



Imagine...
Canada Without Poverty

National Anti-Poverty Organization

Submission to the Canada Post Corporation Strategic Review

Submitted to:

Canada Post Corporation Strategic Review
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Founded in 1971, the National Anti-Poverty Organization (NAPO) is an incorporated, not-for-profit organization dedicated to the eradication of poverty in Canada. Based in Ottawa and governed by people with experience of living in poverty, NAPO works to address the structural causes of and to promote lasting solutions to poverty. NAPO is especially focused on federal, provincial and territorial government policies and legislation (existing and proposed) that may help or harm low-income Canadians.

In addition to its public policy work, NAPO enters into court challenges in defense of the rights and well-being of low-income Canadians. In this regard, NAPO has been successful at the Supreme Court of Canada and in lower courts.

NAPO believes that poverty is a violation of human rights, and that “security of the person” under Section 7 of the Canadian Charter of Rights and Freedoms should be interpreted to mean to include social security (e.g., income security, housing security). NAPO appeared before the United Nations in Geneva in 1993, 1998 and 2006 to critique Canada’s performance with respect to the International Covenant on Economic, Social and Cultural Rights.

NAPO welcomes this opportunity to provide input to the Canada Post Corporation Strategic Review. We understand the purpose of this review is “to examine Canada Post’s public policy objectives, its ability to remain financially self-sustaining, and the continued relevancy of the 1998 Multi-Year Policy and Financial Framework.”

We begin by first commenting on how remarkably well, in general, Canada’s postal delivery system actually works, given the massive geographical scope of the service and societal demands for timely delivery of letters and packages. For NAPO, this includes mail contact with our 1,500 members and donors in every province and territory, from Canada’s largest cities to some of its smallest and most remote communities.

Undoubtedly improvements in various aspects of postal service can and should be made. But fundamentally Canada’s postal delivery system appears rather sound, and Canada Post’s rates for service rather reasonable. Indeed, we understand

that Canada's standard postage rates are among the lowest in the industrial world. For NAPO, we have no hunger for some alternative service. And we cannot conceive of an alternative national service that could do much or any better than that already provided by the men and women working for Canada Post.

The Strategic Review will be guided by four principles as stated in its Terms of Reference, as follows:

- *Canada Post will not be privatized and will remain a Crown corporation.*
- *Canada Post must maintain a universal, effective and economically viable postal service.*
- *Canada Post is to continue to act as an instrument of public policy through the provision of postal services to Canadians.*
- *Canada Post is to continue to operate in a commercial environment and is expected to attain a reasonable rate of return on equity.*

We are pleased that the review explicitly rules out privatization of Canada Post and reaffirms the commitment to universal service (i.e., every Canadian has access to it and the corporation is obliged to ensure access). However, we are deeply concerned that the review could result in recommendations for deregulating Canada Post such that the corporation would lose its "exclusive privilege." This is the mechanism that allows Canada Post to generate enough revenue from across the entirety of its national customer base to provide universal postal service. Intuitively, we understand this to mean that high-volume postal service to urban and southern Canada helps to ensure a reasonable level of service to low-volume rural and remote communities.

Loss of its exclusive privilege would seem to disadvantage Canada Post in that it could erode the corporation's overall customer base, making it more difficult to provide "effective, economically viable service" to rural and remote communities. This would seem to constitute privatization by stealth, by potentially allowing competition for service. Intuitively, it would seem that such competition would be most viable in high-volume urban and southern Canada – precisely the area Canada Post relies upon for most of its revenue.

Should competition weaken Canada Post's ability to serve rural and remote communities, we would expect that such communities would be further disadvantaged as competitors strive to serve and make money from high-volume urban and southern Canada. In the long run, residents in rural and remote communities could find themselves with markedly less accessible and affordable postal service compared to residents in urban and southern Canada. That outcome would contravene the long-standing Canadian value of fairness.

Adding to this concern is the fact that many of Canada's 3.4 million, after-tax low-income citizens¹ do not have home computers or even telephones or cell phones. They thus rely on the postal service for assistance in communicating with family members, friends, potential employers and others across Canada. For all of Canada's low-income citizens, it is therefore essential that the postal service remain accessible and affordable. Deregulation could weaken these objectives, driving up costs for those least able to pay for higher-priced postal service while at the same time risking less frequent and timely service.

Indeed, we understand that postal deregulation in other countries has largely led to fewer jobs, less service and higher postal rates for the public and small businesses.² People who use deregulated post offices tend to pay a higher postage rate than we do. For example, following deregulation in 1993, the standard postage rate in Sweden increased by 90% by 2005 while the Canadian rate increased by only 21% during the same period (1993 to 2005).³

An independent review of the United Kingdom's deregulated postal sector found that "there have been no significant benefits from liberalization for smaller businesses and domestic consumers."⁴ The UK's Royal Mail has faced intense pressure from competitors since it was deregulated in 2006, resulting in falling mail volumes and revenues. Royal Mail says higher prices for stamped letters are inevitable and universal service is at risk.⁵

Given that only a few countries have had any long-term experience with postal deregulation and that the long-term outcomes appear more negative than positive, caution in Canada is indeed warranted before making irrevocable changes to this country's universal, public postal service.

In conclusion, NAPO believes that the postal service provided by Canada Post is generally and fundamentally sound. As the saying goes, "if it ain't broke, don't fix it." This of course need and should not prevent all efforts to continue to improve the service while upholding universality and striving to keep consumer costs as low as possible. It simply means that any proposal to radically change the postal service as provided by Canada Post would appear to be without merit.

Finally, we agree with the views of many other submissions to the Strategic Review that have already urged public hearings as a critical part of a thorough and transparent public consultation process. Such hearings would provide opportunity for individuals and groups to provide additional input to the considerations of the Strategic Review's Advisory Panel, and to engage in an exchange of views with Panel members who alone are not representative of the diversity of stakeholders in Canada's already high-class postal service system.

¹ Statistics Canada (2008) *Income in Canada 2006*. Catalogue No. 75-202-X

² *Postal deregulation: Its impact on postal workers and the response of a postal union*, Geoff Bickerton, presented at the 14th Conference on Postal and Delivery Economics, May 31 to June 3, 2006, Bern, Switzerland

³ *The 'Real' Graveyard Spiral – Experiences from the liberalized Swedish Postal Market*, Per Jonsson and Sten Selander, the Swedish National Post and Telecom Agency, presented at the 13th Conference on Postal and Delivery Economics, Antwerp, Belgium, June 4, 2005, p.4.

⁴ *The Challenges and Opportunities Facing UK Postal Services: An Initial Response to Evidence*, Richard Hooper, CBE, May 2008, page 6

⁵ *Monopoly to Competition in the UK Mail Market, Conflicting Approaches*, Billy Hayes and Stephen Bell, presented at the 16th Conference on Postal and Delivery Economics, May 31 to June 3, 2008, Albufeira, Portugal