

Submission of Comments regarding:

Canada Gazette, Part I, Volume 158, Number 36: Regulations Amending Certain Regulations Made Under the Canada Post Corporation Act

October 3, 2024

The National Association of Major Mail Users (NAMMU) is Canada's mailing industry association. NAMMU is the voice of the Canadian mailing industry and represents the business interests of end users and supplier infrastructure from concept to execution. The mailing industry in Canada represents \$100 billion per year, or about 5% of Canada's total GDP. The industry's more than 750,000 Canadian workers play a crucial role in the commerce of Canada, facilitating the presentation of bills, the acquisition and growth of customer bases, and the fulfillment of orders.

Although larger enterprises and multinational corporations form a part of the mailing industry, many are SMBs, driving economic growth in communities across Canada. NAMMU's members represent the most significant segment of Canada Post's commercial mail revenue, including Lettermail, Personalized Mail, and Neighbourhood Mail. **We write today to express our extreme concern at Canada Post's recent rate action.**

Canada Post Corporation is seeking approval to implement a 25% increase in its regulated postage rates, effective January 13, 2025. The rationale provided by Canada Post includes the current state of its finances and argues that the impact on the average consumer (\$2.26) and small business (\$42.17) will be minimal. Canada Post states that this increase will generate \$80 mm in net revenue for Regulated Products. This increase will also impact non-regulated Lettermail including Meter and Incentive Lettermail. Although not included in the impact assessment, the impact on the industry is more than \$400 million, devastating.

It is alarming that Canada Post this 25% price increase will result in a doubling of the erosion of Lettermail to 10.3 % in 2025 and 2026. Canada Post has factored in this massive decrease in Lettermail because of the increase, although it is questionable as we are in unknown territory with this size of increase with erosion being higher than

Canada Post anticipates. NAMMU knows that this rapid decline will only accelerate into 2025 as organizations committed to mail campaigns in early 2025 are able to start transitioning away from mail. **This short-term, and short-sighted, price grab does not address the underlying problems and will only accelerate Canada Post's demise.** Without a commercially sustainable postal service, the industry will face unprecedented challenges in maintaining business and employment in this critical economic sector. The industry has continued to adapt to mail erosion by consolidating and adjusting to the new market realities. An acceleration in mail erosion will increase the pressure on the industry and the jobs that it provides. The industry cannot take a similar rate increase to offset the decline in volume.

It's also important to note that a Regulated Lettermail Rate Action was taken in April of this year and this means it is less than a year between rate increases. Unfortunately, Canada Post Management, Board, and the Shareholder did not take annual price increases as is the norm. For unknown reasons, they did not act and are now proposing this disruptive price increase on top of the April increase.

Incentive Lettermail and metered mail are not regulated products. Previously Canada Post provided a 4-5 cent discount to incent businesses to reflect the savings enjoyed by Canada Post as these two products are lower cost for Canada Post to induct, process, and deliver. This incentive was reduced to 1 cent in the years when Canada Post did not take Regulated Lettermail rate increases. The Corporation increased prices to these groups of customers who were more dependent and committed to mail. That rate increase would amount to a 64% increase on high-volume business mailers since 2014 and a 44% increase on smaller household mailers.

The average \$42.17 impact on small businesses claimed by Canada Post is an average and would include many businesses that use little to no mail. Meter customers, primarily small businesses, pay monthly leases and are generally higher users of mail.

The current announcement, in the middle of labour negotiations with its largest union, CUPW, creates even more uncertainty and risks for customers and the industry in general. The timing of this increase is not helpful to the industry.

NAMMU has been concerned about Canada Post's deteriorating financial situation and the lack of action to address the structural problems at Canada Post. Industry needs to understand if there is a way forward for Canada Post as a sustainable crown corporation

while meeting the needs of Canadians and Canadian businesses. Furthermore, the industry was concerned Canada Post would be forced to take drastic action that would hurt the entire mailing industry as this excessive pricing action is likely to do.

NAMMU, working with industry leader Pitney Bowes, commissioned leading academic Dr. Ian Lee of the Sprott School of Business, Carleton University to review the challenges facing Canada Post and develop recommendations for the future [[Canada Post: The Tipping Point Has Arrived](#)].

According to Dr. Lee, “(t)he tipping point has arrived. Canada Post Corporation needs urgent reform. The volume of letter mail in Canada, the Post’s traditional core product line, peaked in 2006 and has steadily declined every year since, thanks to the digitization of communications.

To survive, the Canada Post Corporation must reorganize and restructure, moving from a lettermail-centric model to a parcel-centric model while mitigating the rate of decline for letter mail.”

Dr. Lee notes that, additionally, Canada Post should:

1. Have the freedom to adjust regulated pricing of letter mail on a regular basis without being disruptive to Canadians and the mailing industry, including full discretion to develop multiple business prices based on cost to serve that would consider distance, size, and service level. NAMMU agrees with Dr. Lee’s findings that Canada Post must have the freedom to take regular rate actions on its regulated products to cover rising costs.
2. Replace the Route Measurement system of scheduling letter carrier routes with dynamic route scheduling.
3. End all door-to-door delivery.
4. Franchise all 3,600 corporate outlets.
5. Maintain and invest in Smartmail (direct mail).

6. Develop partnerships with private courier firms to leverage Canada Post's last-mile delivery network.
7. Terminate diversification into non-core markets.

A successful implementation of these recommendations would provide revenue and savings that would eliminate the current deficit. Bold action is needed to right the ship and focus Canada Post on profitable and break-even product lines that will allow the Corporation to become sustainable into the future. Canada Post needs a combination of new revenue and substantial cost controls. Without it, Canada's postal authority wither and die, along with its industry.

This report was completed as the announcement of the pending rate action was made and consequently has not factored into any of the findings or recommendations. However, as noted, this disruptive rate action will accelerate the decline of Lettermail. Though providing some temporary relief to Canada Post alone, it does not address the structural problems the Corporation faces. The rate action will not cover the current deficit that Canada Post faces for 2025 as it brings irreparable damage to the mail industry.

To summarize, **NAMMU recommends that Canada Post proceed with its January rate action but with a more moderate increase on Regulated products of 8-10% and 4-5% increase on Incentive and Meter Mail.** Furthermore, NAMMU recommends that the Shareholder, Board and Management closely review Dr. Lee's report and recommendations so that they can take bold action to restructure Canada Post, moving the Corporation to a sustainable footing that will serve Canadians and Canadian business into the future.

On Behalf of the Membership and Board of Directors,

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