

Intelligence MEMOS



From: Colin Busby
To: Postal observers, and Treasury Board President Shafqat Ali
Date: August 18, 2025
Re: **THE CANADA POST TEST FOR THE CARNEY EFFICIENCY CAMPAIGN**

The Carney government says it will spend less, invest more and make government more efficient. Its bold, new defence commitments mean that cuts to operational spending will need to be much wider and deeper than planned.

Nowhere is the need to improve efficiency more obvious than at Canada Post. The government's willingness to change the rules constraining this creaking crown corporation will tell us a lot about its fiscal discipline.

The challenges facing Canada Post have been well known for a long time. As email and online retail have grown, the old postal business model has faded. But successive federal governments have either worked around the edges of the problem or simply thrown up their hands. In 2009, facing fears it would privatize Canada Post, the Harper government introduced the service charter, which codified five-day-a-week delivery and a single nationwide price for letter mail.

And in 2015, with a million households either about to switch to community mailboxes or having already done so, the new Trudeau government froze the process as part of a bundle of pitches to urban voters. At the same time, it simply banned further closures of rural post offices.

Canada Post plodded along in this environment, barely, until the pandemic, when parcel delivery exploded and faster, more flexible operators who delivered on weekends and evenings quickly won the business of Canadian shippers.

Since then, the other major weakness in Canada Post's business model – chronic labour disputes – have intensified. The latest contract impasse has reached 20 months and counting.

Like all its predecessors, the current federal government may see the status quo as an option: simply cut a big cheque each year – \$1 billion last spring – and avoid any political fallout even as competitors continue to eat into Canada Post's market share. "What's a billion?" the government might be tempted to ask as it tries to find \$25 billion in overall savings.

The answer is: It's a billion too much! It's time for a new approach. A first step is blindingly obvious: let more rural post offices close and restart community mailbox consolidation. It was once estimated to save \$350 million per year. A second is to gradually eliminate Canada Post's [statutory monopoly](#) and invite competitors into mail delivery.

Facing such competition, Canada Post won't be able to continue the cross-subsidization in which it takes the profits from its urban business to provide money-losing service to rural consumers. That means these changes to the service charter: Increase transparency in the costing of rural service; allow flexible pricing; and eliminate the universal service obligation. A more transparent way of financing rural and remote delivery would see the government solicit competitive bids to service specific high-cost areas for a defined term, with subsidies as necessary.

It is also hard to imagine a future for the crown corporation that doesn't fix its labour challenges. A recent report [highlighted](#) some obstacles. Canadians want delivery during evenings and weekends. As new competitors enter, Canada Post's inability to negotiate [weekend and evening delivery](#) or daily routing schedules that reflect actual mail volumes will mean even greater declines in market share.

The federal government is in a tight spot. It has major new spending obligations for defence, and it has committed not to increase taxes or cut transfers to provinces or individuals. With this limited set of options, it has no choice but to transform Canada Post to make it more independent and competitive. If the government won't take on Canada Post, that doesn't bode well for its ambitious efficiency plans in the rest of its domain.

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