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Chair

Mr. Larry Miller

Standing Committee on Transport, Infrastructure and Communities

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• (1305)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): We'll call to order meeting number 9. Our orders of the day are to deal with the recent changes announced by Canada Post.

I will just remind members that this meeting is televised and is split into three panels today, each for a one-hour session. In the first one we have Canada Post with Mr. Deepak Chopra and Mr. Jacques Côté.

With that I'll turn it over for your opening remarks, gentlemen. Thanks for being here.

Mr. Deepak Chopra (President and Chief Executive Officer, Head Office, Canada Post): Thank you, Mr. Chair.

Thank you to the committee members for this opportunity to talk to you about the changes we're making at Canada Post to better serve the rapidly changing postal needs of Canadians in an increasingly digital age.

Before I begin, let me introduce my colleague, Jacques Côté. He is the president of our physical delivery network.

Canada Post was established as a crown corporation in 1981. Back then, the digital age was just an idea. Canada Post was given a mandate with two components: to fund its operations with the revenue it earns from the sale of products and services, not through taxpayer money; and to provide a postal service that meets the needs of the people of Canada.

These expectations continue to be part of Canada Post's public policy obligations mandated by the government and written into the Canadian Postal Service Charter.

For the last couple of decades, Canada Post had no problem fulfilling these mandates. The mail was a convenient and low-cost way for Canadians to communicate with each other, to receive their statements, and to pay their bills. Letter-mail volumes were driven by the rising influx of credit cards, bank statements, and cable, phone, and utility bills. Each one of the smart phone devices bought by Canadians led to another monthly bill.

Then came the year 2007, and the dynamics that fueled Canada Post's profitability began to change. The balance between digital communication and paper-based communication began to shift against Canada Post.

In 2010 tablets hit the market. More than any computer technology that had come before, tablets mimicked paper. They

were lightweight, easily carried around, and designed completely for convenience. Tablets offered the first true alternative to paper. It was their arrival that accelerated the decline in mail with surprising speed.

But the technology was only getting started. In the digital age, tablets and smart phones allow Canadians to communicate faster, cheaper, and more conveniently than they can through the mail. This includes paying bills and receiving statements, which we can now do pretty much on the run.

The convenience of digital technology is indisputable—but unfortunately it's devastating to the letter-mail business model. In 2012 we delivered one billion fewer mail pieces than we did in 2006. In the third quarter of this year, we posted \$129 million in losses. Last spring a Conference Board of Canada report projected that if nothing changes, Canada Post will begin to lose close to \$1 billion by the end of the decade.

Canada wasn't alone in facing these challenges. The trend was, and indeed is, global. Postal administrations around the world are facing the same dramatic challenge. We have all been asking the same question: what role can the postal service play in the digital age? Some people are even asking whether it has a role at all.

Like many other postal administrations, however, Canada Post does see opportunities around it. While the Internet has forever changed the way Canadians send and receive their mail, we see it is also creating opportunities for us to deliver the physical goods that Canadians are increasingly buying online. We see that postal service continues to be a vital link for small businesses in Canada. It remains crucial to people and businesses in remote and particularly northern communities.

We believe Canada Post still has an important role to play in the lives of Canadians and in the economy of our country. We believe this because Canadians have told us that.

This year we spent five months consulting with Canadians and asking them questions about the kinds of postal service they need. Senior leaders from Canada Post visited 46 communities across Canada in every province and in the north. We sat down and talked face to face with a wide range of people: representatives from non-profits and charities; health and education administrators; seniors; students; local elected officials; business people, including representatives from large companies; and small owner-operators. We spoke to people who have every kind of mail delivery, including door to door delivery and community mailboxes. I was pleased to host a number of these discussions myself. I also heard from thousands of Canadians online and through the mail.

•(1310)

The Canadian Union of Postal Workers website promoted the link to an online feedback process on their home page for the entire duration. Let me say that we are grateful for their participation and their valuable feedback. I say “valuable feedback” because we were able to take what we heard and use it as a blueprint for the five-point action plan that we released last week. In these consultations, Canadians told us they lead busy lives. They're juggling demanding schedules. They're shopping more online but are not home during the day when mail or the parcels they order online arrive. They told us their mailing habits are changing. They pay their bills online and shop online. They like being able to renew their driver's licence and other government identification online and have it delivered by mail. That means they can avoid waiting in long lineups. They told us they value Canada Post and want to change with the times. They said they understand we face serious challenges. However, they do not want their tax dollars to fund the solutions to our problems. They want us to find solutions that pay for themselves. We heard from small businesses that told us categorically that they still rely on mail far more than the larger businesses do. They said they need reliable delivery and they need delivery five days a week.

Small businesses remain the economic engine of Canada, so it's important for all Canadians that we continue to meet their demands. The feedback we heard from Canadians was consistent with our own observations about the changing relationship between Canadians and Canada Post. It provided us valuable insights on the future of Canada Post and ultimately led to a five-point action plan that strives to balance often competing priorities and needs of Canadians.

The five-point action plan establishes the foundation of a new postal system that will serve the current and future needs of Canadians. It will help open new opportunities to businesses that are redefining how they will connect and serve Canadians in a digital world. It will help level the playing field for small businesses wanting to take advantage of e-commerce and to compete with large businesses using the postal infrastructure. It will become a key enabler of remote trade and commerce. This plan is based on what Canada Post is good at: delivering to Canadians. Only the shape and size of what we are delivering is changing. We are delivering more of this and, as we have seen, fewer letters.

We are building not only on the experience of serving Canadians but also on the extensive experience we have in serving Canadians through community mailboxes. No changes to the Canadian Postal Service Charter are required as a result of this plan. The initiatives set forth in the plan will be worth between \$700 million and \$900 million a year once they are fully implemented. We project they will help bring Canada Post back to financial sustainability by 2019. In other words, the five-point action plan gets us back to the foundation under which the corporation was set up, meeting the two core mandates to be financially self-sufficient and to provide postal service that meets the needs of the people of Canada.

Let me conclude by saying that Canadians are embracing a more digital world. Now Canada Post can embrace that future as well while being a partner to Canadians with a new postal system designed for the digital age. This is indeed an historic moment for Canada Post. We believe it is critical to prepare Canada Post to be as

relevant to the next generation of Canadians as it has been to the generations past.

Thank you, Mr. Chairman.

•(1315)

The Chair: Thanks very much.

I should have asked the committee before if it's their wish to stick to the regular format of four rounds of seven minutes.

Okay. Very good.

Mr. Mai, you have seven minutes.

[*Translation*]

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

I would also like to thank committee members for agreeing to meet today. It is a step in the right direction. Naturally, we would like to discuss this a bit further.

Mr. Chopra and Mr. Côté, thank you for being here.

Further to the announcement made after the House was adjourned, many Canadians have said that they are very unhappy with the decision. This decision affects many people, including people with reduced mobility, people with disabilities and seniors.

We were unable to ask the minister questions because the announcement was made after the House adjourned. Since then, we have heard from many Canadians that these changes will have a huge and even a terrible impact on their lives. Seniors and people with disabilities or reduced mobility will be particularly affected, as will small businesses and charitable organizations. It seems that an incredible number of people are opposed to these changes because their lives will be directly affected.

You talked about consultation. That is exactly why we are here. In fact, we feel that there was not enough consultation or discussion.

Do you realize just how much these changes will affect seniors and people with reduced mobility? What are you going to do for them?

•(1320)

[*English*]

Mr. Deepak Chopra: Let me first acknowledge that changes of this magnitude were not taken lightly or thought through on a short notice. This is a trend that has been emerging for several years. As I mentioned in my remarks, since 2007 the mail volumes irreversibly started to decline.

The work we have done in preparing options is not only based on extensive face-to-face consultations, the over 3,000 items of feedback we received on our website, and the over 1,000 letters: this is a highly engaged consultation process that we undertook over the last seven or eight months, which was widely covered in over 400 articles and hundreds of hours of television and radio coverage. This has been extensively covered—the options that were laid out that we were discussing with Canadians through the Conference Board report—so this has been a long consultation process.

As regards the second part of your question about the seniors, as you know, two-thirds of Canadians currently receive their mail through a centralized delivery system. Much of that includes community mailboxes or apartment central delivery points, and those two-thirds of Canadians also include seniors, and also include people with disabilities, and Canada Post has a robust process to accommodate requirements where it's appropriate for seniors.

We continue to innovate in that area in terms of providing extra keys for those who need a loved one to pick up their mail. In order for some seniors to be able to reach their community mailboxes, we have been managing the latter's placement, location, height, and other adjustments for the past three decades, and in fact dealing with Canadians very successfully. We intend to learn from that and to continue to improve, and indeed, if we learn that there are new requirements that we need to accommodate, we will continue to be innovative.

Mr. Hoang Mai: So what I hear is that there's no specific proposition for people who are being affected. When you made the announcement, people really came out, and I got a lot of phone calls. I spoke to a lot of people with respect to that, and people find it terrible. I don't find it normal. For instance, if you decide to increase the rates drastically, by almost 56%, and to reduce the services, I don't think that is helping consumers. How will that help get more customers in terms of a business plan?

Mr. Deepak Chopra: Let me address both points separately.

The pricing is related to our letter-mail business. We have three parts of our business. The first part is parcels, where the announcement we made in the five-point plan has no impact on pricing. Close to 40% of our business as a group of companies comes from parcels, and there's no impact on parcel business, which is used by small businesses that are trying to innovate and to grow their businesses.

The second part of our business is marketing mail: direct marketing, flyers. Many of the charities and many of the small businesses that are using promotional mail flyers in fact spend a lot more on flyers and promotional mail than they do on the actual 10 or 20 bills.... So the pricing we announced first of all affects the letter-mail business, and it hasn't been easy—

Mr. Hoang Mai: Thank you very much, but unfortunately charities and small businesses are saying that it is hurting them. We'll hear from small businesses.

Also, you're talking about the fact that it took a long time to come to the process.

• (1325)

[Translation]

You said you thought about it for a long time.

When did you inform the Minister of Transport of your decision?

[English]

Mr. Deepak Chopra: The process of preparing the corporate plan and submitting it to the officials is an ongoing one.

[Translation]

Mr. Hoang Mai: All right, but what I want to know is at what point did the Minister of Transport find out that you had decided to cut services and hike prices.

[English]

Mr. Deepak Chopra: The process of a corporate plan is an iterative one, where we present our plans, work with the officials, go through the analysis, and that process goes on—

[Translation]

Mr. Hoang Mai: You are not answering my question, which is a simple one. You are the CEO of Canada Post. When did you tell the minister that you were planning to cut services and hike prices? When did you present your five-point action plan to the minister?

[English]

Mr. Deepak Chopra: The announcement we made last Wednesday was primarily driven by the urgent need to address our pension shortfall, and we had received that approval from the Department of Finance on Monday. We were advised of that decision, and, as you know, we have been very public about our financial shortfall, including the \$1 billion dollar shortfall in 2014 that we have to top up.

We were informed of the department's decision on Monday, and we cannot afford to waste a day. We notified the minister on Monday that now that we have the last component of our plan...because a plan without a cash solution would have been hollow. We could come up with solutions that would take five or six years to solve the Canada Post problem.

The Chair: I'm going to have to cut you off there. I think you've answered his question.

Mr. McGuinty, you have seven minutes.

Mr. David McGuinty (Ottawa South, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Chopra.

Merci, Monsieur Côté, for being here today.

You have a tough job and there's no doubt that Canadians are reacting strongly to the proposed changes. I know that you know that.

I do want to go back, if I could, to where my colleague left off and just ask you point-blank if Canada Post is under any statutory obligation to present this kind of change plan to cabinet or to the government.

Mr. Deepak Chopra: Canada Post is an arm's-length corporation. I report to the board of directors. Management prepares plans every year, and any changes to the plans we discuss with the board of directors. The board of directors approves the plans and those are submitted for approval as part of the normal Treasury Board process wherein corporate plans are approved.

That is the process we have followed ever since the corporatization—

Mr. David McGuinty: As a result, if that's the pattern, then this five-point plan would have been submitted to the Minister of Transport and cabinet and to the government before it was released last week.

Mr. Deepak Chopra: I can't comment on the government's decision-making process—

Mr. David McGuinty: But was it submitted to them?

Mr. Deepak Chopra: The process of corporate planning is an iterative process. Our officials work with the Department of Transport officials throughout the process, and then once we submit the plan they do their analysis and they will ask us for additional information—

Mr. David McGuinty: It is submitted by Canada Post. This five-point plan is submitted to whom in the federal government?

Mr. Deepak Chopra: The Department of Transport officials are the ones—

Mr. David McGuinty: Right, so have you been working hand-in-glove with the department in an iterative way for some time as you came to ground on this five-point plan?

Mr. Deepak Chopra: As part of our normal process, we work on several topics with the departmental officials, with Finance and Treasury Board. That's our normal process.

Mr. David McGuinty: I ask because most Canadians were struck, Mr. Chopra, by the extent to which the government's reaction to your plan was without question. There was not a single doubt raised by the government. There was not a single question asked about whether it was improvable. There was no question raised about mid-course directions going forward, which led most Canadians to conclude that it wasn't actually your plan, but Mr. Harper's plan, the government's plan.

Let's just hold that in abeyance for a second because there hasn't been a word uttered by the minister or the government since the plan was released to say, "Well, we like this contribution but we want to hear an awful lot more".

Mr. Deepak Chopra: If I may, Mr. McGuinty, when we shared with Canadians the options laid out in the Conference Board report back in April 2013, every single aspect of them was covered by the media and publicly debated in 46 community meetings. I personally hosted several in many, many communities, and nothing that has been presented in the five-point plan is a surprise to the many Canadians who have been participating in the process, who have been reading the newspapers and looking at the media.

It is not just unique to Canada; much of the postal world is struggling with similar challenges.

Mr. David McGuinty: There's no doubt about it, Mr. Chopra.

• (1330)

Mr. Deepak Chopra: There is no surprise in the options that we were considering.

Mr. David McGuinty: I'm sure, but I would take exception. I think it's wishful thinking to suggest that Canadians aren't reacting to your five-point plan proposal. I think it's actually resonating very strongly.

Let me just pick up on a theme that I know you are aware of, which is the question of Canada's aging population and, for that matter, the increase in disability throughout Canadian society.

In my own riding of Ottawa South approximately 10% of my population faces one form of disability or another. That number is growing very quickly. We know that the number of Canadian seniors increased by almost 15% between 2006 and 2011 and that there are now just under five million. I know you know they are going to be profoundly affected by these changes. I just want to give you an opportunity to also react to the fact that there are now 4.5 million Canadians with disabilities, and that number is increasing rapidly, as I mentioned.

Why did the Conference Board not take this more fully into account in suggesting that door-to-door mail be eliminated completely?

Mr. Deepak Chopra: As far as the difficult choices we have put forward go, I totally understand that there are going to be areas where we are going to have to be more thoughtful and more careful in our deployment and implementation. These are difficult choices. We have a corporation that is facing an inflection point with the technology that's wiping out the very foundation it was built on. Between 1969 and 1975 mail volumes grew by a billion mail pieces. Between 2007 and 2012 mail volumes declined. There was an epic rise and an epic fall.

Canadians are saying, "We understand you have to make tough choices, but be mindful when you implement them that you provide the type of flexibility you have been able to provide to two-thirds of Canadians over three decades of dealing with seniors".

I have one other comment, Mr. McGuinty. When I hosted those sessions, the seniors told me they wanted to be healthy and active in their life. I attended a City of Brampton session a couple of years ago totally unrelated to this topic, at which the city planning department was hosting a community consultation on how to get Canadians walking. The citizens and the seniors I spoke to want to be active. They want to be living fuller lives. So there is indeed a requirement for us to be mindful of the disability and mobility challenges to seniors, and we have robust processes in place, and we will accommodate as we learn about new challenges, just as we have done, but these were difficult choices.

Mr. David McGuinty: I agree. I think there is an element of fitness involved in this. We could call it “mail ParticipAction”. We could call it many things. What I'm hearing from seniors is that they're getting cross-purpose messages. We're actually trying to encourage Canadians to live at home for as long as possible, to live independently, to live with dignity, to live in their own comfortable environments. At the same time, we're sending a message through Canada Post that if you do live at home, you are not necessarily going to get your mail delivered to the door. But let's hold that in abeyance.

The Chair: Mr. McGuinty, your time has expired.

Mr. David McGuinty: Can I slip in one last question, Mr. Chair? It might be of benefit to everybody.

The Chair: Well, you're over the time, and we are limited, and I want to be fair to all members.

Mr. Watson, you have seven minutes.

Mr. Jeff Watson (Essex, CPC): Thank you, Mr. Chair.

Thank you, of course, to our witnesses, Mr. Chopra and colleagues, at the table.

At one time people communicated on a stone tablet with a chisel, or by smoke signal, or by quill and ink, or on parchment. Mail was carried in the U.S. by the pony express at one time. At one time the telegraph was important. I don't know how many people send a telegram anymore. The last one I got was in 1997, when I won my nomination back then. Media has converged. Print media is struggling to put out circulation. They're moving to the Internet, and to subscriptions on the Internet.

Computers used to fill rooms and were comprised of vacuum tubes. I'm from generation X, and I remember the first desktop computers in school. They were the VIC-20 by Commodore. They had less computing power than a wristwatch does today. My mom used to be in a business where she would use courier services. I remember bills of lading, in triplicate carbon copy, that you had to write out by hand. I remember manual typewriters, then electric typewriters, then computers.

I remember when people carried cash in their pocket. Now even gift cards are giving way to technology on smart phones. I had a friend buy a Starbucks for me the other day and he scanned his phone. I was pulling out my gift card. I already feel I'm behind the times and I'm only 42.

Kids can't write cursive anymore because they don't write letters. My kids text each other when they're in the same room. I remember black and white TV. I remember when we got our first colour TV. I remember rabbit ears, and antennas beside the house, before we ever had satellite or cable and a 500-channel universe.

I remember Beta and VHS. VHS went out. Where's VHS? Hardly anyone has a VHS player anymore. I remember the days when you had to get up and change the channel on TV by hand. The first remote controls only moved the channels up and down and the volume up and down. Try finding a place that does photo enlargement in a lab. It's hard to find, isn't it?

The world is changing, and it's changing very rapidly.

It's not just Canada that's changing; it's the whole world, isn't it, Mr. Chopra? Younger generations particularly are demanding faster, more instant, cheaper.

Now, in that context, there's a significant problem that Canada Post is facing. Talk about e-substitution; high infrastructure and labour costs from old delivery networks; competition with the communications sector, whether it's broadcasters, Internet companies, or telecoms.

Can you talk about that a little bit, just briefly?

• (1335)

Mr. Deepak Chopra: We built our infrastructure to move these things. As I mentioned earlier, between 1969 and 1975 these types of envelopes grew by a billion pieces. We implemented postal codes in the same period. If we had not implemented technology at that time....

There was opposition to postal code implementation. There were full-page ads; you can search the archives. The ads were there to promote, “Do not use postal codes”. That's the era when we were growing our business, and this is what we built our entire infrastructure for, whether it be mail processing, mail delivery, or transportation.

What are Canadians using today? This is just one example: apparel. Apparel is the fastest-growing category for online shoppers. The second-fastest growing category that's chasing right behind it is diapers, believe it or not.

Mr. Jeff Watson: I've got six kids; I can believe it.

Mr. Deepak Chopra: Young kids are busy. They are taking the picture of a QR code on a smart phone and they are placing orders to online stores on the way home from their busy lives. The package is arriving, but they are not home to receive this package.

If the mail is changing its shape and size, don't we think that the mailbox should change its shape and size too? So what we're trying to do is to adapt to the changing needs of Canadians. We believe Canada Post will remain a relevant, meaningful participant in the lives of Canadians. Over the years, the mail has changed shape and size and so are we.

Mr. Jeff Watson: So letter mail, which was and continues to be highly profitable per piece, has declined significantly. Not just in Canada. It has declined in other jurisdictions around the world, is that correct? In Canada it has declined by a billion pieces since 2006, is that correct?

• (1340)

Mr. Deepak Chopra: That is correct.

Mr. Jeff Watson: Mail volumes in quarter three are down—

Mr. Deepak Chopra: Over 7%.

Mr. Jeff Watson: —compared to quarter three last year. So this is an accelerating process.

On year-to-date losses, the fourth quarter is not in but what are the losses at Canada Post in the first nine months of this year? What are the net losses? I understand there was the sale of a property in Vancouver that changes the net loss but what are the gross losses and then the net loss?

Mr. Deepak Chopra: We are still forecasting between \$200 million and \$300 million in losses for 2013. If we don't act immediately, this trend will simply continue.

Mr. Jeff Watson: Some say to delay your actions for a year. What is the cost of delaying? Is it tenable?

Mr. Deepak Chopra: In fact, every delay, not only on the business but on our ability to implement and reinvent the business, starts to marginalize us. If we have to compete in a fast-growing, highly competitive e-commerce market we have to build the infrastructure and invest in the technology. We also have to transform the way we process our emerging shapes and sizes. So every day of delay is going to cost us millions. We have no time to waste and we must act now and act with a sense of urgency.

The Chair: Mr. Watson, your seven minutes is done. I understand you are taking the next seven minutes and it starts now.

Mr. Jeff Watson: So your cost is missed opportunity for one. Second, deficits continue to pile up, is that correct? Okay. So there are two very important costs there.

You embarked upon a process of consultation in advance of the five-point action plan that you announced. Can you tell me what Canada Post did in terms of consultation? Let's start with that.

Mr. Deepak Chopra: We wanted to make sure that we first had a set of options that we could present to Canadians which they could opine on. The first step was to study what was going on around the globe, what other options we could look at that were appropriate for Canada. Every country's geography, culture, and communities are very different. They have evolved as part of their history and part of their evolution. We needed to present those options. The first thing was to come up with a set of options that could form the basis of a broader discussion. The Conference Board did an independent study to review what the potential losses could look like if nothing is done and what potential options—

Mr. Jeff Watson: And what loss did they forecast by 2020?

Mr. Deepak Chopra: They forecast is close to \$1 billion in annual losses by 2020 if nothing is done. Then they did their econometric studies to come up with a set of options. They very clearly outlined that no single option could address the massive shifts in technology and the massive shifts we are seeing in our revenue declines. Therefore a basket of options will have to be considered.

We discussed this in communities all across the country. After each community meeting we met with the local media to explain those options, why we were considering them, what transpired, the decline of one billion mail pieces. Canadians then very quickly said to us, "We weren't thinking of Canada Post but now that you mention it, we don't use mail as much". Once we started to talk about the post, it became apparent that we were the light switch: when you flick it on, it comes on and no one thinks about it. But the moment they thought about it, they immediately realized they didn't use the

mail as much. Most people couldn't recall the last time they wrote a letter.

That consultation process was to discuss all the options that were laid out and get feedback. For example—

Mr. Jeff Watson: Just to be clear, the consultation was about the basket of options that the Conference Board put out.

Mr. Deepak Chopra: Exactly. We went to 46 communities—

Mr. Jeff Watson: It was their scientific analysis, right?

Mr. Deepak Chopra: —all across the country, in every province and in the north. We sat down with the type of people I mentioned in my opening remarks, and we heard from small businesses. On the one hand, we heard from Canadians that they're fine if they don't get the mail every day. They're fine if the mail only comes two or three days a week.

Then we heard from small businesses: there is no good day to stop mail. I get my cheques. I am a small business. I don't have high-tech computers to generate online bills. I send bills and I receive cheques. Please, my business cannot wait. If you miss one day and then there's a weekend in between, I cannot wait a week to have my cheque mailed to me.

They also said that they run difficult businesses, and they understand that we have to do what we have to do. They understand because they are businessmen themselves.

Mr. Jeff Watson: The five-point plan, then, is ultimately what Canada Post has determined is the action that needs to be taken based on those consultations.

● (1345)

Mr. Deepak Chopra: Indeed. The consultations had several options. We had to then narrow them down to what made sense for the needs of Canadians, and what made sense for Canada Post operationally, to be able to execute it to bring the corporation back into profitability.

Mr. Jeff Watson: You said earlier that Canada Post Corporation is arm's length and responsible for its financial decisions, a point backed up by the former Auditor General in her report in 2009 with respect to the postal transformation initiative. So it's not just your word on that.

On the process going forward, obviously this is an announcement. There's no implementation. Contrary to opposition concerns that impacts are already being felt, they are not being felt at this point. The plan is to be implemented.

I think you made some public announcement that there will be consultation. Does that have to do with mitigation of impacts in communities with respect to seniors or Canadians with disabilities? Can you walk us through what Canada Post thinks that implementation process will look like?

Mr. Deepak Chopra: Fortunately, we have been doing the implementation of community mailboxes for three decades, working with municipalities, city planners, and communities. We have good experience in that area. We intend to bring all of that experience to bear and to work with communities and municipalities and planners to make sure that we do this in a thoughtful manner and have good, robust criteria in place to make sure that the placement, the look and the feel of it, is done in a safe manner that is convenient and that is appropriate for the community.

That process will kick in next year in earnest. We will be talking to Canadians. We will be absolutely communicating with Canadians before, during, and after all steps of the process, making sure they understand what it means, how we will make the changes, and indeed some of the benefits that two-thirds of Canadians will have when they are not home and their mail is behind lock and key, especially regarding important documents.

As Canadians go through this process, we will be communicating every step of the way, and working with municipalities as well.

Mr. Jeff Watson: On the five-point plan, are you and your board confident that this will bring the corporation back to financial sustainability? You have an obligation, of course, to be self-sufficient, a mandated obligation to be self-sufficient. Are you and your board confident that this will happen with this plan?

Mr. Deepak Chopra: When you look at the changes that have transpired within the mailing system in the last five or six years, they have been more drastic than over the last 40 years combined. We have taken a hard look at the macro factors and have done a lot of rigorous analysis. We have done our homework.

With the facts that are available to us and with the information that's available to us, we believe this is a robust plan. We believe this will bring the corporation back to profitability by 2019. But as the world evolves, as the world changes, as we are seeing the technology change and rapidly evolve, we will be evolving with it.

The Chair: Thank you very much.

Mr. Dewar, five minutes.

Mr. Paul Dewar (Ottawa Centre, NDP): Thank you, Chair.

Thank you to our guests.

Mr. Chopra, I have a quick question.

The Conference Board study, obviously, was something you were aware of, because you do work for the Conference Board.

Mr. Deepak Chopra: I don't work for the Conference Board.

Mr. Paul Dewar: You have done work and do work for the Conference Board from time to time—is that correct?

Mr. Deepak Chopra: No, I volunteer in an unpaid position as a director for a not-for-profit organization.

Mr. Paul Dewar: As a director of the Conference Board, you were certainly aware of the work they were doing on behalf of Canada Post, I would assume.

Mr. Deepak Chopra: The actual operations of the corporation or —

Mr. Paul Dewar: Were you aware that this report was being done for Canada Post—yes or no?

Mr. Deepak Chopra: Of course I was aware.

• (1350)

Mr. Paul Dewar: Thank you.

I have a second question regarding that. You came out with what I found to be an incredible comment about how robust your consultations were. Sir, most Canadians had no clue, yet your comment was that there were consultations in 46 communities and hundreds of articles. I'll tell you it was a fail. No one knew you were doing this work in a robust way.

So what we have here, according to the report from your consultation, suggests that everyone was happy to pay more and do with less. I'll tell you that Theresa Reid, who lives down the street from you and is a constituent of mine, phoned me and said, "Mr. Dewar, we have to do something. I can't live with this". I would like you to meet her. I would like you to meet the people who are directly affected.

We have your consultation report, and it has all these great quotes about how wonderful it would be if we just had everyone do with less and pay more. In your consultations, did you have no negative comments about some of these things? If so, I would like to see all of the data. Could you please present that data to this committee? What I have in this consultation report is not capturing what we are all certainly hearing in our ridings. Can you please submit that information to this committee?

Mr. Deepak Chopra: You are absolutely correct in saying that difficult choices are going to be made.

Mr. Paul Dewar: No, I'm asking if you captured that in your report—yes or no?

Mr. Deepak Chopra: Of course there are always competing needs of Canadians, which we're trying to balance. So there are Canadians who said they would prefer certain options. For example, Canadians said they would like alternate-day delivery and that they would prefer to keep....

With regard to your pricing question, I think it's important to understand that pricing—

Mr. Paul Dewar: I didn't have a question about that. I said can you please—and I'm just asking you a very specific question, and yes or no would be nice—submit the data from all your consultations to this committee so people can look at it. Yes or no?

Mr. Deepak Chopra: I think we have provided a summary of the data we collected.

Mr. Paul Dewar: Is that a no or a yes?

Mr. Deepak Chopra: We have provided enough analysis on the —

Mr. Paul Dewar: Then it's a no. That's unfortunate, because I think you should be providing all the data to this committee. I am asking you formally, sir, to do that.

I want to go on to another question, sir. On page 20 of your five-point plan, it says, "Why this change is necessary":

What Canadians expect from the postal system is changing dramatically. That requires equally dramatic change in the size, structure and direction of Canada Post. Future success will require a leaner workforce.

How many vice-presidents do you have in your organization, sir?

Mr. Deepak Chopra: We have a total of 22—

Mr. Paul Dewar: It's not 23?

Mr. Deepak Chopra: —presidents and vice-presidents.

Mr. Paul Dewar: Will there be any changes there?

Mr. Deepak Chopra: Absolutely.

Mr. Paul Dewar: How many will there be?

Mr. Deepak Chopra: There will be the exact same proportion by which we adjust our workforce.

Mr. Paul Dewar: By how many will you be reducing?

Mr. Deepak Chopra: It will be by the same percentage as the percentage of the workforce.

Mr. Paul Dewar: Why, when there was such a downturn in revenues last year, was it considered appropriate and acceptable to give bonuses to you and to others?

Mr. Deepak Chopra: We do not have a bonus plan that is driven by an entitlement of automatic—

Mr. Paul Dewar: Did you receive a bonus last year—yes or no?

Mr. Deepak Chopra: My information is all publicly available.

Mr. Paul Dewar: So did you or not? This is a very simple question.

Mr. Deepak Chopra: My information is publicly available on the

Mr. Paul Dewar: Did you receive a bonus last year?

Mr. Deepak Chopra: My information is publicly available on the

Mr. Paul Dewar: You did, sir. It was 33% of your salary.

I can tell you, sir, Theresa Reid is on a fixed income. She does not receive extra and she is actually barely getting by.

What I'm trying to convey to you, sir, is that this isn't about having a ParticipAction program in Brampton. It's not about giving extra keys to people; this is about really consulting.

We are in the business of representing citizens. I have people from anti-poverty groups in my riding who don't know what to do because you know what, they are clients of Debra Dynes Family House. I can take you to that social housing complex, and you will see a woman there who's working her tail off to help marginalized people. She wrote me a very long detailed note that I will be giving to you, sir, and I want you to come with me and talk to her and explain to them how, when they don't have access to technology in their homes, this is going to help them.

The Chair: You're out of time, Mr. Dewar.

Mr. Paul Dewar: I don't think you're doing your job. With respect, I don't think you deserve a bonus.

The Chair: Mr. Dewar, you are out of time.

Mr. Deepak Chopra: I realize these are difficult choices. I know it's going to be tough on some people. We have to find solutions to—

The Chair: Your time has expired, Mr. Chopra.

Mr. Deepak Chopra: —mammoth problems, difficult problems, and these are difficult choices.

The Chair: Order, please.

Mr. Braid, you have five minutes.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you, Mr. Chair.

Thank you, Mr. Chopra, for being here today.

Thank you, Mr. Chopra and Mr. Côté, for helping to explain Canada Post's five-point plan and the decision-making process that went into the development of the plan.

A couple of times you've made reference to other models around the world that you've looked at. Could you elaborate on that? Could you elaborate on what models you looked at in other countries, globally, and what lessons you took and learned from changes that other countries have made to their postal systems and how those perhaps fed into the five-point plan you've developed?

● (1355)

Mr. Deepak Chopra: One of the things we observed looking at the postal systems in Australia, in Europe, and also in the United States is that the fastest-growing category or opportunity for postal services is to participate in online commerce. This is the process of buying and ordering goods online and having them delivered. That emerged as the strongest area of growth opportunity for postal administrations. Virtually all of them are now in the process of experimenting with the concept of parcel lockers, in the case of Australia Post, or Packstation, in the case of Deutsche Post. The U.S. Postal Service is looking at similar parcel lockers. Postal administrators are looking at the two-thirds of Canada's population that has an opportunity to participate in electronic commerce in a much more convenient manner. They are looking at Canada's postal system for which we have a retail network of 6,400 locations. If you're not home, you can go to the nearest post office or, for those who are getting centralized delivery, you can walk a few yards and you can pick up your parcel securely waiting for you in a parcel locker or a community mailbox.

What we observed with all of those postal administrations was that everyone wants to invest in technology. The concept of parcel lockers is being experimented with in many jurisdictions. That was the big lesson for us: how do we invest in technologies that will allow us to deliver more of these and do so in a manner that accommodates what Canadians were telling us, i.e., that they're leading busy lives? They're not home during the day. Can we do something that is really innovative for them, that will create an opportunity for them to do more of the shopping online, and that will free up time for their family?

Those were the big lessons we learned. Virtually all other administrations are in the process of dealing with massive declines in letter mail and are struggling with similar challenges.

Mr. Peter Braid: Thank you.

The issue of charities has come up. This is an area of interest and concern for me as it has been in my five years as a parliamentarian.

I have a couple of questions with respect to charities. I presume that when charities engage in fundraising campaigns through the mail that they take advantage of bulk rates. Is that correct?

Mr. Deepak Chopra: They use a product called Addressed Admail or Admail. Both of those are considered our marketing mail products. Our five-point plan announcement will have no impact on that type of mail.

Mr. Peter Braid: Okay. Thank you for that clarification.

Secondly, I'm fairly certain we're seeing a phenomenon with charities that are also embracing technology. When you make an online donation, you receive an online receipt. I presume as more charities embrace technology and evolving technology, that any sorts of impacts would be mitigated or non-existent. Is that correct?

Mr. Deepak Chopra: In fact, the volumes from charities are down considerably over the last three years because charities are increasingly using social media and peer fundraising tactics, which obviously have a direct impact on our business. As I mentioned earlier, this is the dilemma and the difficult task of having to meet the competing needs. The very same customers for our paper business, on the one hand, are also our competitors digitally delivering mail. So digital delivery of mail is virtually being done by every one of our physical delivery customers as well.

So the world of exclusive privilege has become blurred: virtually everybody can send mail. The exclusive privilege was designed to protect the universal service, where we could afford to spread the cost to all Canadians. But when select and fewer and fewer Canadians start to use a service, then it becomes very difficult, in the absence of some structural changes, to maintain a business model that allows you to maintain your corporate mandate of being self-sufficient and not becoming a burden to taxpayers.

• (1400)

The Chair: Thank you very much.

Our first panel is now complete. We're out of time. We have to suspend for a couple of minutes.

Mr. Chopra and Mr. Côté, I appreciate very much your being here. I wish you both a merry Christmas.

Just to keep the time moving, if we could have Mr. Stewart-Patterson, Mr. Anderson, and Mr. Lemelin take to the table as quickly as possible, we would appreciate it. Thank you.

Mr. David McGuinty: Mr. Chair, a quick point of order.

The Chair: Mr. McGuinty.

Mr. David McGuinty: While we have the witnesses, if required, would Mr. Chopra and Mr. Côté be prepared to reappear in front of this committee at another time to continue their testimony and give us more ample time? I'm just putting the question through you, Mr. Chair, to the witnesses.

The Chair: Mr. Watson, did you have a point of order?

Mr. Jeff Watson: No. On the point of order, I think the committee can discuss that. I think we have a clear mandate with respect to what we can do today.

The Chair: I guess that's a question the committee can discuss among themselves. Anybody that we want to call, the committee can do that.

I think you know the rules there, Mr. McGuinty.

With that, thanks again, gentlemen.

We're going to suspend for a couple of minutes.

• (1400)

(Pause)

• (1400)

The Chair: We are going to reconvene.

From the Conference Board of Canada, we have Mr. Stewart-Patterson; from the Canadian Centre for Policy Alternatives, Mr. John Anderson; from the Canadian Union of Postal Workers, Mr. Dennis Lemelin; and by video conference from Sackville, New Brunswick, Mr. Robert Campbell, president and vice-chancellor of Mount Allison University.

Thanks for joining us.

Mr. Stewart-Patterson, I'll turn it over to you.

Mr. David Stewart-Patterson (Vice-President, Public Policy, Conference Board of Canada): Thank you, Mr. Chair. It is my pleasure to join the committee to help in its deliberations.

As I think has already been made clear by the previous witness, the Conference—

The Chair: Is there a problem? Can we carry on?

Okay, we have one TV screen that's down.

The Chair: Sorry about that. Carry on.

Mr. David Stewart-Patterson: As I said, the Conference Board of Canada was engaged in mid-2012 by Canada Post to conduct an independent review of the strategic challenges facing the corporation, and to suggest some potential options for dealing with them. The fundamental challenge was pretty clear. Every year, the number of addresses to be served was going up. Every year the volume of mail going through the system was going down. The corporation has a mandate to remain self-sufficient. Something had to give. Our research therefore included four parts.

First, we looked at the global environment. This problem is not unique to Canadian postal services. We looked at what's happening around the world, how other countries are dealing with the same challenges.

Second, we looked at what is driving the downward trend in mail volume, a combination of econometric modelling and what's known as competitor risk assessment to project future volumes of each mail product, and the resulting impact on Canada Post's revenue and bottom line in future years.

Third, we talked to Canada Post customers to see how their attitudes and behaviours are changing. This included individual interviews with a selection of major mailers, it included focus groups and polling of small businesses, and it included polling of households.

Finally, we looked at a range of potential scenarios for change for either increasing revenues or cutting costs, ones that would be consistent with what we heard from Canadians about their evolving wants and needs. Then we projected the impact of each of those potential scenarios onto the bottom line.

Looking around the world we saw five broad approaches that other postal services are using to manage the impact of technology.

The first is liberalization and privatization. These are ways, if I may say so, to drive faster change, but they're not strategies in and of themselves. When it comes to liberalization, e-mail by itself has effectively liberalized the market for sending letters, making the postal monopoly pretty much worthless. On the other side, for privatization to be possible, there's got to be a viable business. There has to be a belief that the postal business is going to be operated in a way that can be made profitably and enable investors to make money.

The second strategy being pursued in other countries is essentially expansion into other lines of business. In many countries, post offices operate in conjunction with banking services. However, only rarely has a postal service been given a new mandate to enter the banking business, notably in the case of New Zealand.

The third strategy is the development of digital products. This is something that Canada Post is already pursuing through products like epost and Vault.

Fourth is the expansion of parcel delivery. Here too, Canada Post is making major investments already.

Finally, there are changes to prices and service standards. That was basically the focus of our report.

Across all of its product lines, Canada Post customers are basically doing their best to abandon the mail. We talked to major mailers who told us how hard they are pushing their customers to convert to electronic bills, statements, and payments. Some companies are now even charging consumers \$2 a month for the privilege of receiving a single bill, which makes the price of a stamp look kind of small.

The federal government itself plans to stop mailing cheques by 2016. That will save taxpayers a lot of money, but as the owner of Canada Post, it creates a different problem for the government.

For publications like magazines, changes in the subsidy structure have already shifted their attention from sending copies through the mail to selling copies on newsstands. The trend of tablet and mobile technologies is accelerating and really affecting that product line.

Finally, the use of advertising mail is under siege from the Internet as basically it keeps gobbling up a bigger and bigger share of total ad spending.

When we started digging into what are the drivers in a quantitative way, it is true that older Canadians are more likely to remain bigger users of mail, but that in itself didn't explain the trends. The most important factor we found in the declining volume flows more from technology, how people are using technology at any age, rather than how old they are.

As I'm sure you know, the result of our quantitative analysis was a projection that if nothing changed Canada Post was heading for operating losses of around a billion dollars a year by 2020. I should emphasize that this projection was for the Canada Post segment, not the corporate group as a whole because that was the part of the business—it's the majority of the business and the part that's subject to public policy, so it excludes units like the courier business, Purolator.

• (1405)

What do we hear from customers? Well, let me share some of those messages.

First of all, households are sending very few letters these days. Almost half of the households we polled are sending two letters or less a month. Small businesses still depend heavily on mail, though, for sending invoices and for receiving payment. "The cheque is in the mail" still works for them.

Canada Post is actually delivering faster service than many Canadians either want or need. When speed matters to them, they are not using the mail.

The price of a stamp, which was 61¢ at the time we were doing our polling, was on reflection seen as a pretty good deal for sending a physical object from one end of the country to another.

Reliability matters more than either speed or cost. In other words what customers told us, both businesses and consumers, was that what they care most about is that on those rare occasions they do put something in the mail, they want to be confident that it's going to get to its intended recipient. They are not all that concerned about how many days it takes to get there.

What matters more and more to Canadians is the delivery of parcels, not letters. As shopping goes online, the one thing that is growing in postal volume is parcels. It is also growing in importance in terms of consumer attitudes. There is growing frustration over the fact that, because a lot of Canadians have two working adults and no one is home to receive parcels when they are delivered during the day, they have to go all the way to a post office to pick them up.

That was a summary of some of those messages.

I want to share one other thing because we also asked, "If nothing changes and Canada Post eventually ran out of money and disappeared, how would you be affected? What would you do if Canada Post weren't there?" Most Canadians felt that they would be able to replace some, but probably not all, of those services. They also told us they would expect that finding those replacement services elsewhere in the marketplace would cost them more money than they are paying through Canada Post today.

Finally, we looked at six different options for closing the financial gap. We looked at raising prices for stamps significantly. We did two scenarios, one at 5% a year and one at 10% a year and continuing year after year. We looked at wage restraint. We looked at alternate-day delivery. We looked at elimination of delivery to the door. We looked at further conversion of corporate outlets to franchises and we looked at reductions of service standards, slowing down the mail if you want.

We did see room for Canada Post to raise prices but our model suggested no realistic scenario for getting to break-even on price increases alone. In order to balance the books without price increases and without cutting the number of jobs, Canada Post could restrain wages but effectively it would have to freeze wages indefinitely. We saw that scenario as not realistic. It just illustrates the scale of the problem.

Alternate-day delivery offered some significant savings. Most households said they wouldn't mind that much. But business customers, especially those sending products like flyers that have to arrive on specific days of the week, said they would object strongly.

Eliminating delivery to the door offered the biggest cost savings of all the options we looked at. It would affect only one-third of Canadian customers.

• (1410)

The Chair: You have about 30 seconds.

Mr. David Stewart-Patterson: I'm wrapping up.

It would offer more convenience for parcels.

Other options didn't have as big an impact and, basically in summary, Canadians said, "We still value having a postal service, it still matters to us". But what they expect and what they need is changing. Financially sustaining a postal service that was going to meet those evolving needs was not going to be done by any one measure; it was going to require a combination.

Mr. Chair, that summarizes our report.

The Chair: Thank you very much

Mr. Lemelin, 10 minutes or less.

[Translation]

Mr. Denis Lemelin (National President, Canadian Union of Postal Workers): I will speak in French.

Mr. Chair, I would like to thank you for giving me the opportunity to present the views of the Canadian Union of Postal Workers, or CUPW. We represent the thousands of letter carriers who, every day of the week, provide door-to-door mail delivery to millions of people, a service that the government wants to eliminate.

First of all, I would like to say that we are completely opposed to the elimination of door-to-door delivery and that we will mobilize Canadians to fight this unnecessary elimination of an important service. In the next few months, we are going to work with the owners of the Canada Post Corporation, that is to say Canadians, to convince the government to reverse this decision. We are going to work with the millions of Canadians who have home delivery. We are going to work with community organizations, our allies in the labour movement, seniors and people with reduced mobility, and the organizations that represent them. We are going to work with small businesses and home-based businesses. We are going to work with everyone who cares about their postal service to convince the government to reverse this very bad decision.

In our opinion, not only is this a bad decision, but the decision-making process was terribly flawed. You have to wonder why the rush to announce this decision before Christmas. Why not wait until the Canadian Postal Service Charter review scheduled for 2014? If that was too long to wait, why did they not have the review in 2013? Furthermore, why not wait for the 2013 financial results? What was the rush? Was it because the government is worried that Canada Post's financial situation will improve and that it will not be able to justify this announcement, or is it afraid of a major public debate on postal service?

We are also concerned about how the government and Canada Post senior management tried to justify these cuts. We have been told repeatedly that two-thirds of Canadians already have their mail delivered to community mailboxes and that the announced changes are not a problem. The problem is that this is false. Just look at the 2012 Canada Post annual report.

Canada Post delivers mail to 15 million addresses. Of these residents, 25% have their mail delivered to a mailbox in the entrance of their building. They do not have to go outside to a community mailbox. Furthermore, 35% of households have home delivery, 5% have their mail delivered to a rural mailbox located at the end of their laneway, and 12% of households receive their mail at a postal box or have general delivery. Only 25% of Canadians receive their mail through a community mailbox, grouped mailbox or a kiosk.

Let us be clear. All these people knew that they would have that kind of service when they decided to move to those addresses. If the government's plan moves forward, the number of people who will have to walk or drive to get their mail will increase by 132%. The government is trying to change the rules for more than one-third of the population without consulting them and without their consent. Canada Post belongs to all those people. That is no way to treat people, especially the many people who will have difficulty walking to their community mailbox to get their mail or who will even find it impossible to get there.

Many excuses have been given to justify the cuts. There have been many statements by Canada Post management and the government about the solvency deficit of Canada Post Corporation's pension plan. Yet, not once did they say that the plan has a surplus on a going-concern basis. Now that the government has given Canada Post a four-year reprieve from solvency payments, we will see if in that time the long-term interest rates return to their historical average. If they do, the solvency deficit will no longer be an issue.

It is important for the government to know that CUPW and Canada Post are currently holding discussions on the pension plan and that it was CUPW that suggested establishing a joint task force to examine the pension. No matter what happens to interest rates, CUPW will assume its responsibilities and deal with this matter.

● (1415)

[English]

I'll switch to English.

In the discussion of these cutbacks, we have heard lots about the estimates of the Conference Board, in a report paid for by Canada Post, that CPC would lose \$1 billion in 2020.

I would like to ask all of you if you have read this report. If you have you will see that the Conference Board based the 2020 estimates on the assumption that CPC would lose \$250 million in 2012. Were they correct? No. CPC actually made \$94 million in 2012. If the Conference Board can be so wrong about 2012 what makes anyone confident they are right about 2020?

We have also heard a lot about the current financial situation of Canada Post and the decline in the volume of letters. Yet, we hear very little of the fact that Canada Post made more than \$90 million in profits last year, and hundreds of millions of profit in 2010 and 2009. In fact, the only year Canada Post lost money was the year they had to pay hundreds of millions of dollars for a 10-year old pay-equity settlement. Also, that year they shut down the post offices for two weeks when they locked out postal workers. With the exception of those years, CPC has been profitable in every year since 1995. During the years of profitability CPC returned over \$1.5 billion to the federal government in the form of dividends and income taxes.

This year we do not know what will happen. We hear CPC talking about record parcel volumes, but we know there is also a decline in the volume of letters.

We accept the fact that things are changing. However, we cannot understand why Canada Post will not follow the example of post offices in the U.K., France, Italy, Switzerland, and the many other countries that are currently either beginning a banking service or expanding their existing services.

Today we have thousands of communities with a post office but no bank. We have hundreds of thousands of citizens without bank accounts. Why is it that the management of all of these other postal administrations have had the imagination to expand their financial services and ours do nothing? We need innovation, not excuses for failure.

In closing, I want to repeat our promise that CUPW will do everything possible to stop these cutbacks. This is not the first time a Conservative government has tried to destroy postal services. In

1988 the Conservative government of Brian Mulroney announced that it would privatize and close every post office except 11. We fought against that for four years. We organized and walked with the people in every region, and eventually the Conservatives were defeated and the Liberal government introduced a moratorium on rural postal closures. It is because of our organization that we still have thousands of post offices open to serve the population.

Today, we have a new challenge. Once again, our union will commit itself to preserving the public postal services.

● (1420)

The Chair: Mr. Anderson, you have 10 minutes or less.

Mr. John Anderson (Research Associate, National Office, Canadian Centre for Policy Alternatives): Thank you for allowing me to present today.

My name is John Anderson. I'm here representing the Canadian Centre for Policy Alternatives, for which I produced a recent report published in October 2013 entitled "Why Canada Needs Postal Banking". This report, which I believe has been distributed to you, is published in English and in French and is available online for downloading.

The decisions announced by Canada Post in its five-point plan last week are very troubling. Particularly troubling, and with which I disagree, is the decision to end home mail delivery. Canada becomes the only major country in the world to do this—a dubious first for Canada.

The decision affects millions of urban dwellers who live in homes with a street entrance. This move will particularly affect seniors and people with disabilities, especially in our long and harsh Canadian winters. In many cases, community mailboxes will produce much more use of vehicles that pick up mail and more greenhouse gases than home delivery does right now.

It is also important to note that the postal worker, man or woman, is often the only person who visits homes five days a week, and thus can be a vital contact with many citizens. As we have an aging population, home delivery should be seen as a positive service that should be used more fully.

Shutting down home delivery has to be one of the blindest business and public service decisions. Rather than recognizing the delivery network as a tremendous social and business opportunity, facilitating letters and package delivery directly to most homes in Canada, this is seen as a weakness.

Raising stamp prices from 63¢ to \$1 is an increase of over 58%. Have wages or pensions increased at this rate?

Lastly, the decision to cut 8,000 jobs and the commitment to lower wages and benefits, complaining about high salaries when the average postal salary is around the average for Canadian workers, and starting salaries are even less, seems to represent a move to a low-income, precarious work world. Do we want to slash all decent jobs and go backwards to mail delivery at minimum wage or pay-by-post piecework?

Over the last 20 years, about 1,700 post offices, mainly in rural areas, have been closed, and it looks like more will be on the agenda with this announcement. Yet Canada Post has made profits in 17 of the last 18 years, letter mail is still very substantial, and parcel delivery is growing at double-digit rates.

Canadians are being told to pay more for less service. This is not a plan for sustainability, but for self-inflicted obsolescence. The decision by Canada Post, supported by the present government, moves in a very backward direction from every other G-7 country and other industrialized countries. These countries have looked at the choices to preserve their post office systems and have made different choices. Canada Post, as I've said, is the only one to cancel home delivery.

Other countries regard their postal service first as a public service, not first as a business to make a profit at all cost. The major different policy choice of almost everyone else has been to bring in postal banking or postal financial services. Countries as diverse and varied economically and politically as the U.K., France, Switzerland, Italy, and New Zealand, which are the countries that I looked at particularly in the report—and there is a detailed outline of each of these countries—have decided on postal financial services. We could too.

Offering financial services has worked in providing an important stream of revenue, which Canada Post does not have. Seventy-one per cent of the profits of Swiss Post come from its banking, as do 67% of the profits in Italy's postal services. Seventy per cent of the profits in New Zealand Post are from Kiwibank, which is their postal bank. In the U.K., under David Cameron, where they've enhanced financial services, 25% of sales of the post office come from financial services. In France, 36% of profits of La Poste are from La Banque Postale.

In the recent Conference Board of Canada study, which we just heard about, this option of financial services was not examined. The report states:

Canada has a highly developed financial service sector... [T]he conditions that allowed other postal administrations to succeed in banking do not exist in Canada. Therefore, this report does not explore financial services as an option in Canada.

That report did not even examine this option, as I did in my report.

The Universal Postal Union, the United Nations organization of which Canada is a member, had a report on postal banking that it presented in October 2012, which showed that, after banks, postal operators and their postal financial subsidiaries are the second-biggest worldwide contributor to financial inclusion. In developing countries, postal banking grew from 70 million to 500 million accounts between 1980 and 2011. In industrialized countries during the same period, it grew from 170 million accounts to 220 million accounts in that period of 1980 to 2011.

• (1425)

The countries that I looked at have very large and concentrated banking sectors similar to Canada's. Canada's banking system, which is impressive in size and scope, has a number of weaknesses that a postal banking could help solve—such as, not everyone in Canada has adequate banking services.

The total number of bank and credit union branches has declined in Canada over the last two decades. While the number of branches increased in the last few years, the recent increase did not make up for the decline of over 1,700 branches, or 22%, since 1990. It's down to around 6,200. There are actually more postal outlets than there are bank branches in Canada now.

Credit union branches have declined by around 480 branches from 2002 to 2012, which is a decline of 13.5%. Canada now has considerably more people per branch, at 5,621, compared to the United States, where there are only 3,225 people per branch.

Thus, many communities do not have a financial service. Also, I would say that many largely low-income people use fringe financial institutions. In other countries, the postal banking services can offer alternatives to some of those services they offer.

Aboriginal communities have poor financial services. There are only about 54 banks and credit union branches on first nation reserves, and there are more than 600 first nations communities, many of which have post offices.

In many lower-income urban neighbourhoods, as well as rural neighbourhoods, bank branches have closed, such as in mine in Ottawa, while there is still a postal outlet. That's the case in my neighbourhood.

Past presidents of Canada Post, including Moya Greene, who is now the CEO of the Royal Mail, have spoken many times in favour of postal banking. In fact, she spoke before a parliamentary committee in saying this was the direction that Canada Post should go in, but only the present CEO seems opposed to that, and said in the *The Globe and Mail* yesterday that financial services is “a crowded market that it doesn't know”.

Well, this is exactly the same case in all of the other countries we looked at. There are existing financial institutions. Partnerships with existing financial institutions is one of the options that financial services in postal operations use, so it's not the question that one has to start everything from scratch. We know that credit unions such as Desjardins, which is the major francophone credit union network, and Credit Union Central have studied this issue and have examined the possibility of partnerships.

How would postal banking work? It's not a left or right policy direction. Canada Post already has much in its favour. It used to deliver banking services and did until 1968, so for 100 years after Confederation, Canada Post did deliver financial services. It only stopped that in 1968. It still has many financial products. It has the largest retail network in the country, with 6,400 postal outlets.

The federal government itself has a large and sophisticated banking sector, which includes not only the Bank of Canada, but also the BDC, the FCC, and the EDC, all of which have expertise in-house, inside of federal government institutions, around banking, and the expertise at the world level in terms of postal banking is very great.

Finally, 63% of Canadians in a recent poll supported postal banking.

In the U.K., under the Cameron government, the postal financial services have been expanded and are delivered by a partnership between the post office and one major bank, the Bank of Ireland. As well, you can deposit or withdraw money at any post office with a bank card from any major bank. In France, the Banque Postale, created in 2006 and now under a socialist government, has become one of the top 50 safest banks in the world.

As well, they offer different products in different ways.

In Switzerland, PostFinance offers accounts through the post office, while a partnership with the private sector offers loans and mortgages. There are different and variable ways of delivering postal financial services. France has special programs for low-income earners and for the social economy sector. In New Zealand, Kiwibank has special mortgages that it offers to Maori borrowers.

Not only could postal banking be a major boon to postal revenues, it would also be a huge boost to economic development and to small businesses in many communities. It could help save home delivery and save many jobs.

In conclusion, what I propose is that the federal government and Canada Post immediately set up a task force to choose which services to deliver, including current accounts, loans, mortgages and other products, and how to deliver them, either by Canada Post or by Canada Post in partnership with existing financial institutions. I think this is something that is very feasible, and it would be a very different direction from that offered by the present leadership in Canada Post.

• (1430)

The Chair: Thank you very much, Mr. Anderson.

Mr. Campbell, you have 10 minutes or less.

Mr. Robert Campbell (President and Vice-Chancellor, Mount Allison University, As an Individual): Thank you very much, Mr. Chair. I appreciate the committee's invitation today.

My name is Robert Campbell. I'm president and vice-chancellor of Mount Allison University.

I've been a researcher on postal matters since the late 1980s. I've published two books on Canada Post. One is called *The Politics of the Post*, which is about the history of postal service in Canada, and the other, on modernizing postal service, is *The Politics of Postal Transformation*, a book that compared Canadian postal systems to developments in the rest of the world. In 2008 I chaired a mandate review for the federal government.

That is by way of background in terms of my interests and what I do when I'm not doing my day job as a university president.

I thought it might be useful for the committee to know what the strategic review panel had to say on this matter in its report. This was not something that we analyzed or made a direct recommendation on, but in our discussion of the future of the universal service obligation, we made the following observation with respect to options for the USO in the future, which, by the way, is the government's responsibility to define. I quote from page 47:

The Advisory Panel believes that the historical service mechanisms for delivery to individual homes—for example, letter carriers going door-to-door or delivery to the end of laneways—should always be open for reconsideration in light of changing demographics and technology....Canada Post should continue to develop and implement the most appropriate delivery approaches to achieve its USO.

Our view was that the issue was how Canada Post was going to deal with its financial and business challenges going forward, and that it had to come up with a business model that was sustainable to maintain a level of service that Canadians were willing to pay for, without government subsidy, but in ways that would be financially self-sustainable over time.

To this extent, I'm here today before the committee with no strong point of view one way or the other on Canada Post's decisions, other than to make the observation that Mr. Stewart-Patterson made earlier, which is that the financial sustainability model of Canada Post is somewhat weak at the moment.

One can look at numbers any which way—there's the famous adage about there being three kinds of lies: lies, damned lies, and statistics—but it seems pretty clear to me that the core business of Canada Post, that is, the letter-mail business, is weak and declining, and that generates much of its costs, particularly in terms of sorting and delivery. So Canada Post has to make a decision as to how to properly align its costs with its revenues going forward.

The revenue picture for Canada Post on the letter side is not strong. The revenue picture on other areas of its business looks more promising, but these may or may not lend themselves to home delivery, and that's something for the management and board of Canada Post to evaluate.

All countries in the western world, as has been noted, are struggling with transforming a traditional industry, or what might be called a legacy industry, into a modern technological industry in the face of enormous competition, which is what has basically undermined the monopoly of Canada Post.

Different countries manage things in different ways. My wife is Dutch, so I'll give this as one example. If you were to go to Holland today, you would not be able to find a post office. The retail postal network of the Dutch post office doesn't exist anymore. It has been completely outsourced.

That makes some sense in a country like Holland, where real estate is expensive. Their network of delivery continues, but it's a small and compact country. Canada is a very large country across five time zones with a relatively thin population, so the delivery element of the postal service is relatively expensive compared to that of other countries.

In conclusion, I will make one last little comment on postal prices. Historically, postal prices in Canada have been low. They've always been low relative to world prices.

I didn't have a lot of time to do this, but I just quickly got onto the Internet before coming over here. In Europe, in nominal prices, that is, European prices, there are domestic prices and European prices. The countries are pretty small. The domestic price for a stamp in Norway is about \$1.68 in Canadian terms. To mail into Europe, which would be like mailing in Canada, it's \$2.25. In Denmark it's \$1.50 and \$2.10. In Italy, France, Germany, the U.K., and the Netherlands, the price of a domestic stamp is around 85¢ to 90¢. The price of a stamp to Europe is about \$1.10. That's the comparative context.

• (1435)

Mr. Chair, I'm going to stop there because I know there's only about 20 minutes left in this panel discussion. I'll let committee members have a chance to ask participants a question.

The Chair: Thanks very much, Mr. Campbell.

We'll move to Madam Boutin-Sweet. You have seven minutes, please.

[Translation]

Ms. Marjolaine Boutin-Sweet (Hochelaga, NDP): I would like to thank everyone for coming on such short notice. This is a very important matter. The fact that there are many journalists present shows that this is an issue that affects many people.

In my experience, when a business makes major cuts and increases its prices, it loses customers, its sales drop and this often leads to the business closing its doors.

Mr. Lemelin, earlier you said that Canada Post has to make changes. You do not deny it. You have already told us what you think of the business plan proposed by Canada Post. I would like you

to elaborate on that. For example, what effect will it have on the corporation itself? Are you concerned that, with its service cuts and price hikes, Canada Post will scare customers away?

Mr. Denis Lemelin: We talked mainly about door-to-door delivery, but we also have concerns about the price of stamps, even though we do agree that Canada Post must be self-sustaining.

I would like to say something about door-to-door delivery. There is a big unknown here that Mr. Chopra did not talk about and that is the postal transformation. In fact, Canada Post started making changes in 2007. The postal transformation mainly affected delivery. A model was developed that used motorized letter carriers and sequential sorting, with mail going directly to the letter carrier's bag. This model is not used everywhere; it is to continue until 2017. The implementation of this new delivery model alone, the multi-service letter carrier, will save Canada Post \$270 million in 2017. That is an important element. Now, Canada Post is changing its position again, putting aside this new model and putting an end to door-to-door delivery.

What we think of that is very simple. A business like Canada Post has two major advantages: its network and its brand. It wants to eliminate one of its advantages, which is contact with its customers.

Another important aspect of the plan is the elimination of public post offices, which will be turned over to the private sector. Canada Post had already tried this in 1980, but the initiative was blocked because it realized that it would lose direct contact with its customers.

Once you crack open the door, it can be pushed wide open and everything goes. In Canada, there are some vultures, or major corporations such as TransForce, UPS or FedEx that are just waiting for the right moment to take over the market. That is what is happening in Great Britain with privatization and the arrival of TNT, which also offers door-to-door delivery.

We are not fearmongering. We see that Canada Post is going in the wrong direction. Instead, it should be expanding services.

• (1440)

Ms. Marjolaine Boutin-Sweet: In other words, this bad decision will reduce the number of Canada Post customers and also discourage people from using its services. The amount of lettermail will decrease and, consequently, so will profits.

Mr. Denis Lemelin: This will reduce profits and also interest in the postal service. Fundamentally, the postal service has a certain mission: to put people in contact with one another. We have to ensure that it is person-to-person contact. Two people can be in the same room and communicate with a device, but that is not the best way to communicate. We believe that people must communicate directly. The letter carrier has a distribution role as well as a social role. The role of maintaining social contact must continue and must be strengthened.

Ms. Marjolaine Boutin-Sweet: As I recall, in 2011, when Minister Raitt made postal workers return to work after the lockout, she spoke about essential services. However, we don't hear those words these days. They seem to have been forgotten.

There is no more door-to-door delivery. Does that mean it is no longer essential?

Mr. Denis Lemelin: People use certain words when it suits them, but when it does not, they forget about them.

The main objective of our union has always been to maintain a public and universal postal service. That has always been the case and we will continue to fight for that because we are postal workers, of course, but we are also Canadians. Our members have a relationship with Canadians and are forging ahead.

We believe that the only way to go is to think positively and to be more active in the marketplace. We agree with the business focus because it contributes some elements. However, at the same time, we have to maintain that relationship.

[English]

The Chair: You have just 30 seconds for the question and the answer.

[Translation]

Ms. Marjolaine Boutin-Sweet: I would now like to talk about the consultations.

You both made suggestions to Canada Post, but these positive suggestions were not taken into consideration. People from Canada Post tried to meet with Minister Raitt. Mr. Anderson, you suggested things that, even you, Mr. Stewart-Patterson, mentioned, but these were not taken into consideration in the report.

Mr. Anderson, I would like to hear what you have to say in that regard.

• (1445)

[English]

Mr. John Anderson: Do I have any time?

The Chair: You have 10 seconds. Be very brief.

Mr. John Anderson: I think it was a terrible pity that the Conference Board report did not look at postal banking in detail as an option. It certainly has to be considered as one of the major options that most postal services in the world are using. We have to look at that.

The Chair: Thank you.

Mr. McGuinty, you have seven minutes.

Mr. David McGuinty: Thanks, Mr. Chair.

Thank you very much, gentlemen, including Mr. Campbell at Mount Allison.

Mr. Chair, last week I wrote to the Parliamentary Budget Officer to ask the PBO to help us understand the ramifications of this five-point plan. I can see now that we're desperately going to need this insight from the PBO, because here's how it looks to I think most Canadians who are fair-minded and are watching this debate and tracking this.

On the one hand, you have Canada Post, which retains the Conference Board of Canada, a good institution located in my riding, and it does some tough, probative work analysis of how the corporation should move forward. On the other hand, CUPW and the postal workers hire the Canadian Centre for Policy Alternatives, and they get their blue chip panellists. Then we have a combat between two third party, blue chip panellist research institutions.

So I think most Canadians would want me to ask this question: why aren't you working together?

Mr. Lemelin, I take it from your testimony that the union is not at all in favour of the corporation's plan.

I take it from the previous testimony of the CEO of Canada Post that it is not at all in favour of the union's proposal for postal banking.

It's the 21st century. It's 2013. Why weren't you all convened into a room and asked to work together to try to come up with a plan whereby the postal workers and management could actually come out of this thing together, united?

Since when can we afford this kind of conflict in 2013 with a crown corporation? Does somebody care to reply on behalf of fair-minded Canadians who are watching?

Mr. Denis Lemelin: Yes, I can address that issue.

Last year, when Minister Raitt was appointed Minister of Transport, I wrote a letter to the minister saying, "We want to meet with you to talk about our vision for the future of the postal service."

When the problem with the pension plan arrived, I wrote a letter to Minister Raitt saying, "Minister Raitt, you need to have all the parties together to talk about the pension plan." I again wrote a letter to Minister Raitt two weeks ago, again talking about that issue, because we felt and we still feel.... And Canada Post was there. They said, "Okay, we could face a deficit in 2020, and at the same time we have to pay \$100 million every month for the solvency deficit of the pension plan."

We were aware of that. We were aware of the cashflow of Canada Post. For a couple of years, we have been trying to sit down with Canada Post on this issue. We succeeded in that, but at the same time, we know that the only way to solve the long-term issue and, in the short term, pensions, we have to look at the long-term issue at Canada Post. So we tried. We tried to involve the minister on the issue.

Mr. David McGuinty: So you made an overture to the minister.

Let me ask you this. To your knowledge—because I don't think you can speak for the president of the corporation—did Canada Post make a similar overture to the minister to get everybody in the same room?

Mr. Denis Lemelin: I don't know. We were talking about the pension plan, and when the press release for the third quarter went out, there was a line saying that we were discussing with the shareholders what was happening with the solvency deficit. We were not informed about that.

Mr. David McGuinty: Mr. Stewart-Patterson, can I just ask you, given the four corners, presumably the parameters under which you were retained by Canada Post, were you restricted in your creativity in terms of trying to figure out possibilities going forward and, for example, were you asked to examine in detail the merits of the proposal that was being investigated by the Canadian Centre for Policy Alternatives?

Mr. David Stewart-Patterson: To be clear, what Canada Post asked us to do was to take an outside look at where the business was going and how customer behaviour was changing and, from there, what some of the options were. We were not asked to make recommendations to favour one path forward over another. They wanted us to identify the dimensions of the problems and to provide a foundation for a discussion with Canadians. In other words, we were not being asked to come up with a report to tell them where to go. They asked us to come up with a report that would let them engage in a productive discussion with Canadians.

Mr. David McGuinty: Mr. Lemelin, how many people work for Canada Post?

Mr. Denis Lemelin: It depends. We represent about 50,000 or 52,000 urban and rural workers, but according to the latest report of Canada Post, it is about 68,000 people.

• (1450)

Mr. David McGuinty: So it's 68,000 people.

Mr. Stewart-Patterson, when you examined for your client the possibilities for the future, did you engage any of those 68,000 postal workers?

Mr. David Stewart-Patterson: We didn't, because we were doing two things. One was essentially an econometric analysis. In other words, we were to do a quantitative assessment of where the business would be going in future. We were to build a model and to project where the business is going. The second was to engage customers, to get an outside perspective. We were explicitly not looking at implementation. We were not looking at labour management issues. We were looking at what the business means to Canadians, why they care about it, and where it is going.

Mr. David McGuinty: I think fair-minded Canadians watching would conclude, then, that you were pretty much examining only a part of the full window, the full prism, through which you were looking—right? I can't think of a modern corporation today that would try to undertake this kind of change management strategy without engaging its core staff. I don't get that today, in 2013. No private sector corporation, to my knowledge, no clients I used to act for as a corporate lawyer, would ever try to take this kind of revolutionary change forward without engaging its workforce.

Mr. Campbell, by comparison, in your report several years ago you said there was no sacred cow when it came to door-to-door delivery and that door-to-door delivery would be open for reconsideration. Fair enough, but let me ask you, in comparison, how many OECD countries have completely eliminated door-to-door delivery?

Mr. Robert Campbell: None have that I'm aware of.

Mr. David McGuinty: This would be the first of 38 or 39 OECD countries to do so?

Mr. Robert Campbell: Yes, as far as I'm aware, it would be. I haven't examined every single one of them, but in the countries with which I am familiar, this has not been pursued.

If I may make the following observation in this context, Canada has been a groundbreaker in introducing group mailboxes, which it started to do about three decades ago. So, in that sense, this action by Canada Post shows a certain continuity. I'm not recommending it, but I'm saying this is an initiative or a tactic that Canada Post initiated when it had to deal with suburban sprawl a number of years ago and the mammoth expansion of postal addresses, which was really driving up costs.

I was as surprised as anybody else when I read this in the newspaper. It tugged at me emotionally, but I understood it in terms of the broad series of decisions that Canada Post has initiated over the last 30 or 40 years.

The Chair: Thank you.

Mr. Watson, you have seven minutes.

Mr. Jeff Watson: Thank you, Mr. Chair.

Thank you to our witnesses present at the table today.

Also, Mr. Campbell, thank you for your appearance via video conference today. We appreciate your testimony on what is obviously a very important issue.

I'm trying to wade through the original presentations. I'm not sure it was clear, but let me just see if I can distill a simple yes or no answer from a very pointed question to each of the panellists here.

Putting the five-point plan that has just been announced by Canada Post aside, is business as usual, the status quo right now at Canada Post, sustainable?

Mr. Anderson, is it sustainable?

Mr. John Anderson: I think Canada Post has to adjust to some of the changes.

Mr. Jeff Watson: So it's not sustainable.

Mr. John Anderson: No, but the point is that the—

Mr. Jeff Watson: Fair enough.

Mr. Lemelin, is business as usual, the way business is right now—

Mr. Denis Lemelin: We agree on the fact that the letters are going down and this issue has to be addressed.

Mr. Jeff Watson: Okay. So it's not sustainable?

Mr. Denis Lemelin: It's not sustainable, but we have solutions.

Mr. Jeff Watson: I'll get to solutions in a second. I'm just asking if we all have a common grasp of the same problem.

Mr. Stewart-Patterson, is business as usual at Canada Post sustainable?

Mr. David Stewart-Patterson: The current model with no changes is sustainable if, and only if, Canadian taxpayers are willing to spend a billion dollars a year by 2020.

Mr. Jeff Watson: Okay.

Mr. Campbell, is business—

Mr. Robert Campbell: No.

Mr. Jeff Watson: There's a delay in the sound. I'm sorry.

Mr. Robert Campbell: No.

Mr. Jeff Watson: Okay.

The problem, then, is a structural problem, in that if there are no changes, this problem is ongoing.

Does the panel agree with that, Mr. Anderson? That Canada Post is facing a structural problem?

Mr. John Anderson: The post office is facing a problem that just about every industry faces, in that it has to adapt to changes in the way it does business. This is not different from other industries.

• (1455)

Mr. Jeff Watson: I'll take that as a yes.

Mr. Lemelin?

Mr. Denis Lemelin: The basic structure of Canada Post is good. It has to be improved.

Mr. Jeff Watson: So there's a structural problem.

Mr. Stewart-Patterson?

Mr. David Stewart-Patterson: Something clearly has to give. The only question is, which option or options best meet the needs of Canadians?

Mr. Jeff Watson: Mr. Campbell?

Mr. Robert Campbell: Yes, there's a revenue crisis, and you solve a revenue crisis either by increasing revenue or by decreasing costs. This is one element of the solution: to decrease your costs.

Mr. Jeff Watson: Is this structural problem at Canada Post also a global problem that other countries have been trying to address?

Mr. Anderson.

Mr. John Anderson: Definitely, and in fact, that's what I take a look at in my study. Every country has addressed this issue, but what I say is that Canada Post has not even looked at the major solution to this crisis.

Mr. Jeff Watson: Mr. Lemelin?

Mr. Denis Lemelin: I'm okay with what he said. In some ways, it has to improve.

Mr. Jeff Watson: Is it a global problem, Mr. Stewart-Patterson?

Mr. David Stewart-Patterson: Yes. We looked around the world too.

Mr. Jeff Watson: Okay.

Mr. Campbell.

Mr. Robert Campbell: Yes, absolutely: a universal problem.

Mr. Jeff Watson: Thank you.

The postal transformation initiative was launched by Canada Post a few years ago.

Mr. Lemelin, the Canadian Union of Postal Workers opposed the postal transformation initiative. Is that correct?

Mr. Denis Lemelin: No.

Mr. Jeff Watson: It's on your website.

Mr. Denis Lemelin: No, we didn't oppose the postal transformation. We accepted the postal transformation because we knew that the technology had to change. We object to the way it has been done. That's the difference, because it was really against the health and safety of the workers.

Mr. Jeff Watson: Okay. I appreciate the clarification.

Mr. Denis Lemelin: But we were okay with the new motorized letter carrier, because it was a new way to deliver mail.

Mr. Jeff Watson: I appreciate the clarification.

The Canadian Centre for Policy Alternatives on its website bills itself as a “non-partisan research institute”.

In the interests of full disclosure to the public at this hearing, Mr. Anderson, you were director of parliamentary affairs for the official opposition at one time. Is that correct?

Mr. John Anderson: That is correct, and—

Mr. Jeff Watson: Okay. Fair enough.

Mr. John Anderson: —that's not something.... It's something right in the biography that I wrote up on this—

Mr. Jeff Watson: Okay. Fair enough.

You've written an opinion on this about the future of Canada Post. Did you submit your opinion directly to Canada Post at any time in 2013 during its consultation process?

Mr. John Anderson: No, I didn't, because I had not completed the work on the study. I felt that this was not.... For me, it wasn't the best to do that at this—

Mr. Jeff Watson: When did you complete your work?

Mr. John Anderson: I completed the work just at the end of September.

Mr. Jeff Watson: Okay, and the announcement at Canada Post was recent. Fair enough.

Mr. Anderson, this question is for you. Each of the jurisdictions that you examined in your study with respect to postal banking has experienced—and this is not really talked about but is just for context—some degree of liberalization or privatization of postal services. In fact, if I understand the EU directive correctly, their postal monopolies will end by the end of next month. New Zealand ended its postal monopoly and is reducing delivery frequency to three days a week.

Do you recommend such moves for Canada? Why or why not?

Mr. John Anderson: I don't recommend reducing mail delivery to three days a week. I think that's something Canada Post found out: that small business in particular was opposed to reducing mail delivery. I think that's important to maintain in our country, to maintain that delivery five days a week. In fact, many countries are debating whether they should maintain the six days, like the U.K. or the United States. They have delivery six days a week.

Mr. Jeff Watson: In fairness, if I understand Canada Post's plan, they don't propose reducing delivery frequency or privatization as part of their plan.

With regard to postal banking, did your study speculate on the cost to establish and run postal banks?

Mr. John Anderson: To introduce postal banking, it's a question of what services you introduce and how fast you introduce those services. To determine costs it's very difficult unless you're looking at a concrete plan, but just let me give you one example. In the United Kingdom, where they have a considerable postal banking system, which was increased by the Cameron government, they have 300 people of the total workforce of the post office who concentrate on postal banking, so that's not a huge number of people who were hired specifically to look at postal banking.

• (1500)

The Chair: Thank you.

We're out of time. We have one minute left.

Gentlemen, it's obvious there are a number of reasons why Canada Post is in the financial position that it is, but back a number of years ago, Mr. Lemelin, your union challenged Canada Post in court about rural mail deliverers who were on contract. A lot of them in my riding, and I presume in other ridings, were farmers. A lot of them were stay-at-home mothers and this allowed them to get out and make a little bit of money for three or four hours a day and what have you.

It's just a yes or no question, but does your union regret that decision now?

Mr. Denis Lemelin: Does it regret the decision to unionize them because...?

The Chair: Do you regret it—yes or no?

Mr. Denis Lemelin: No, we organized them and we're really happy to have them.

The Chair: Okay, I take it that's a no then.

Thank you very much, gentlemen, for joining us here.

Mr. Campbell, thank you.

We're going to suspend for just a minute or two.

Could I have the next witnesses take the table, please?

• (1500)

_____ (Pause) _____

• (1500)

The Chair: I will call the meeting back to order.

By video conference we have Mr. Benjamin Dachis from the C.D. Howe Institute and Mr. Daniel Kelly from the Canadian Federation of Independent Business.

In the room we have Mr. Hanes and Mr. Brown. Thank you very much for being here today.

Mr. Brown and Mr. Hanes, who wants to go first?

Mr. Brown.

• (1505)

Mr. Bob Brown (Member, Transportation Committee, Council of Canadians with Disabilities): The CCD is a national organization of persons with disabilities working for an accessible and inclusive Canada. Canadians with disabilities are everyone: moms, dads, students, workers, members of Parliament, job seekers, retirees. There are probably people with disabilities in your family and it is likely that, at some point in your life, you too will experience a disability.

In 2012 about 3.8 million people, or 13.7% of Canadians aged 15 and older, reported being limited in their daily activities because of a disability. The results come from the 2012 Canadian Survey on Disability.

The presence of disability increases steadily with age. One in ten working-aged Canadians aged 15 to 64 reported having a disability in 2012 compared with just over one-third of Canadian seniors aged 65 and older. Women, at 14.9%, have a higher prevalence of disability than men, at 12.5%.

I will give you a little bit about statistics and why seniors don't travel. For seniors with disabilities who do not travel locally, 56% consider themselves house-bound. Seniors who are house-bound list health problems as the number one reason, 48%. Beside health problems, the main reason why seniors with disabilities are house-bound differs for each age group. Older seniors are more likely to not want to go out, 44%, and need assistance, 37%, than younger seniors who are more likely to feel that transportation is not available, 19%. Older Canadians, however, are more likely not to go out because they have no companion, 28%. This information is shown in figure 4.9—we have some graphs—making an accessibility service less accessible.

CCD is concerned that the proposal to end door-to-door service will make a service that is currently accessible less accessible to persons with disabilities.

When Canada ratified the Convention on the Rights of Persons with Disabilities, it made a commitment not to do anything that would reduce existing accessibility services. This is in article 4 of the CRPD.

From learning from the living experience of persons with disabilities, we believe that Canada Post's proposal to end door-to-door services will adversely impact Canadians with disabilities. Communal mailbox delivery is inaccessible to those with mobility or vision impairments and will make people with disabilities more dependent on family and friends to pick up their mail for them.

The experience of those in our network who have experience with existing communal mailbox service highlights the problems with this model of service delivery. CCD's chairman, Tony Dolan, a wheelchair user, lives in an area of Canada where Canada Post has implemented the communal service model. He reports that the service is inaccessible to him and he must rely on his spouse to get his mail. Not everyone with a disability lives with another person who is able to retrieve their mail.

I would like to identify a few of the barriers. The communal mailbox will be a barrier for many Canadians with disabilities. Due to weather and snow conditions, sidewalks can become impassable for persons who use wheelchairs and other mobility aids. For persons whose disability causes fatigue, a trip to the community mailbox can be an additional task that they have to juggle in their daily routine.

Due to poverty, some people with disabilities live in unsafe neighbourhoods as housing costs are lower. They may feel vulnerable when retrieving their mail from the mailbox. Due to other constraints, some people will have to rely on friends, neighbours, and volunteers from charitable agencies for help with their mail retrieval. This lessens the independence of persons with disabilities.

● (1510)

Having other people pick up their mail reduces an individual's privacy. This could be particularly worrisome for women with disabilities living in abusive situations. They may not want their abuser having access to personal documents that come in the mail, such as bank statements.

Mr. Roy Hanes (Member, Social Policy Committee, Council of Canadians with Disabilities): I'm going to take over now.

Good afternoon, everybody. One of the things the Council of Canadians with Disabilities is also looking at, as Bob mentioned, is what we refer to as "ableist" assumptions and the digital divide.

One of the things we're concerned about is that, while reliance on information and communication technology instead of on Canada Post delivery may be an option for some Canadians, not all Canadians can afford to have Internet service at home. Canadians with disabilities face a disproportionate level of poverty, and thus Internet service is beyond the budget of some people with disabilities, especially those reliant on social assistance, as they have very little discretionary income.

In addition, some Canadians with disabilities require adaptive technology to make information and communication technology accessible. This comes with additional costs to the person with disabilities.

According to the participation and activity limitation survey in 2006, low income is a significant issue for a large number of people with disabilities who are of working age—from 15 to 64—after which the poverty rate drops significantly among seniors but falls to a level that's similar to that for seniors without disabilities.

In 2010, according to Statistics Canada, eight out of ten Canadian households had Internet access. Access rates were higher in large cities, where about 81% of households had access. They were lower in smaller cities—about 76%—and in rural areas—approximately 71%. So there was quite a high level of access to the Internet. There was, however, a considerable income divide; wealthier households were more likely to have Internet access than were poorer households.

If Canadian households are split into four groups based on income, the richest one-quarter of households, those with annual incomes of about \$87,000 or more, had almost universal access,

about 97%. At the other end of the income divide, the poorest one-quarter of households, those with incomes of \$30,000 or less, barely half—54%—had Internet access. Many people with disabilities fall into this lower range.

Of the 21% of Canadian households that didn't have Internet access, more than half—56%—told Statistics Canada they had no interest in it. One-fifth cited the costs of accessing the equipment, and 15% said they lacked a device such as a computer through which to be connected.

One of the things the Council of Canadians with Disabilities also wants to stress is that there is often a relationship between postal delivery service and people with disabilities, and that service is important to our population. In many ways, there's no substitute for having people interacting with people with disabilities, and mail carriers, albeit unofficially, play a vital role in looking out for vulnerable people in their communities, particularly people who have disabilities or are seniors or both.

We feel an unacceptable option is a two-track mail system, which would be problematic for people with disabilities if there were an assumption that there should be a separation between people with disabilities and seniors. One of the things we realized at the Council of Canadians with Disabilities is that many people have to legitimize being disabled in order to be eligible for the service, a process that takes time and money.

Another thing we're really concerned about is navigation of the system, which Bob already talked about, and the accessibility issue.

A third element we're quite concerned about is having a system that identifies or labels a person with a disability, which would allow others to note that somebody with a disability lives in a particular household or apartment, thereby leaving that person open to violence or abuse.

Those are some of the things. I notice my time is wrapping up so I'll leave it there.

● (1515)

The Chair: Thank you very much, Mr. Brown and Mr. Hanes.

We will now move to Mr. Dachis for 10 minutes or less.

Mr. Benjamin Dachis (Senior Policy Analyst, C.D. Howe Institute): Thank you very much.

Good afternoon. Thank you for inviting me to speak to the committee today. I apologize for not being able to attend in person, and I very much appreciate the willingness of the committee to allow me to attend by video conference.

My name is Benjamin Dachis. I'm a senior policy analyst at the C. D. Howe Institute. For those who are not aware of the institute, we are an independent, not-for-profit organization that aims to improve Canadians' living standards by fostering economically sound public policies.

I am the author of a recent C.D. Howe Institute publication entitled "How Ottawa Can Deliver a Reformed Canada Post". That was published in August of this year. I'm going to be arguing that Canada Post needs more reform than what was announced last week.

Rather than provide less service at a higher price, Canada Post should be partly privatized, with the full privatization of Canada Post to potentially follow. This would follow the reform model that we see in the U.K., for example, which is gradually privatizing parts of its mail delivery service while keeping other parts of the postal service within public hands.

The federal government owns but provides significant autonomy to Canada Post. Under the Canada Post Corporation Act, the government has made Canada Post the only organization that can collect or deliver letter mail at the price of a stamp. However, the government has tasked Canada Post with the obligation to serve all addresses. This is known as the universal service obligation. I believe that the primary objective of Canada Post is to provide a universal service at the same price to consumers across the country.

The government has created a monopoly in order to provide that universal service mandate, but I'm going to be arguing that the two issues are separable. I'll be arguing that a real reform of Canada Post must address the government monopoly, the requirement for universal service, and the pension and labour issues for existing Canada Post employees.

The increase in prices and the service reductions do not address issues of government monopoly, universal service, or pension concerns. I'll show how we can deal with some of these issues in the future.

First, on monopoly, there are two approaches to limiting government monopoly on mail delivery.

The first approach, similar to what we've seen in, say, Sweden or Finland, is to eliminate the government monopoly on letter pickup and delivery completely, and to allow private sector entrants to handle the job. When governments do that, they often set the terms of services and prices for new entrants.

A second option is to eliminate the government monopoly more gradually. This can be done through contracting, say, whereby the government auctions the right to operate specific parts of the postal services, such as mail delivery and pickup.

Canada Post can set the terms of the contract with bidders, such as maintaining a certain number of postal outlets in a region or preserving household delivery where it currently exists. Canada Post could then pay the least-cost contractor out of revenues from stamp sales. The winners could then experiment to find the most innovative and least-cost ways of delivering and meeting those contract terms.

Those winners could be existing parcel delivery companies. They could be newspaper companies that currently operate door-to-door services. They could be community groups, and that could also include existing Canada Post workers. Contracting arrangements for delivery and pickup services would be a continuation of the existing practice of contracting out the operation of postal outlets, customer care centres, long-distance transportation, and air transportation.

If you look at contracted postal outlets, you see that they have a one-third lower cost than the facilities owned by Canada Post. If contracting delivery and pickup delivered the same sorts of savings, the cost savings would be dramatic, without necessarily cutting the delivery standards.

Separating and then privatizing the delivery component of postal operations that can be provided by private companies, but then keeping other parts within government ownership, is the direction that the U.K. is going to be taking. The U.K. has privatized the delivery network of the Royal Mail, but it's still going to maintain the ownership of the post office, which is responsible for maintaining its network of postal outlets. Government ownership does not necessarily mean government operation.

In the United Kingdom, 97% of post office branches are operated by contractors or private businesses. In Canada, only about 40% of our retail postal operations are contracted. These are the sorts of operations that you see in, for example, Shoppers Drug Mart.

● (1520)

Even in this area, in which contracting has been considerable by Canadian standards—and these are services that provide good services to Canadians under the banner of Canada Post—we are still behind the United Kingdom.

How can we preserve the universal service mandate if we undergo the contracting route?

First and foremost, the economic merits of maintaining common prices and service levels across Canada are dubious. The cost of service is higher in rural areas than in urban areas, and cross-subsidizing mail services in rural areas results in higher costs for urban customers. Nevertheless, with Canada Post, like the third rail of rural politics, scrapping the idea of universal services is going to be unlikely in the near term.

Rather than imposing the costs of maintaining rural services on urban postal customers, Ottawa should provide subsidies for rural service. Transparent subsidies set by Parliament would be an efficient way to preserve equal urban and rural prices. Such a subsidy would be similar to the current policy of free delivery of letters to and from members of Parliament, which costs taxpayers \$22 million per year.

Under a contracting model, service providers would require a subsidy to service high-cost areas. If the cost per item sent or delivered in remote areas isn't covered by the set stamp price, the difference would be made up by a payment from government revenue. Contractors would then compete on the basis of the lowest subsidy they need to provide the service.

Contracting arrangements would create a strong incentive for contracted employers and their employees to maximize their productivity. Firms with relatively low-productivity employees would either lose contracts or be less profitable than otherwise. Knowing that low productivity or excess wage demands by contractor employees could result in their firm losing contracts would result in those workers trying to improve their productivity or reduce their costs relative to Canada Post's employees.

Contracting could also result in productivity improvements by existing Canada Post employees who compete with private contractors for work.

I'll try to conclude by discussing issues of running labour contracts and pension issues of Canada Post employees.

Canada Post could gradually increase the share of services it contracts out without relying on layoffs as layoffs of most existing employees are forbidden under the current collective agreement.

As of the end of 2012, Canada Post had a pension solvency deficit of about \$6 billion. Canada Post has received special permission from the federal government to defer the payments it needs to make to cover its pension deficit. There are going to be few easy fixes for such a sizable pension hole. In the U.K., for example, the government took on the historic pension liabilities of the Royal Mail in 2012. That pension plan transfer amounted to £40 billion of pension liability. That's about \$70 billion. They had a pension solvency deficit of £10 billion or about \$17 billion. Gradual privatization could allow Canada Post to start shrinking that deficit by reducing future benefits, increasing worker premiums, or both in the coming years.

Contracting could also spur Canada Post employees to come to the bargaining table to address that looming pension cost.

Gradually increasing contracting arrangements for more Canada Post services would extend to broader reform and eventual full privatization, leading to the process that's currently under way at Royal Mail once new competitors are in place and the costs of maintaining existing universal services become clear.

Whatever route we choose, and there are many different international models of privatization that we can consider, whether that route involves a wholly privatized Canada Post or one that involves further, carefully selected private services to be tendered for contract, the goal should be a competitive and efficient postal service.

It is time that Canada's postal services caught up with those of the rest of the world and that Canadians benefit from the most efficient system possible.

Thank you for inviting me. I look forward to discussing this further in questions.

• (1525)

The Chair: Thank you. Thanks for keeping it under the time.

Now we will have Mr. Dan Kelly from the CFIB for 10 minutes.

Mr. Daniel Kelly (President and Chief Executive Officer, Canadian Federation of Independent Business): Thanks very much. I'm very happy to be here today.

We've been hearing a lot about Canada Post from small and medium-sized businesses that are members. At CFIB we have 109,000 small and medium-sized companies spread across Canada in every province and in two of the three territories. This has been a fairly hot issue with our members, particularly on the pricing side of the equation.

Hopefully some survey data we recently collected has been distributed to you. I have to say our staff at CFIB was right on the money and had done an extensive research survey poll of our members, with 8,000 small business respondents just over September and October of this year, so we have very fresh data on

our members' views about Canada Post, and some of it may surprise you.

If we look at the third page in my deck, it shows that 40% of small and medium-sized firms send 50 or more pieces of letter mail per month and there are very few that don't use—

The Chair: Mr. Kelly, could I just stop you?

Mr. Dewar.

Mr. Paul Dewar: I don't think the members saw the deck he's referring to. Just so he knows, we don't have the information.

The Chair: Okay, I was just reminded that the members don't have the deck you are referring to.

Mr. Daniel Kelly: I'm terribly sorry about that. We did send it earlier today, but I know this committee meeting was rushed. I'll summarize the high points with you directly.

The Chair: Very good. Continue.

Mr. Daniel Kelly: Forty per cent of our members send 50 or more pieces of letter mail per month, and these are small companies. In fact, very few of our members—only 1% or 2%—send no letter mail per month. The impact of the rate changes on small and medium-sized firms will be rather significant.

When we ask our members why they use Canada Post, accessibility and convenience are the number one reason, followed by the cost. Low cost was the second most cited reason, at 50% of our members. Reliability was also fairly high. The list goes on from there.

When we asked our members recently about how important Canada Post delivery services are to their business in sending and receiving mail, 61% said that Canada post delivery services were very important to small firms, and 30% said they were somewhat important. As you can see, over 90% of small firms do believe that Canada Post delivery operations are somewhat important or very important to their firm.

But business usage of Canada Post is changing. We've had a fairly large number of our members—42%, in fact—say that over the last three years they have reduced their reliance on Canada Post. Another 42% said that it has remained the same. Only 14% said that it has increased.

This often surprises people, because as consumers, as residents of Canada, I think most people will say that their reliance on Canada Post has dropped significantly, and that they're no longer doing a number of things they used to do through the mail. But with Canada Post specifically and the small business community, reliance is still fairly high.

I want to single out a couple of areas.

One is that we have a large number of business that do payments through the mail. During the most recent postal strike, huge numbers of small businesses were affected, because invoicing and receiving payment through paper cheques is still the dominant form of payment in the business-to-business base. While consumers have moved towards online payments in a big way or to automated payments in another fashion, businesses, because of CRA requirements for paper invoices, still rely very heavily on invoicing and receiving payment through the mail.

Beyond that, letter mail is still an important way of reaching out to one's customers, so that still is ranked fairly high as an issue of concern to our members.

When we asked why they send mail through delivery services other than Canada Post, they say that the speed and reliability of delivery are reasons why they looked at other options.

But we also surveyed them extensively on some of the options for Canada Post to reduce its costs. The option that was rated highest by our members in terms of reducing Canada Post's costs was to freeze wages of Canada Post employees for several years, and also, replacing door-to-door delivery with community mailboxes. Two-thirds of our members, or 66%, said they supported a move towards community mailboxes and away from door-to-door delivery, not because they love the idea, but because they thought that was a reasonable compromise for Canada Post in order to reduce costs without killing service.

Also, closing underutilized postal offices was favoured by a majority of our members.

We had more mixed views on delivering letter mail and ad mail three times a week versus five times a week, but very, very little support for the idea of raising prices significantly. We put out the suggestion that prices would rise by 5% to 10% a year over multiple years for letter mail and parcel mail. Only 21% of our members supported this, and 75% of our members opposed that move.

Now, I should say that we were estimating a 5% to 10% increase in letter-mail prices, and these price hikes that have been announced by Canada Post are much more significant than that. These are huge price hikes that will affect a large number of businesses. I can tell you that one of our members in Saskatoon e-mailed me to tell me that he sends 20,000 pieces of letter mail per year and this cost increase would have a massive impact on his business.

We've looked at some of the cost structures at Canada Post. We do something called "Wage Watch", whereby we evaluate public sector salaries and benefits versus private sector salaries and benefits.

Overall, wages and benefits at Canada Post were 40% higher than in similar occupations in the private sector; that's wages, benefits, and the working hours advantage combined. On wages alone, it's 17% higher than similar occupations in the private sector. When you include benefits such as pensions, there's another 23% on top of that.

● (1530)

Our members generally support the move to community mailboxes. They support some of the very small steps that have been taken to address unsustainable pension liabilities, but they do feel that Canada Post needs to move faster and to move farther in

addressing that particular issue. As for expanding postal franchises, 62% of our members supported that move, and we do support some of the baby steps that Canada Post is taking towards addressing its costs of labour by bringing wages and benefits closer to private sector norms.

The piece we are very concerned about is of course the letter-mail rate hike. We do ask that it be given some reconsideration, or at the very least that it be phased in over a longer period of time. I do think this is ultimately going to lead to a discussion on whether Canada Post's monopoly over domestic letter mail remains appropriate. Our members have mixed views towards privatization though the majority do support privatization of Canada Post. But the question I ask is if anybody would be interested in buying Canada Post given the massive unfunded liabilities and the mess that it finds itself in today.

I do want to make a special note about the \$6.5 billion unfunded pension liability. We are now seeing Canada Post—one of the first major agencies of government—turning to price hikes and service reductions as a result of not addressing unfunded pension liabilities. Our advice to you and our urging to you is to think about that for all other government agencies, because there are massive unfunded pension liabilities in many federal government agencies, in the federal government's core civil service, and of course, in the broader civil service at the federal, provincial, and municipal levels. We see the pension crisis as one of the areas that all members of Parliament should be addressing, not just through the small steps that have already been taken and, in fact, far more quickly over time.

Thanks very much.

The Chair: Thank you.

We'll now move to Mr. Sullivan for seven minutes.

Mr. Mike Sullivan (York South—Weston, NDP): Thank you, Mr. Chair.

Thank you to all of the witnesses who have come.

On the issue of persons with disabilities, Canada is a signatory to the UN Convention on the Rights of Persons with Disabilities, and part of what Canada has agreed to is that the standard of living for persons with disabilities should never go down, should never get worse. Does moving to 106,000 community mailboxes, when now people get mail delivered directly, take the standard of living for persons with disabilities up or down?

● (1535)

Mr. Bob Brown: In my opinion there are other problems with the community mailboxes for persons with disabilities anyway. There is the question of ergonomics, the height of the top row of a community mailbox, which they might have to reach. There is the issue of inclement weather. I'm of the opinion that reducing delivery or pushing people further into using community mailboxes does reduce the standard that we have now.

Mr. Mike Sullivan: My son lives in Edmonton and has a community mailbox across the street, but it is across the street, and they don't plough the street, and nobody shovels the snow around the community mailbox. It's not surprising then that no one with a wheelchair or mobility aid lives in that neighbourhood, because they couldn't do it.

Mr. Roy Hanes: I'd just like to make a comment about the cost not only to the person with disabilities. We certainly feel that is really important, but we often forget about the parent of a child who is at home with significant impairments, and what happens if the mother or father has to make arrangements to go down the street to get that child or to get that child dressed and put into a wheelchair to get the mail. On a day like today I think those are some of the issues.

One of the things Bob and I are aware of in the disability community is that if there is going to be a system that designates whether mail delivery is to these communal boxes or to a home specific to people with disabilities, often people with disabilities have to go about proving their impairment to authorities. That will add an extra cost somewhere along the line. It could include a cost to health care, because as Bob well knows, even to get a bus pass you have to see a doctor to confirm that you are disabled. I work at a university and the students with disabilities often have to see physicians to get letters of permission to do this, that, and the next thing. So there are a lot of extra hidden costs besides the human cost.

Your point is well taken about the lack of accessibility. We're very concerned that it will not only cause further exclusion—Bob and I have been thinking about this and doing this for over 30 years—but that any step to minimize inclusion will also create a barrier.

Mr. Mike Sullivan: And would be in violation of Canada's undertaking to the UN.

Mr. Roy Hanes: That would be true.

Mr. Bob Brown: If I may say, just for example, four times last week—with all due respect to Ottawa, which is the national capital—I got stuck on the sidewalks in the city, not even able to get down off the sidewalk, and once yesterday.

Mr. Mike Sullivan: So getting to a community mailbox is—

Mr. Bob Brown: They're not shovelled out, as you say.

Mr. Mike Sullivan: No, they're not.

Mr. Bob Brown: There are inherent problems just with the concept of moving to the community mailbox.

Mr. Mike Sullivan: You'd think after 30 years of having them in place Canada Post would have worked out these things, but they haven't.

Mr. Bob Brown: The ergonomics of the boxes, too....

Mr. Mike Sullivan: Part of the reason they don't have to is because persons with disabilities can live in areas where there is still door-to-door delivery, or they can live in an apartment building where there is still door-to-door delivery in the lobby.

Mr. Bob Brown: People tend to change because of services and things like that. They tend to move from the country, or places where there aren't the services for assistance and services that are necessary to survive. That's why they tend to move to the cities.

Mr. Mike Sullivan: The other issue is that persons with disabilities tend not to have a lot of money and so therefore don't

have access to other mechanisms for communicating. So they are reliant on the mail in a larger measure than other segments of the population. What will the price hikes do?

Mr. Bob Brown: That was one of our main concerns. The rate increases, especially for non-profit organizations, persons living on a low income, are going to inflict a real hit. It's not just a few dollars for small business, but people still have to pay their bills. A \$1 stamp is fairly significant for a lot of people.

Mr. Mike Sullivan: When you're on a fixed income from a social service system there isn't a lot of disposable income.

● (1540)

Mr. Roy Hanes: No and I don't think they'll be including more money for postal stamps and whatnot either.

Mr. Mike Sullivan: Nor for Internet access or any other thing. The other thing that Canada Post does, and we're hearing a lot from organizations about privatization, is that they deliver to the blind. Would a privatized organization be able to do that as efficiently, or as well, as Canada Post?

Mr. Bob Brown: Good question.

Mr. Roy Hanes: Our estimate is probably not. One of the other things you're hitting on too, and one of our concerns, has to do also with the numbers of persons with disabilities living in urban areas who often find themselves living in low-income areas, and often vulnerable to violence and crime. That would be a concern of ours too, particularly if they had to pick up whatever at a communal box during the day or evening; that may open them up to some violence, or make them more accessible to that. So that's also a concern of ours as well.

Mr. Mike Sullivan: The boxes themselves aren't lit are they?

Mr. Roy Hanes: Not that we're aware of.

Mr. Mike Sullivan: You're right, if it's at night, or in the winter time after 4 o'clock it's dark and persons are more vulnerable.

I'm going to switch gears just a little bit.

The Chair: Very briefly.

Mr. Mike Sullivan: To the Canadian Federation of Independent Business, I was astounded to learn that there is an individual who is sending 20,000 pieces of mail a year. That means they're going to face something like a \$10,000 increase in their costs. This has to be extremely alarming to small businesses. Is there some position being taken by the federation on this issue?

Mr. Daniel Kelly: Well, we don't like the price increase and are suggesting that it be rejected, or sent back to the drawing board. At the very least we would like it to be phased in. I mean these are huge increases on small and medium-sized firms, many of which are not doing particularly well at the moment. We're relieved to see that their employment insurance and Canada Pension Plan rates are not going up, as an aside, but we are very worried that Canada Post could take the wind out of the sails of some businesses that are still very reliant on the mail.

That's not the only one. A lot of businesses use business reply mail as a way of doing business, and I've heard from some of them that business reply mail will have to be rethought. Canada doesn't have great options in the electronic payment space at the moment. So that is a concern. I see you're winding up your motion, Mr. Miller, so I'm happy to do that.

The Chair: I was trying to be flexible there. Just one clarification—I don't know, Mr. Sullivan, if it was you who said it, or Mr. Hanes, or Mr. Brown—you talked about delivery to apartment buildings and logic would tell me that Canada Post employees are going to deliver to community mailboxes. I would think that they wouldn't be putting a community mailbox outside an apartment building, or condo building, but that they would use the ones existing there now.

Mr. Mike Sullivan: If I might, Mr. Chair—

The Chair: Certainly.

Mr. Mike Sullivan:—what I was suggesting is that a person with a disability might choose to live in an apartment building because that apartment building has an indoor delivery space, and that person doesn't have to go out and fend with the weather and the rest.

The Chair: I see.

Mr. Mike Sullivan: So there already is an advantage to that individual. I don't think Canada Post intends to switch that, although I don't know what the intention would be with the small fourplexes that exist all over Montreal and Toronto.

The Chair: I don't know the answer to that either. Thank you.

Mr. McGuinty, you have seven minutes.

Mr. David McGuinty: Thanks, Mr. Chair.

Thanks very much to all four gentlemen for being here.

Mr. Hanes and Mr. Brown, I was particularly moved by your testimony. There are now four and a half million Canadians living with a disability of one form or another. With an aging population, that number is rapidly increasing. As I mentioned earlier, about 10% to 11% of my own district now, of all my population, has one form of disability or another. I'm not sure to what extent this was factored in by Canada Post in its planning.

I was also very struck by your testimony about the connection between disability and poverty, which reminded me of the government's decision to eliminate the community access program, Mr. Chair, which was an Internet connectivity program in our public libraries that cost \$10 million a year, one-quarter of what the government is spending now on economic action plan advertising every year. I was struck by the number of disabled citizens in the country who were previously accessing the Internet, because the Internet is expensive for people on ODSP in Ontario or those in other

provinces, who go to libraries to be able to access the Internet and be connected.

But let me ask you, Mr. Hanes and Mr. Brown, were you consulted? Did Canada Post come to the Council of Canadians with Disabilities to seek input with respect to these changes?

• (1545)

Mr. Bob Brown: Not that I'm aware of. We could ask again, but I don't think we have.

Mr. Roy Hanes: No.

Mr. David McGuinty: Thank you.

Mr. Kelly, if I could return to your testimony, thank you for your gentle warning, I guess, about unfunded pension problems, which led me to also remind myself and ask this question. Why was it that Minister Flaherty this week rejected out of hand enhancing and expanding the CPP, and for many of your members, by the way?

Let me ask you, Mr. Kelly: were you and your organization, the CFIB, consulted and asked for input and advice on this five-point plan?

Mr. Daniel Kelly: We have had regular meetings with Canada Post over decades. We did do some survey work. We have met with them. I can't tell you the exact last meeting...but on the specifics of the five-point plan, no. We've talked about some of these themes before. We've certainly talked to them about pensions before, but we were completely unprepared to learn about the price hike side in particular.

Mr. David McGuinty: I'm wondering what Canadians are to make, then, of the testimony earlier by the president and CEO of Canada Post, who claimed that there was extensive consultation. You're telling me that you represent, Mr. Kelly, 100,000 small businesses. Out of 1.085 million SMEs in this country, you represent about 10% of those, and you're saying that as the largest single small business representative group in the country, you were not consulted on this five-point plan?

Mr. Daniel Kelly: On the specifics of the five-point plan, no, but as I said, we've had ongoing meetings with them on a variety of subjects.

Mr. David McGuinty: Well, so do members of Parliament. I'm just a little astonished by this. You don't find that particularly strange? Or you take it at face value? How do you react to that, given that you do represent—

Mr. Daniel Kelly: My reaction is that it is disappointing. We would have certainly lobbied against those moves.

The thing that we're reacting to with the greatest sensitivity is the massive, massive price hike. On that front, we were absolutely not consulted.

Mr. David McGuinty: Have you had a chance to discuss this with Canada Post, Mr. Kelly, since this has been made public?

Mr. Daniel Kelly: On the morning of the announcement, we did have some back-and-forth with Canada Post officials, in which case they predicted accurately that we wouldn't like the price hike side of the equation, hoping that we would support other aspects of the plan, which is true. Some of the cost reduction measures do meet with the support of some of our members, but we were in a big scramble when the announcement came out and we started getting a lot of phone calls, e-mails, and tweets from small business owners across Canada.

Mr. David McGuinty: So do you take it, then, Mr. Kelly, on the basis of your conversations with Canada Post, that this is a done deal?

Mr. Daniel Kelly: That is how it was presented. Again, I wasn't the one taking the call specifically, but at no point was it suggested to me that this was an idea at Canada Post, but rather that this was the plan, and that, barring, I suppose, any cabinet intervention, this was how they were moving ahead.

Mr. David McGuinty: Did you get any impression that Canada Post was receptive or open to hearing about more creative possibilities going forward, or is this one of these highly positional negotiating positions from which they simply announce to the world that this is what they're doing—take it or leave it—when, by the way, they don't even have an agreement with their own labour groups?

Mr. Daniel Kelly: To be fair to the corporation, we have had meetings over the years at which we have provided feedback and comments to them. There has been a two-way discussion on many aspects, some of which are covered in the five-point plan, but on the price-hike side there was no discussion with us about how they could make that easier, how they could phase it in, or whether it is appropriate to do it in this way or that way. None of that happened. To be fair, I have a lot of members who are upset about that aspect of this plan, and we plan to continue to raise it as we are doing in this venue.

Mr. David McGuinty: To put you on the spot, Mr. Kelly, because of the number of members you speak for, what two or three things would you like to see addressed? Have you had the chance yet—maybe you haven't had that opportunity—to think it through? If you have, what two or three things would you like to see addressed to make this plan better, to improve it?

• (1550)

Mr. Daniel Kelly: For one thing, we do believe that far more needs to happen on the cost-reduction side than on the price-increase side. I have to tell you that while I know Canada Post is in a bind, our prediction is that this is going to hasten people's leaving Canada Post. Instead of leaving in dribs and drabs as they have over the last number of years, small businesses will be fleeing Canada Post's services as a result of this.

This is classic monopolistic behaviour—price hikes and service declines. At the same time it's interesting to me that the pieces of Canada Post's business that are in the competitive marketplace are not jacking up prices or cutting services for package delivery and for ad mail, while they are doing so on the monopoly itself. The whole theory of why they need the monopoly is that it is to help subsidize some of the other aspects, the money-losing aspects of Canada Post's business. This leads me to think that the monopoly may not be appropriate any longer.

The Chair: Thank you.

Ms. Gallant, go ahead for seven minutes. I understand you're splitting your time.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): I'm splitting my time with Mr. Toet. Thank you, Mr. Chairman.

I do wish to address one comment that Mr. McGuinty made. He said that he can't complain about the funds going to advertising on the Canada action plan, but I would like to stipulate that the funds the Canadian government is spending on advertising are actually going into advertising, unlike the case in the sponsorship scandal where the \$40 million went missing.

We are here to talk about Canadians with disabilities.

Mr. Brown, I want to thank you very much for taking the time to come. You represent a group of Canadians who potentially will feel the impact of the changes that are going to be implemented. At present two-thirds of Canadians have community mailboxes. So how have Canadians living with disabilities adapted to these changes in the past? Do you have any thoughts on the way that Canada Post could mitigate the impacts of the changes that are forthcoming?

Mr. Bob Brown: Unless you have somebody living with you or family friends or whatever, most people have difficulty or can't use the community mailboxes as they are now due to inclement weather, due to the ergonomics of the boxes, due to the difficulties with getting to them, or due to fatigue. So unless people have somebody they can rely on, they actually tend to move away, back into the cities, to receive those services away from the mailboxes.

Mr. Roy Hanes: I agree.

One of the things that we're also concerned about, besides the mailboxes, is the rising costs. That would be one thing. We're really trying to ask is that if there are going to be shifts, how are they going to be implemented? Even if there's going to be something for, as you mentioned, one-third of the persons with disabilities, that still leaves close to a million people who will have to shift in some way. That's a pretty big population. That is people with disabilities themselves. When you look at the population of people with disabilities, even though it represents close to 14% of the population, when you include family members, and so on, it's actually much larger. Systemically, there could be more difficulties. If there are some changes around those lines, and if they are going to be systemically with the cost going up, then how will that affect people with disabilities?

Even if they can get to a mailbox, if they can't afford to mail something what's the sense of putting something in the mail? The price could be one factor. We hear you. We're saying that if there's some type of plan then it's with some discussion. One of the things that we're proposing or looking at is, if there's going to be less, is there a way of doing that to ensure that people with disabilities living on their own can still get some type of mail delivery?

Mrs. Cheryl Gallant: In other parts of the country where we haven't had door-to-door delivery they have adapted. If there are any recommendations that you have for these changes coming forth, please let us know what they are so we can forward them to Canada Post. Or, you can send them to Canada Post directly.

Thank you.

• (1555)

Mr. Bob Brown: As I say, unless people have a family...and that makes them reliant on someone else, which creates problems. We'd like to be self-sufficient and independent. It does not foster that kind of environment.

I would also suggest because of the baby boomers retiring, as was previously said, this problem is going to be more prevalent in the near future. Not everybody has family or friends here. They're shut in to begin with; they just can't get out.

Mr. Lawrence Toet (Elmwood—Transcona, CPC): Thank you.

I'll follow up on that for a minute with Mr. Hanes and Mr. Brown.

We are all very sympathetic to the issues that you face and that this will have an impact on people with disabilities probably to a greater degree than anybody else. I would encourage you, as Ms. Gallant has said, that this is your opportunity to have some input with suggested recommendations. Is the status quo the only way we can go forward or are there some things you would bring forward? "Here are some solid ideas from our side that we'd love to see looked at, as we go into this implementation process."

Mr. Bob Brown: It doesn't necessarily have to be every day door-to-door service. It could be a couple of days a week, two or three days a week, something like that. We would encourage something like that.

Mr. Roy Hanes: One of the things I really appreciate is the invitation to participate. There's a saying that we've often been using in the disability community, "Nothing about us, without us". This is an invitation for us to become involved. Perhaps getting together with our executive would be good. If you could give us who we're supposed to be in touch with, etc., we'll certainly provide the feedback from a disability perspective and what this means for Canadians with disabilities.

I thank you for that invitation.

Mr. Lawrence Toet: Are there a few minutes left, Mr. Chair?

I have a quick question for Mr. Kelly. I wanted to go to some of the data that you shared with us. Did you share any of that data at all with Canada Post?

Mr. Daniel Kelly: This most recent data, no, because we actually hadn't even closed the survey. We hastily did that after the announcement came out. We have done several surveys on Canada Post issues over the past and have shared those results but had not shared this data with Canada Post because it was still in the field.

Mr. Lawrence Toet: Okay.

Would you normally be sharing all the data, especially on Canada Post issues? I'm a former CFIB member and I would have been quite disappointed to find out when I was doing your surveys that you were not sharing them with the groups in regards to their services.

Mr. Daniel Kelly: We always do.

The survey had been out in September and October of this year. The plan was to put together a report, present it to Canada Post, and present it to members of Parliament but we didn't have time to do that.

Mr. Lawrence Toet: Will you still be forwarding that information to Canada Post, though?

Mr. Daniel Kelly: Absolutely, yes. The thinking is that we'll still publish the results at some stage, although the wind has been taken a bit out of the sails of the survey given that Canada Post has announced its plans.

The Chair: Thank you.

The last round goes to Mr. Albrecht who, I understand, is splitting his time with Mr. O'Connor.

Mr. Harold Albrecht (Kitchener—Conestoga, CPC): Yes. Thank you, Mr. Chair.

It's pretty obvious, Mr. Chair, with the declining mail volumes and the increased financial pressures, that something has to happen. The Conference Board spoke earlier to the need to address it. They came out with some ideas. Canada Post went beyond that and did some extensive consultation, and the consultations were quite widely available. Whether or not Canadians took full advantage of them is perhaps open to question.

I'd just like to ask Mr. Kelly something. I'm also a former CFIB member, and I would welcome that report, by the way, of the survey results. At one point we were filling in those surveys. Now, as members of Parliament, we're recipients of them all, so thank you.

On the question of the cost of the mail, obviously through this whole time we're talking about going from 63¢ up to \$1, but that \$1 is based on the price of one stamp. If the stamps are bought in quantity, I think it's 85¢, and if it's at a business meter, it's 75¢. Could you just tell me what the increase is at the business meter level? Because I think that's more indicative of what the cost would be to that small business owner who's mailing 20,000 pieces of mail.

Mr. Daniel Kelly: For the metered cost, the cost increase is less significant. I don't have the full sheet in front of me with the rate hikes by category, but it will be less significant. Many businesses in that category that send 50 or more pieces of letter mail per month wouldn't have a business meter. The meters actually cost a lot, so unless they are huge volume users, many companies in the SME community have moved away from metering services. If they do rely heavily on the mail, if they are sending that 20,000 or several thousand pieces, then, yes, they will go to a meter and they will have a price break, but there will still be much more than a 5% increase in their costs, and that can be material.

We at CFIB—you talked about the survey a second ago—send out to our 109,000 members four times a year a paper-based survey to solicit their opinions. While it's still free to send it to you as a member of Parliament, that's going to increase our costs significantly as an advocacy group. We'll probably be able to swallow it, but a lot of charities won't.

• (1600)

Mr. Harold Albrecht: Thank you.

I think my time is up, Mr. Chair. Is it three and a half minutes?

The Chair: It's two and a half minutes.

Mr. Harold Albrecht: If I have another half a minute, I'll take it for Mr. Dachis.

I have just a comment on your comment that government ownership does not mean government operation. You talked about gradually moving to contracting and privatization. Could you send us something in terms of what your actual proposal would be and how that would be implemented? I think that would be something I'd love to look into a little more deeply.

Mr. Benjamin Dachis: Absolutely. It's all in the publication on our website, "How Ottawa Can Deliver a Reformed Canada Post".

Mr. Harold Albrecht: Thank you very much.

The Chair: Mr. O'Connor.

Hon. Gordon O'Connor (Carleton—Mississippi Mills, CPC): Mr. Dachis, in the Canada Post plan, in one of the areas, they talk about their pension. It says:

As of December 31, 2012, the Plan is fully funded on a going-concern basis, which means it is currently able to pay all benefits as they become due. However, the Plan has a solvency deficit of approximately \$6.5 billion on a market-value basis.

Does the post office have a problem in funding their pension or not?

Mr. Benjamin Dachis: Absolutely, and I can get into more existential questions about the proper way to value the future liabilities, but it's pretty clear that if you look at that pension solvency deficit, that is what they are legally required to fill, and

they have received special permission from the federal government to defer those payments. The payments they need to put in are on the order of about \$2.5 billion.

Hon. Gordon O'Connor: But they can pay their bills, as they see it, into the future right now?

Mr. Benjamin Dachis: That is based on special federal government permission to defer the payments they need to pay to cover that pension solvency deficit.

Hon. Gordon O'Connor: I'll ask Mr. Kelly a quick question.

Mr. Kelly, one of the things you mentioned you would reluctantly accept is community mailboxes. How are we going to put community boxes in the cities when you have house after house and store after store with no space? How do you imagine we're going to put all these mailboxes in there?

Mr. Daniel Kelly: Look, it's not an option we're in love with. It was an option business owners said they could live with. Where Canada Post is going to find the space is a question that I haven't a sweet clue about answering.

I do understand that the community mailboxes, for the most part, will not affect businesses, as we've been told, and that business service will still be direct to the small business, for the most part, I think, because of volumes.

As for community mailboxes, quite frankly, as a consumer, I'm looking forward to them, because I'm away a lot and it's probably a good thing not having the mail pile up at my house in Toronto.

The Chair: Okay, thank you.

Gentlemen, to all of you, thanks very much for joining us here today. I wish you all a merry Christmas, and we have appreciated your time here.

For the members and all the staff who came here today and for anyone else in the audience, I just want to wish everyone a very merry Christmas. We'll see everybody back here in the new year.

The meeting is adjourned.

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