



**National Farmers Union
Submission to the
Canada Post Corporation Strategic Review Panel**

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Introduction

The National Farmers Union (NFU) welcomes this opportunity to present its views to the Canada Post Corporation Strategic Review Panel.

The NFU is a democratic, direct-membership organization made up of thousands of farm families across Canada. We advocate policies designed to strengthen farmers' market power while promoting a healthy food system and environmentally-sustainable agronomic practices. We are committed to protecting and enhancing the viability of rural communities across Canada and we work for equitable services for rural Canadians.

The NFU advocates universally-accessible and affordable postal services for rural communities. The possibility of deregulation of Canada Post's services holds serious implications for the future viability of rural postal services and the communities which depend on those services.

Universal, public postal services

The NFU policy book states: "The provision of postal services to rural areas is absolutely vital to the viability of many rural communities. We oppose the stated intention of Canada Post to vastly reduce postal services across Canada, and particularly to rural areas, in efforts to record a profit. The provision of postal services must be regarded as a right, and not a privilege." The NFU policy also calls for an end to discrimination against rural communities "in the quality of postal services through the practice of franchising and/or contracting such services."

Over the past two decades, the NFU has worked to prevent the destruction of rural post offices through privatization. In 1994, following years of sustained pressure from rural residents, the federal government declared a moratorium on the closure of rural post offices owned and operated by Canada Post. Unfortunately, the moratorium did not extend to franchise post offices, owned and operated by private businesses.

In 1995, a review of Canada Post concluded that the Crown Corporation should remain a public institution which is required to fulfill a public policy role, and to continue to provide affordable, universal postal service. The current review is re-examining that commitment in light of technological advancements in electronic telecommunications. However, it must be noted that the implementation of these advancements is uneven at best, with rural areas often the last to benefit from these advances. In addition, it is

important to recognize that electronic communications will never completely displace traditional, essential mail services.

The current review process lays out four principles:

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

At the same time, however, the “terms of reference” of the review process indicate clearly that Canada Post’s “exclusive mail collection and delivery privilege” is in the crosshairs. Even though the review states that outright “privatization” of the publicly-owned postal service is not in the cards, there is concern that the system may be “deregulated” to the advantage of privately-owned firms in direct competition to Canada Post.

Canada Post currently has the “exclusive privilege” to deliver letter mail. It is, in effect, a mutually-beneficial contract with the Canadian public. In exchange for a monopoly on delivering mail in Canada, Canada Post guarantees service to everyone in Canada, no matter where they live. This is especially critical for Canadians that live in rural and remote parts of the country. If Canada Post’s exclusive privilege is removed, this would seriously impact its revenue base, as private companies would quickly capture a substantial part of the profitable business in high-volume urban centres. These private companies would not be willing to engage in providing services to lower-profit rural communities.

In order to compensate, since it is obliged to earn positive returns from the marketplace, Canada Post would likely be forced to raise postal rates. This would further disadvantage rural residents.

At the present time, Canada has one of the lowest standard postage rates in the industrial world, despite servicing a nation that covers the second-largest geographic area. The experience of those countries which have moved to deregulate their postal service is less than stellar – at least as far as the people who use the service are concerned.

For example, the standard postage rate in Sweden has increased by 90% since its post office was deregulated in 1993.¹ This compares to a 21% increase in postage rates for Canada over the same time period.

In the United Kingdom, deregulation of the Royal Mail in 2006 has resulted in falling mail volumes and revenues, while mail service to rural areas has deteriorated.

¹ Canadian Union of Postal Workers. www.cupw.ca

Postal Service provides vital link for NFU membership

The National Farmers Union relies heavily on the postal service for delivery of our publications to our membership across Canada. We publish a monthly newsletter, a quarterly magazine, and numerous pamphlets throughout the year – all of which provide a vital communications link to our widely-scattered membership. We also rely on the mail service to ensure membership cards are distributed to members as their annual renewal dates come due. We update our membership rolls monthly. In provinces such as Ontario, Prince Edward Island and New Brunswick – where provincial legislation requires farmers to be members of a farm organization in order to qualify for rebates on business-related farm expenses – these cards are absolutely vital. The likely implementation of similar legislation in Manitoba, and the potential for other provinces to follow suit, underlines the importance of continued reliable rural postal services.

While the NFU national office, elected officials and members make extensive use of electronic communications tools including e-mail and the internet, the reality is that we will continue to be heavily reliant on regular postal services for the foreseeable future. Rural residents generally have fewer options available to them when it comes to internet and e-mail access as well, with a significant percentage of our membership able to access only slow-speed, dial-up internet services on their home phone landlines.

Clearly, there is now, and will continue to be, a need for ongoing universal, affordable and accessible postal service in rural Canada. The NFU is strongly opposed to any move to deregulate the postal service. Removal of Canada Post's exclusive privilege to deliver letter mail under the guise of introducing efficiencies and making the service more "competitive" is unacceptable because it would jeopardize universal postal service.

Improvements needed in rural delivery

It is important to point out to this review panel that postal services to rural residents need improvement. Simply ensuring the continuation of universal postal service and maintaining Canada Post's exclusive right to deliver letter mail is only part of the solution. Over the past year, a significant reduction in rural delivery services to rural, roadside mailboxes has occurred. Under the guise of ensuring safety and reducing risk to postal delivery personnel, Canada Post has begun a campaign of unreasonably strict adherence to a set of guidelines for rural mailboxes. This campaign has created serious inconvenience and hardship for many rural residents – and much of this conflict could have been avoided.

The NFU supports a proposal by the Canadian Union of Postal Workers (CUPW) for a moratorium to keep both rural delivery and safety.² Under this proposal, first made public in February, 2008, Canada Post would stop taking away rural roadside delivery until the corporation has thoroughly consulted and explored all available delivery options with

² CUPW Moratorium would keep red flags flying on rural boxes, CUPW news release, February 28, 2008. www.cupw.ca/index.cfm/ci_id/10553/la_id/1/print/true.htm

rural residents and local union officials. The proposal also calls on Canada Post to go back to locations that have lost roadside mailbox service after improper consultation. There is justifiable concern that the current safety review is being used as an excuse to justify large-scale conversions of rural boxes to community mailboxes. Similar processes have occurred in other countries.

As a result of deregulation in the United Kingdom, the postal service is proposing to discontinue mail deliveries to a number of rural areas based on the fact that roads in those areas are substandard. A proposal to cut off mail service to several communities in northeastern England in July, 2008 met with stiff opposition from local residents, who complained the health and safety criteria was too onerous. Many of the roads singled out as being impassable and unsafe date back to the 15th century.³

In March, 2008, the British Government announced the closure of 2,500 post office branches in Britain, the majority of them in rural areas.⁴ The experience of the UK clearly indicates there is a correlation between postal deregulation and elimination of mail delivery service to rural communities.

Deregulation would mean job losses and security concerns

Any reduction in the level of postal service and the elimination of corporation-owned and operated rural post offices will also lead to the loss of good jobs in rural communities. The experience of the “franchising” of Canada Post outlets in the 1980s illustrated clearly how working conditions and wages were lowered as a result of privatization. Deregulation would lead to the same downward spiral. Private companies bidding on contracts for mail delivery inevitably cut costs by replacing unionized, well-paying jobs with non-unionized jobs at much lower pay rates.

In addition, the security of the mail system would be jeopardized. At present, Canada Post retains trained security personnel whose job it is to ensure there is no tampering with the mail. However, contracting out mail delivery services to a series of private companies increases the risks. Security standards will vary depending on the company involved. In addition, any company based in the United States would be subject to the terms of the USA Patriot Act, which allows the US government access to private information contained in the mail.

Conclusion: Public hearings needed

In the terms of reference for the Canada Post Corporation Strategic Review, it is noted that the panel members will be meeting privately with corporate stakeholders and government officials. However, there is no provision for public hearings on this issue. The NFU strongly recommends that full public hearings be conducted in rural

³ “Rural postal areas could face big repair bills”, Steve Lawson, Hellmail, August 15, 2008. www.hellmail.co.uk/postalnews/anmviewer.asp?a=817&print=yes

⁴ “When did Alan Johnson abandon post offices?”, Andrew Pierce, London Daily Telegraph, March 22, 2008. www.telegraph.co.uk/opinion/main.jhtml?xml=/opinion/2008/03/22/do2206.xml

communities across Canada before any changes are implemented which may result in deregulation of the postal service in Canada.

*All of which is respectfully submitted
by the
National Farmers Union*