

February 14, 2025

Mr. William Kaplan
Industrial Inquiry Commissioner
Industrial Inquiry Commission - Canada Post & CUPW
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Re: Submission of the National Association of Major Mail Users/Association nationale des grand usagers postaux

Mr. Kaplan:

Thank you for the invitation to present a submission to the IIC on behalf of the National Association of Major Mail Users/Association nationale des grand usagers postaux (NAMMU/ANGUP). We appreciate the opportunity and support your efforts to resolve the issues between Canada Post Corporation and the Canadian Union of Postal Workers.

INTRODUCTION

NAMMU/ANGUP is Canada's not-for-profit mailing industry association representing all members of the mail value chain including printers, mail service providers, data companies, paper, material and equipment vendors, and postage meter suppliers.

The mailing industry plays a key role in marketing, selling, manufacturing, and preparation of mail. Canada Post recognizes the importance of these companies through its Partner Program, including its designation of a select group as Expert Partners. For more than 30 years, NAMMU/ANGUP has enjoyed a productive and mutually beneficial relationship with Canada Post, working collaboratively on products and processes to improve the efficiency and competitiveness of the mail stream.

The mailing industry in Canada makes a significant contribution to the Canadian economy:

- Generates approximately \$100 billion in revenue per year or about 5% of Canada's total GDP;
- Represents more than 80% of Canada Post's revenues, especially in direct marketing and transaction mail

- Employs more than 750,000 Canadians, most of whom work for small- to mid-sized business and are not unionized;
- Plays a crucial role in the commerce of Canada, facilitating the presentment of bills, acquisition and growth of customers, and the fulfillment of orders; and
- Represents primarily small- to mid-sized Canadian businesses across the country.

NAMMU/ANGUP understands that a commercially sustainable Canada Post is required so that the mailing industry can continue to serve Canadian businesses, generating employment and revenue that supports the Canadian economy.

IMPACT OF THE NOVEMBER/DECEMBER 2024 WORK STOPPAGE

Given its dependence on Canada Post as its logistics partner, the mailing industry is particularly impacted by any labour disruption. As was clear during the work stoppage in November 2024, many businesses were virtually shuttered and immediately and negatively impacted their ability to support their employees and remain in business. Many businesses were forced to lay off employees while others drew down cash reserves to keep staff employed while generating little to no revenue.

Unlike previous CUPW labour actions, the union initiated a full strike rather than rotating work stoppages. Based on historical precedents, businesses had continued to work on existing projects and ordered materials for upcoming projects, believing that mail and parcel delivery would be slowed but not stopped. The national work stoppage resulted in unrecoverable costs for mailings that were printed but could not be inducted, mailings that became stale-dated, and mailings that delayed or prevented critical events, such as financial documentation. The brunt of this economic burden was, and continues to be felt, by Canada's SMB community, that lacks the resources of larger companies to weather such disruptions.

While media coverage highlighted the impact on small businesses, e-commerce companies, and not-for-profit organizations, there was little coverage of the devastating impact of work stoppage on businesses in the mailing industry. Many of these companies faced a sudden and complete shutdown.

NEED FOR STAKEHOLDER INPUT

As a major industry stakeholder, NAMMU/ANGUP is compelled to make this submission for the following reasons:

- The mailing industry cannot sustain another work stoppage or the threat of a work stoppage without irreparable and irreversible harm;
- Canada Post is not commercially sustainable without major changes to its business model;
- Canada Post and its unions have not historically shown any ability to reach agreement on any major structural issues;
- Despite being a major stakeholder, the mailing industry is not entitled to a “seat at the table” in discussions that will critically impact the industry;
- The mailing industry has evolved over the past decade to adjust to the changing demand for mail and parcels, including restructuring operations, adjusting product mixes, right-sizing the workforce, consolidation, and even bankruptcy; and
- Canada Post and CUPW have failed to undertake the same restructuring, putting the industry and Canadian economy at risk because:
 - Canada Post is seen as too big to fail, with the government providing short-term financing;
 - CUPW views Canada Post as a public service and is therefore unwilling to permit structural changes; and
 - There has been substantial political interference with Canada Post’s operations including unreasonable moratoriums on the right-sizing of rural post offices, conversion to community mailboxes, and Canada Post’s ability to adjust its operating model.

CURRENT SITUATION

Canada Post has clearly outlined its financial position in its submission to the Inquiry. NAMMU/ANGUP is providing an industry perspective and reviewing the Association’s actions and recommendations to address the financial deterioration of Canada Post.

An average Canadian household now receives just $\frac{1}{3}$ of the letters received in 2006. The greater mailing industry has adjusted to the new reality through consolidations, mergers, and bankruptcies. For several reasons, many outlined above, Canada Post has not made the same adjustments to its operations. As Jim Gallant, a national negotiator with CUPW told CBC News, 3,000 front-line positions have been eliminated since 2006 to the current level of 45,000. This represents approximately a 6% reduction even though pieces in the mailbox have reduced by 66%. It is not surprising that Canada Post finds itself in a deficit position.

NAMMU/ANGUP members have become increasingly concerned about Canada Post's deteriorating financial position. There has not appeared to be a coherent and consistent plan to address the issue in many years. Canada Post has been unable to get a 5-year Strategic Plan approved since 2018.

Canada Post's Transaction Mail pricing strategy has been inconsistent and questionable. For instance, Commercial (unregulated) Transaction Mail has had consistent price increases most of the past 10 years, whereas regulated Transaction Mail did not have increases for 7 of those years. The result of these actions was the discount offered to meter customers was reduced from \$0.10 to \$0.01. Metered mail is one of the most profitable categories of mail because it is high quality and both invoicing and collection are managed completely by Canadian meter companies rather than Canada Post.

Meter customers are some of the most entrenched users of mail. Many of these users are small- to mid-sized businesses choosing meters over stamp coils because of efficiency and pricing. With the reduction in discount from \$0.10 to \$0.01 per piece, the incentive to use metered mail, with the resulting efficiencies and cost effectiveness to Canada Post, decreased. This has resulted in significant erosion in meter use. The inconvenience of purchasing and applying stamps discourages Transaction Mail and mail dropped in post boxes is less efficient for Canada Post to process.

As Canada Post's financial position continued to deteriorate, two large increases were levied, with the latest, 2025 increase at 25%. Canada Post acknowledged that this would accelerate the decline in Transaction Mail, from 6% to over 10%. Canada Post took this action while also navigating its labour issues including the strike. This resulted in many large commercial mailers increasing efforts to move more customers to digital. This volume will never return to Canada Post or the mailing industry. This short-sighted and

short-term lift in revenue represents a permanent decrease in volume and accelerated erosion of Transactional Mail.

NAMMU/ANGUP-COMMISSIONED STUDY

In late 2023, NAMMU/ANGUP members were sufficiently concerned about the future state of Canada Post, that the Association, with the assistance of their member, Pitney Bowes, commissioned a study by postal expert and Carleton University Professor, Dr. Ian Lee. The resulting report is titled *Canada Post: The Tipping Point Has Arrived*. A link to this report is posted below:

<http://www.nammu.ca/wp-content/uploads/2024/09/Canada-Post-The-Tipping-Point-Has-Arrived.pdf>

This well-researched and considered report concluded that to survive, Canada Post must significantly adjust its business model. Dr. Lee made the following 8 recommendations:

1. Canada Post requires the freedom to adjust regulated pricing of letter mail on a regular basis without being disruptive to Canadians and the mailing industry.
2. Canada Post must obtain full discretion to develop multiple business prices based on cost to serve, including distance, size, and service level.
3. Canada Post must replace the archaic and obsolete route measurement system of scheduling letter carrier routes with dynamic route scheduling.
4. All door-to-door delivery must be ended and replaced with centralized mail pickup.
5. All 3,600 corporate post offices must be franchised.
6. Canada Post must maintain and invest in Smartmail (direct mail) services.
7. Canada Post should develop partnerships with private courier firms to leverage the Corporation's last-mile delivery network.
8. Canada Post must terminate diversification into non-core markets.

Many of these are not new ideas. In 2016, the Postal Task Force calculated that reducing door-to-door delivery and franchising some postal offices would have generated more than \$600 million in annual savings. Without these changes, the Task Force estimated Canada post would face losses of \$721 million by 2026. Even with unanticipated changes such as the pandemic, the Task Force was remarkably accurate in its calculations.

However, the subsequent politically minded Parliamentary Committee dismissed these financial projections and rejected pursuing the most significant cost savings opportunities. As a result, Canada Post's losses have exceeded the Task Force projections losing \$748 million in 2023 and will likely lose more than \$1 Billion in 2024.

CANADA POST CONSTRAINTS

The Canadian Postal Service Charter lays out Canada Post requirements. These are similar to other postal administrations around the world. The Government last reviewed the Charter in 2018, and Canada Post has lost \$4 billion since then.

In addition to the Charter, Canada Post is operating under two politically imposed moratoriums:

1. Rural Post Office Franchising and Closures (1994)

There are 3,734 Post Offices with restrictions under the Rural Moratorium or protected under the Collective Agreement. There are approximately 3,600 post offices designated as rural, despite significant urbanization of these areas over the past 30 years. As a result, many of these “rural” post offices are now within urban or suburban areas. Many are also within a short walk of franchised outlets offering longer hours and weekend services.

NAMMU/ANGUP appreciates the Government’s policy objectives in maintaining post offices in truly rural communities. Historically, Canada Post’s Exclusive Privilege provided funding that covered this social policy. However, with Transaction Mail declining by more than 60%, the Exclusive Privilege no longer covers these costs. As a result, Canada Post and the mailing industry have had to shoulder the financial burden. If the Government wishes to support rural post offices as a social policy, it is incumbent upon the Government to provide this funding.

2. CMB Conversion (2015)

Approximately 4.2 million addresses still receive to-the-door delivery. The annual cost is approximately \$150 per address. Since the Moratorium was put in place 10 years ago, Transaction Mail has declined by over 1 billion pieces. The average number of Transaction Mail pieces delivered per week per household has fallen to 2. Transaction Mail is estimated to see a decline of a further 10% in 2025 and will continue to erode into the future as Canadians' dependence on the mail continues to decline.

NAMMU/ANGUP recognizes that the context differs between to-the-door delivery addresses. Some densely populated areas may be less costly to serve in this manner and/or may not have the space to locate a CMB. Thus, the objective should be to install CMBs in areas that have the space, still resulting in significant savings in the cost to deliver.

THE NEED TO AVOID LABOUR UNCERTAINTY

At this point, Canada Post and CUPW have been in negotiations for more than a year without reaching an agreement. Even with the assistance of mediators, CUPW initiated a five-week strike that ended only with intervention from the Labour Minister. Past history shows negotiations frequently result in rotating strikes and lockouts with no change in the Canada Post business model. Settlements were often reached, not by collective bargaining, but through arbitration.

CUPW has been clear in its communications that its membership views Canada Post as a vital public service. However, CUPW is also clear that its members view Canada Post as an extension of the federal government and does not appear to support its commercial mandate or requirement to be financially self-sustaining. The recent labour action underscores CUPW's position that Canada Post is not a normal commercial operation that could face bankruptcy or reduce its operations to respond to its poor financial performance. To date, CUPW has successfully leveraged its negotiating power to deliver a package of wages, benefits, and job security guarantees that are superior to other unions in the industry, as outlined in Canada Post's presentation. It is clear that CUPW is not negotiating with Canada Post as a corporation with limited financial means in a changing landscape, but rather as a governmental organization back-stopped by taxpayers. It is increasingly apparent that Canada Post will not be able to achieve the

business model changes it needs to regain commercial viability through this round of collective bargaining.

The mailing industry was severely and negatively impacted by this last round of labour uncertainty and the strike. It is now working hard to recover lost volume and customers, and to restore revenue, profit, and balance sheets to a sustainable position. Any labour uncertainty will have catastrophic consequences on the industry, potentially resulting in more insolvency and job losses.

SUMMARY

NAMMU/ANGUP is concerned that the IIC will be unable to develop a proposal or framework that will result in a successful round of negotiations and agreement between the parties. Binding arbitration may be the only path to achieve agreement and avoid further disruption to and erosion of the industry.

Returning Canada Post to commercial viability will not only require resolving the current labour situation but also require the shareholder to grant Canada Post flexibility to change its business model. As outlined in Dr. Lee's report and supported by NAMMU/ANGUP's members, three key areas must to be addressed;

1. Revision of the Rural Post Office Moratorium

- Taking the necessary steps to ensure rural post offices are not a financial drag on Canada Post and the industry by:
 - Aligning the designation of a "rural" post office to the 2025 reality rather than 1994;
 - Further exploring the franchise model for post offices while maintaining the presence and services to local communities;
 - Removing collective agreement protections for post offices identified as redundant or non-rural; and
 - Exploring alternative, non-industry funding to retain unprofitable post offices in rural communities as social policy.

2. Reduction in "to the Door" Delivery

- Identifying and taking action on key areas that could accommodate CMBs.

3. Permitting Pricing Freedom to Canada Post

- Removing political interference with Canada Post’s ability to develop a more coherent and predictable pricing strategy. This would include commercial products as well as regulated products, with the objective to avoid disruptive price increases.

Once again, on behalf of NAMMU/ANGUP and its members, we wish to thank you for considering our submission to the Industrial Inquiry Commission. We look forward to providing additional materials or answering any questions that you may have.

Sincerely,

Patrick Bartlett

Patrick Bartlett
Executive Director



Kristi Kanitz
Chair, Board of Directors

Board of Directors – NAMMU/ANGUP

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