14.4 % of total hours paid, up from 13.0 % in 2002 and 8.6% in 1984. Temporary hours represented 3.1 % of total hours paid, down from 5.2 % in 2002 but up from 1.9 % in 1984

Much of the internal work is done at night.

The union would like Canada Post to improve health and safety conditions; pay wages that are ahead of inflation; and create more full time day jobs.

In addition to their immediate benefit, these measures would help to balance the competing demands between work and family life that are also a concern to the union.

n) Invests its profits and dividend payments in services, infrastructure, health and safety measures, and its employees;

Canada Post can finance this visionary model by investing its profits in services, infrastructure and its employees. In the past 11 years, Canada Post earned \$1.1 billion in net profit and paid \$440 million in dividends to the federal government. In 2005 alone, it made \$199 million in net profit while paying \$80 million in taxes and \$59 million in dividends.

The corporation has registered 11 consecutive profit-making years.

How many improvements can these profits pay for? In terms of better retail services, pilot projects jointly tested by the union and management showed that Canada Post can open a good urban corporate post office, and operate it for a year, at a cost of between \$300,000 and \$1.3 million, depending on size, location, staffing and other factors. And once it is open, it brings in new revenue.

Expanding services creatively should enable it to maintain its track record of earning money that it can subsequently invest in more services, health and safety and compensation.

Glossary of terms

Admail: Advertising mail. There are two types of admail: addressed and unaddressed. Examples: a letter from a bank offering a credit card; a letter from a charity asking for a donation; a flyer from a real estate agent.

Call-for services: A postal employee or contractor leaves a notice card in your mailbox that says a parcel or other item which has been mailed to you can be picked up from a postal outlet.

Community mailbox (CMB): A large steel box, with compartments that can be locked with a key. Each compartment serves as a mailbox for one household. Canada Post provides these boxes to people who do not get home delivery. In suburban areas, the mailbox is usually located in the same neighborhood as the household it serves, but in rural areas, it may be located far from a person's home.

Contracting-out: The practice of assigning portions of an organization's work to outside agencies or employees rather than having work done internally, or "in-house".

Crown corporation: A state-owned company or enterprise. A public corporation.

Dividend: The amount of money a corporation pays to its shareholders, normally a portion of its profits. Canada Post's shareholder is the federal government.

Deregulated post office: A post office that has had its monopoly reduced or eliminated (See monopoly).

If Canada Post were deregulated, private companies would have the right to compete for lucrative letter market but they might not be required to provide universal service like our

public post office. Deregulation would threaten revenues, services and jobs at Canada Post, and ultimately its ability to provide universal service at uniform rates.

Exclusive privilege: See monopoly.

Franchise outlets: Canada Post signs agreements with private sector businesses – like drugstores – to provide private post office counters/outlets that sell public post office products and services within a defined area.

Government services: Services normally provided by government. Examples: applications for passports and student loans.

Mail volume: The number of items mailed during a period of time.

Monopoly: Many post offices have the exclusive right to deliver certain kinds of mail. This is called a monopoly, an exclusive privilege or a reserved service area. For example, Canada Post has a monopoly, or exclusive privilege, to deliver letters. In our country, a letter is defined as “one or more messages or information in any form, the total mass of which, if any, does not exceed 500g, whether or not enclosed in an envelope, that is intended for collection or for transmission or delivery to any addressee as one item...”.¹ Some countries have monopolies that extend beyond letters.

The scope of a postal monopoly is usually limited to some degree. Some nations’ monopolies allow messengers to deliver letters above a certain weight. Others allow messengers to deliver letters as long as they charge an amount that is two or more times the basic letter rate. Some monopolies are defined by a combination of weight and price.

In Canada, anyone can deliver “letters” as long as they charge a fee that is three times the regular rate for letters weighing fifty grams (\$2.67 in October 2006).

Net profit: The profit that remains after expenses and taxes have been paid.

Private sector competitors: Individuals or companies that compete for business that is outside a post office's monopoly. For example, companies compete with the post office for courier and admail business. Courier and admail services are "competitive services". Addressed letters are a "monopoly service".

Privatized post office: A privatized post office is owned by private sector investors who have shares in a post office. Once shares are sold to anyone (even to employees), a post office is under pressure to make profits to satisfy investors. In other words, a privatized post office is primarily designed to make profits, not provide service to the public.

Public post office: A public post office is state-owned or publicly owned. Its main goal is to provide service, not make profit. It is overseen by elected representatives of government who are accountable to the public.

Service to the lot line: Delivering mail to a mailbox that is located at the edge of your property, near a road or sidewalk.

Standard letter mail: A standard letter weighs 50 grams or less. A non-standard letter can weigh up to 500 grams.

Street furniture: Fixtures on town or city streets for collecting or relaying the mail. Examples: red mailboxes, grey relay boxes.

Vision: The compact Oxford English Dictionary defines vision as "a mental image of what the future will or could be like."

¹ SOR/83-481, « Letter Definition Regulations, » from Consolidated Regulations of Canada, Department of Justice Website.