

Intelligence MEMOS



From: Benjamin Dachis, Associate Director of Research
To: Judy Foote, Minister of Public Services and Procurement
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Re: HOW TO DELIVER ON HOME DELIVERY AND CANADA POST REFORM

The threat of a work disruption at Canada Post has set the future of the organization flashing brightly on your radar screen if it wasn't already. The future of Canada Post looks dire. That's why you announced a major review to report on recommendations for reforms.

Domestic mail [is forecast to decline](#) by 27 percent from 2012 through 2020. The cost of delivering mail is also high. Door-to-door service costs an average of \$269 per address per year. This compares to \$120 for community mailboxes. The high cost of delivering mail was part of the reason the previous government sought to end home delivery.

But, you've promised to restore home delivery. How can you keep this promise, but still make sure that people get their mail at an affordable cost? The answer is to add an element of competition – not necessarily privatization – to determine who picks up and delivers the mail.

Although it's a good model, you don't need to go as far and as fast as what the UK did with privatizing the Royal Mail. Instead, you can stick to a continuation of the existing practice of contracting out the operation of postal outlets, customer care centres and air- and long-distance transportation. Those postal outlets at Shoppers Drug Mart, for example, have a one-third lower cost than facilities owned by Canada Post. Those are now a large share of Canada Post's outlets.

How would this work for delivery and pick up? Canada Post could auction the right to operate specific parts of postal services, such as mail delivery and pick up. In such an auction – in which current Canada Post employees could bid for the work – the bidder that offers to accept the lowest payment per unit of mail for delivery or pick up would win the right to provide the service. Canada Post could pay contractors out of revenues from stamp sales. Unlike privatization, contracting delivery and pick up services would mean little noticeable change for customers, as you would continue to set the standards.

This model would work with the current collective agreements that make layoffs relatively difficult. Under the current rules, full-time employees as of October 2012 cannot be laid off without cause. However, Canada Post can move them to other jobs within 40 kilometres of their current postal location. But with 15,000 of Canada Post's workforce set to retire by 2021, the organization could gradually increase the share of services it contracts out without relying on layoffs.

Contracting out, on its own, will not solve crucial policy questions for Canada Post such as delivery standards, pricing policies or other policy mandates. But it would make future strikes less likely as employees would recognize that labour disruptions could result in their firm losing contracts.

If it wasn't clear by now, this threat of a work stoppage shows that it's time to reform Canada Post. The answer isn't necessarily in privatization, but in adding competition.

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