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Chair

Mr. Tom Lukiwski

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• (1730)

[English]

The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)): Colleagues, I'll call this meeting to order.

This is the 26th meeting of the government operations and estimates committee, and we're dealing with the Canada Post study.

Colleagues, if I could have your attention before we get into the meeting proper, there's a bit of committee business. I've spoken with some of you individually. This is concerning the upcoming cross-Canada tour to study Canadians' opinions and expectations of Canada Post.

We have a meeting tomorrow afternoon at 3:30. If you are available, I have asked the logistician who has been putting all of the details of this tour together to meet with us at 3 p.m. in this meeting room just prior to the start of our 3:30 meeting.

The itinerary for the tour, which starts on Sunday—at least the flights are starting on Sunday—will be sent to all of you electronically, probably tomorrow morning. You'll have an opportunity to take a look at it.

The purpose of the 3 p.m. meeting is to answer any specific questions you may have. On ground transportation, if you arrive at an airport at 3 o'clock in the afternoon, will someone be there to meet you, or do you take your own transportation to the hotel? Where are the hotels, etc.? How will the meetings be conducted? You will have an opportunity to pose all of these questions tomorrow at 3 p.m. We'll send out a notice of that as well. If you are available, it's 3 p.m., in this room, to talk about the logistics behind the cross-Canada tour.

With that, we'll commence the meeting.

As you know, colleagues, we are engaged in a study on the future of Canada Post. The minister responsible, the Honourable Judy Foote, wanted to have extensive consultations. As part of those consultations, she established a task force. Those members are with us today to discuss the findings of their report. Their report has some specificity to it about the financial viability of Canada Post as a corporation moving forward. Of course, we will be going out and talking to Canadians about their expectations for the future of Canada Post.

Following that, this committee will then engage in writing a report based on both the findings of the task force and on what we have heard from talking to Canadians from coast to coast to coast. That report will be tabled in the House of Commons prior to the end

of this year. From there, the government will make its decision in due course.

We are here to listen to the task force.

Madame Bertrand, I understand you have a 10-minute or so opening statement. Before that, perhaps you could introduce your task force colleagues, and then commence with your statement. Following that, we'll get into questions and answers from committee members.

Madame Bertrand, you have the floor.

Ms. Françoise Bertrand (President, Task Force on Canada Post Corporation): Thank you, Mr. Chair.

It's our pleasure to be here today after four months of intensive work.

I'd like to introduce to you the three other members. I'll start with Krystyna Hoeg, who is from Toronto. She is sometimes in St. Andrews, where she has a house as well. She says she's somewhat bipolar.

Also here is Marena McLaughlin. She's from New Brunswick. She was a public servant for many years. If you love football, you will know Jim Hopson. He is from Saskatchewan. These are the four *larrons*, as we say in French, all with different backgrounds and experiences.

Also here are some of the members of the department who helped us with the work. I want to salute them, because it's an effort of many people. You'll be on the road very soon with our work.

We had to assess the financial situation of Canada Post as of today—not an audit, but as of today—and its projections. We had to assess the needs of Canadians. We've opened a website. We've received lots of letters, and 22,000 Canadians gave us their opinions. We also did scientific polling. We polled more than 1,200 Canadians in order to understand their needs and also how they behave. Sometimes you'll see that there is some difference there. We also polled some businesses. We thought that businesses often have needs that are different from personal usage.

Once we assessed the financial situation and knew the needs, we needed to see if we could find different ideas to bridge the gaps. For that, we worked with firms that had international experience in order to bring to us the best practices in postal services around the world.

The financial assessment itself was done by EY, Ernst & Young. The polls were done by EKOS, Patterson Langlois, and Environics.

•(1735)

Let me start by saying that lettermail volumes for us have declined by 20% over the last five years and now make up less than half—*c'est-à-dire*, 42%—of Canada Post's mail volume. Over half the mail now delivered is admail, not only flyers but also addressed admail. On the other hand, e-commerce has driven parcel volume increases, so we may say that Canada Post went from being a mail-centric business to a parcel-centric business.

Unfortunately, lettermail volumes are expected to continue to drop. I say "unfortunately" because it is where the majority of the revenue comes from. The future of admail itself is questionable, given recipient preferences and greening initiatives. The parcels market is highly competitive and is becoming even more so. This means that when you're in the parcel business, you have to go by the market reality. You cannot say that you'd like an increase. You can ask for an increase, but of course you are not in a monopoly situation, as you are with the mail.

A major challenge faced by Canada Post is that its costs are largely fixed. These costs are difficult for the corporation to reduce in reaction to declining business volumes. Canada Post has a vast infrastructure of processing plants, depots, and post offices for processing the mail. Postal services are highly labour-intensive and, as such, labour costs represent about 70% of Canada Post's total costs.

Canada Post also has a pension plan with a current estimated solvency deficit of \$8.1 billion. As a result of temporary relief granted by the government, Canada Post was able to defer payments of about \$1.4 billion in 2015. Unless the interest rate environment improves substantially, which we all wish for, Canada Post will not have sufficient cash on hand to finance its operations when it resumes making its solvency payments.

Canada Post is also contending with other challenges stemming from the obligations outlined in the Canadian Postal Service Charter, which includes the requirement for mail to be delivered five days a week. This is at odds with the views of surveyed Canadians, where 73% of Canadians were open to the idea of alternate day delivery. The charter also maintains the 1994 rural moratorium under which Canada Post is prevented from closing or franchising almost 3,600 corporate post offices. As a result of population growth, some areas that were previously rural are now suburbs of major cities. I will give just a few examples: Halifax, Moncton, and Saskatoon. Those are now cities. We all know this.

When we did the fact-finding around the situation, we found out that even today Canada Post had a small profit of \$99 million for the last year. For us, it's a small profit, not for our own portfolio, but for the portfolio of Canada Post. When you do the projections, you see that in 10 years from now it will be a loss of \$700 million. We felt that we ought to be really looking, as was asked by the minister, at what could be done in order to help Canada Post remain as what Canadians have told us they like.

The majority of Canadians—and I mean over 80% to 90%—have told us this about Canada Post: I like their service, I'm attached to it, and I want it to remain a public service, but the reality is that I don't use it as much as I did. Ninety-one per cent of Canadians are

connected to the Internet, and 69% of Canadians receive and pay their bills through the Internet, so of course those are reasons that we don't see as much mail usage as we used to.

•(1740)

What we have done, with Oliver Wyman, is look at different options that could bring either savings or new revenues. We've filtered the possibilities that we scanned from the different postal services in the world with three criteria. The first one was whether there is a fit with the abilities and the competencies that exist in Canada Post. The second was whether there was some space in the market. The third was whether they have the means. Would there be a need for a lot of investment, given that financially it is a very narrow possibility? Is it possible to do it without making a huge investment?

After having scanned more than 30—it was 38, actually—we eventually chose, given those criteria, to present to you for your consideration eight possibilities, most of which involve savings.

One that you will recognise will be the community mailbox conversion. Given what we have heard from Canadians, we thought it would be important.... In the stakeholders meeting we had, we were told that we should not consider installing community mailboxes in downtowns in cities, where there is a lot of traffic and little space. The majority of Canadians—I'd say more than 90%—told us that people with mobility problems should get their mail door to door. If you exclude all these, there are about 800,000 addresses where Canadians were prepared to go with community mailboxes after understanding the financial situation.

The other one was converting about 800 of the highest-volume corporate post offices. I was alluding to Halifax, Moncton, and Saskatoon. Those are examples. All across the country, rural realities in the nineties have become either suburbs or urban areas.

The other thing that is very interesting to point out to you to be considered is alternate-day delivery. Right now, you understand, parcels are being brought to the home by the same people who bring the mail. Canadians have told us that it's important for them to have the parcel the same day, but for mail, it can be once, twice, or at most three times a week. When it's a community mailbox, they told us that often they go only once a week to pick up their mail, because of the reduction of volume.

The other possibilities we are offering for your consideration is the streamlining of processing operations. Of course, as any business, we can always streamline. We think that savings could be estimated at \$66 million.

You all know that Purolator belongs to Canada Post. There are already some synergies between Purolator and Canada Post. We think more can be done, and we say we could get a \$60-million savings there.

We have a few ideas on more revenues, but they're not huge amounts. One is advertising to be sold on post offices and on the fleet. It's a large fleet, so it could be interesting. We said between \$15 million and \$20 million; we have put \$19 million.

On the last mile, the obligation to Canada Post to reach out to all Canadians wherever they are on the territory, that is a revenue of about \$10 million if they were able to find other partners that could do the delivery. Those are the ones that you can identify as budgetary types of options that we're presenting to you.

Looking at the situation and how serious it was, and the fact that we're in the digital world and it will move on, with the oversampling we've done with the young people—and I'm looking at you, Mr. Drouin—we felt from what we discovered that not only is it going Internet, it's going mobile. The speed will be even faster as we go, so there is a necessity to understand that we're at a crossroads and that some measures can be taken to adjust the budget in the short term and mid-term. However, there will be a need to look into the long term, and the long term will require more types of structural options.

• (1745)

We've put forward some solutions for your consideration. From our point of view, they are around offering the post office services that could remain after a review of what is really rural to municipalities, to provincial governments, to other services in the federal government, and even to the private sector, such as banking. We know that banks have left some communities. Would they be interested in partnering with Canada Post to offer service in those areas?

The other solution that seemed to be interesting would be a change of governance. Is there some interest in changing the arrangement to make sure that for such a complex institution, we have all the stakeholders around the changes that will need to occur?

Also, we all know that the relationship with the unions is not an easy one. We were observers of that situation lately, and we felt that we should propose to you that you should consider the idea of bringing a third party to the table with the stakeholders—not an arbitrator or a mediator, but somebody to work on a restructuring of the operation to make sure it responds to what Canada Post has become.

There is also always the situation of adjusting the price of the stamp. That was used in 2014, when there was a step from 63¢ to 85¢. It cannot be said that this was the reason there was a decline, but it could be expected that the more you raise the price of the stamp, if you go over what the indexation is, you might be in a situation where you accelerate the stamp. Certainly there is no view in the analysis we've done with Ernst & Young that the price of stamps should be frozen. That, again, is for you to consider.

Finally, you've seen the headlines in the different media in the country. They've picked up on our idea of marijuana and they really misunderstood. They did not really read the full report. What we meant there is that marijuana is already medically distributed by Canada Post. If ever the government should see fit, in its wisdom, to do something about legalizing marijuana, maybe it should consider a part for Canada Post. We didn't talk about production or retailing; we talked about the distribution arm.

Did I forget something, my friends? No?

Thank you, Mr. Chair.

• (1750)

The Chair: Thank you very much, Madame Bertrand, for a very comprehensive opening statement. I thank you for that.

Colleagues, I should probably say—in the spirit of transparency, as Madame Bertrand has said—that Mr. Hopson is well-known in football circles. I certainly consider myself a friend of Mr. Hopson. He is the former CEO and president of the Saskatchewan Roughriders, and while I don't need to recuse myself just because I have a personal relationship, I think it might be good for this committee, in the spirit of consensus-building and so that we can all pull together in the same direction, just to come to the consensus that we all agree that the Saskatchewan Roughriders are the greatest team in the CFL.

Hon. Steven Blaney (Bellechasse—Les Etchemins—Lévis, CPC): I have a point of order, Mr. Chair.

The Chair: If we can start with that premise, then we'll have a good meeting.

Hon. Steven Blaney: I challenge the chair.

The Chair: Anyway, all kidding aside, thank you again, Madame Bertrand.

We will go into our normal round of questioning. We have scheduled this meeting until 7:30 p.m., so we have approximately an hour and three-quarters of questions. We will start with a seven-minute round of questions, starting on the government side.

Monsieur Drouin is the first intervenor, please, for seven minutes.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

I want to thank the task force for spending the summer on the road and meeting Canadians and writing this report. We certainly appreciate it.

Over the past four months you've been tasked by the minister to seek input from all kinds of Canadians and all kinds of stakeholders. Can you explain to the committee the exact mandate of the task force?

Ms. Françoise Bertrand: Absolutely.

The mandate was to assess the financial situation—not to do an audit, but to look into the present situation and to assess a projection for the next 10 years.

The second thing was to look at the needs of Canadians. We had to not only consult Canadians but engage Canadians. What we did was establish a website where we had one question every week to create traffic on the website. We also said that we would respond to any letter we received. The other thing we did was conduct polls. We polled 2,400 Canadians, plus 400 natives and 1,200 businesses. That is the scientific data we're bringing for your consideration to help you in your work.

The third thing was that we worked with experts like EY and Oliver Wyman. We also thought to meet with stakeholders, clients, competitors, associations, and unions. We met with the unions, of course. We met with Canada Post a few times because they were providing us with the basic data that enabled us to do our work.

That is what we've done. We would have loved to travel the country, but we stayed in Ottawa most of the time because we understood very well that you are the ones to consult Canadians, in the sense of travelling the country. We had to open the lines so that people were aware there was work that was being done, our work being part one and your work being part two.

Mr. Francis Drouin: I understand. Yes, this committee is about to get under way across Canada.

I come from rural Canada, and one of the institutions, or sometimes the only institution, in that community is Canada Post and the flag, and it's a sense of pride for Canadians.

One of the things from your report that I saw was the bit on postal banking. I received a letter from eastern Ontario mayors asking me to advocate for postal banking. I agree that Canadian banks are on a solid financial footing and they're doing great at their jobs.

I'm a young Canadian, only 32 years old, and I rarely set foot in a bank, but I also have to think about my grandmother and the grandmothers out there. My father still calls me to insert a DVD. I have to think about them as well, and they're still dependent on walking into a physical place.

Can you explain to me the rationale for falling onto number four, which was partnering with three to five large banks or credit unions to provide a low-cost extension to the branch network? What was the rationale behind coming to this specific idea?

• (1755)

Ms. Françoise Bertrand: Let's go back to the premise. We met with lots of stakeholders. We didn't travel, but we spoke on the phone with La Poste in France, with the U.K., and with others to understand. We understood the complexity of establishing a bank today and the fact that the investment is costly because of regulatory conformity, because of the necessity of sophisticated IT security, and because of the competencies needed.

The situation here, as you've read, is that Canadians are well served. That you understand very well. The cost of establishing a bank is expensive. It will be your choice, and it's not for us to decide what the government will do in the end. Given that our mandate was to balance the fact that Canada Post is not self-sustainable as we speak, to go into postal banking would not help self-sustainability, but the government may decide something else.

The second thing is that we recognize that the postal office in rural and remote areas has a different character from the ones in the city, not only because it has the flag, but because it's still a witness of—

Mr. Francis Drouin: It's the only point of rendezvous for many Canadians.

Ms. Françoise Bertrand: Yes, it's a hub; that's why we call it a "hub", and we say it keeps the community vibrant. That's why we propose here that it would be interesting if the post office became more than just the post office. Not only could people meet there, but

it could be a café. The municipality could have some services there, as well as other businesses—maybe the provincial government, maybe Service Canada, and the banks. They could bring in one counter for their bank, because in most of those communities, they've pulled out and they're not there anymore. We feel that the hub could serve your grandmother well, and maybe you, because one day you'll want to go to meet somebody face to face.

The Chair: I think I'll stop you there. You're about 10 seconds before the deadline.

Monsieur Blaney, go ahead for seven minutes, please.

[*Translation*]

Hon. Steven Blaney: Thank you, Mr. Chair.

Mr. Chair, are we talking about the Phoenix pay system or about Canada Post?

[*English*]

The Chair: We're talking about Canada Post, Mr. Blaney.

[*Translation*]

Hon. Steven Blaney: Ms. Bertrand, I congratulate you in your capacity as president of the Task Force on Canada Post Corporation.

• (1800)

Mrs. Françoise Bertrand: Thank you.

Hon. Steven Blaney: Your task force has done a remarkable job. I have a few words to describe it. First, you have a constructive approach. You also have a comprehensive approach. You have looked everywhere, you have researched the issue and you surrounded yourselves with experts. Moreover, your approach is realistic.

Just before we start the tour, I am apprehensive about meeting many people who will tell us they would like to have a lot of icing on the cake. Unfortunately, we have a problem, as the cake is missing yeast, it is stale and it won't rise. That is what you have shown us.

I really liked what you said when you mentioned that the opinion poll revealed that, once Canadians were told about some of the financial challenges facing Canada Post, it was easier for most of them to accept the changes. At the committee's previous meetings, we had discussions with our analysts about the way we could educate Canadians on the dramatic situation experienced by Canada Post, which provides a service we are all attached to.

My first point is about the fact that I come from a region with a large rural portion with no community mailboxes. I have mixed feelings because I see community mailboxes in some rural regions provided with postal service. We want to maintain the current postal service in a few parts of my riding, but elsewhere, as well. Finally, people with an inferior level of service will be asked to remain at that same level. I am concerned about fairness.

You previously talked about people with mobility problems. You said that the door-to-door service should be maintained in their case. In my riding, people with mobility problems do not have access to a door-to-door service.

I think we should find solutions that apply to all Canadians. Otherwise, the regions could turn against the cities. People will tell themselves that, because they live in the regions, they do not have the kind of service they should expect and must pay to maintain a deficient postal service.

I am talking a lot, but I have a number of issues to go over.

I will move on to my second point. Could you talk about the governance issue? It's a topic that is both intriguing and vague. Of course, the moratorium is another issue.

I will not promote my own cause in this case. Politically, it was a worthwhile thing to do. We were saying that post offices should be left alone, but it's a fact that they cost more and provide an inferior level of service. You expressed that very well in your comments.

Should we not try to take things further in terms of scenarios? The government may not accept everything you have proposed. If we don't go far enough, I figure that the government will come up with half measures.

I have talked a lot, but I want to congratulate you once again.

Thank you.

Ms. Françoise Bertrand: Thank you.

[English]

The Chair: Madame Bertrand, before you answer, if you take the same length of time to answer the question as the question took to be posed, we'll be right at the seven minutes, so please—

Hon. Steven Blaney: See, you have plenty of time.

[Translation]

Ms. Françoise Bertrand: Thank you for the positive comments. I think that shows the importance we place on your committee, as we are trying to provide you with as much information as possible to help you do the best job you can.

Before I yield the floor to my colleague, would like to remind you that we currently all have a quality postal service. That is actually what Canadians are saying to us. More than 90% of them say that they are very satisfied. They're very attached to the postal service. However, across the country, Canadians are not all receiving mail in the same way.

I will give you statistics on that: 27% of Canadians have their mail delivered door to door, 26% to a centralized point, such as large apartment buildings, 32% to community mailboxes, 11% to post office boxes and, finally, 4% to rural mailboxes at the end of laneways.

As we are talking about it and as Canadians are telling us that they are very satisfied, we are seeing that, as the saying goes, one size doesn't fit all. We can be satisfied even if we don't all receive mail in the same way.

I will let my colleague talk to you about the issue of different realities.

Hon. Steven Blaney: Thank you.

[English]

Mr. Jim Hopson (Member, Task Force on Canada Post Corporation): Thank you.

I've been very fortunate in my career to spend a lot of time in rural Saskatchewan. I have lived in Moose Jaw and Regina, but I've also lived in places like Lumsden, Sturgis, and Ceylon, so I've experienced a great variety of mail service and have always been happy with it.

I understand the comments made about rural areas. I pick up my mail in a franchise that is part of store, and it is the only place people really congregate. We understand that.

It seems that people, wherever they receive their mail and however they receive it, are generally happy. The ones we heard who weren't happy were the ones who had the conversion, but they became much happier with the service once they had incorporated the change.

I think the hub idea is important. The depopulation of rural Canada, particularly in my area of rural Saskatchewan, has resulted in fewer businesses and schools. There is less mail to deliver. How do you keep those places viable, and how do you maintain the community aspect?

I think the hub idea offers other services to Canadians. The Internet can be very important to people in those situations. If banking could be made a part of the hub, along with other government services, I think this would help people.

We consistently heard that there are many ways to receive the mail and send it, and that people are generally happy with it. One size doesn't fit all: that would be the catch phrase for Canada Post. What works in Montreal is different from what works in Silton, Saskatchewan.

• (1805)

The Chair: Thank you.

Mr. Weir is next.

Mr. Erin Weir (Regina—Lewvan, NDP): As tempted as I am to speak in favour of your motion supporting the Roughriders, I'm going to turn this over to my colleague, Madam Trudel.

[Translation]

Ms. Karine Trudel (Jonquière, NDP): Thank you, Mr. Weir. Good afternoon, everyone.

Unlike my colleague, Mr. Blaney, I am very disappointed with your report. The document describes viable options. I understand that you carried out a financial analysis, but I was expecting to see more solutions. The preamble spends a lot of time on the Canada Post situation. However, I am under the impression that, after our tour, the same report will be submitted to the minister. I have a feeling that it's already done. The report comes to several conclusions instead of outlining potential solutions.

In your report, you mentioned a number of experts and researchers. A number of figures were also put forward. For example, on page 82, it is not explained where those figures come from. Who are the experts? Who carried out the studies? I would like to know what information was gathered through surveys. Earlier, you also said that you received a number of submissions. What I am asking for is that the task force make available to the parliamentary committee the information it used, so that the members can consult and review it before they draft their report.

You talked about Canada Post's financial situation. In 2011, when you conducted the financial analysis, you made no mention of the lockout. Why did you not mention it? That was a difficult year for Canada Post.

Much has been said about banking services. Canada Post actually carried out a study on the topic. As part of the committee's work, I have previously asked that the study be made public. It was made public, but it was censored. I think it would be relevant for us to also receive that document, as it contains useful information. If the banks have made \$135 billion in profits, there is surely some sort of availability in terms of that market.

You also talked about a number of solutions. Some potential solutions require an infrastructure investment. So I would like to know why you have already rejected the proposal of postal banking. Do you have with you a non-censored document on the study Canada Post carried out on postal banking?

Ms. Françoise Bertrand: I will answer and then yield the floor to my colleagues.

I want you to know, Ms. Trudel, that I understand your disappointment. I often joke that we would have liked to figure out the Caramilk secret. There are no easy solutions. We are presenting options. You will carry out consultations and choose the most meaningful ones. We still wanted to gather information, as that is our mandate, so that we can determine whether this is a serious issue that can be easily resolved or a deeper problem. As for the advent of digital technology and the way Canadians....

Ms. Karine Trudel: I apologize for interrupting you. I understand that. We have talked a lot about this problem.

Time is running out and I would like to get explanations on my two questions.

Ms. Françoise Bertrand: As for the question on the year 2011 and the lockout, we actually considered only the last five years. On average, Canada Post has not been profitable over that period. In 2014 and 2015, the slight profit made in terms of revenue had to do with the increase in the price of stamps, which went from 63¢ to 85¢. We know full well that, if the stamp price increases too quickly, even more market shares may be lost. So it's a very delicate issue.

As for the option of postal banking, I think we felt that it was extremely important to point out, for your consideration, the investments necessary for establishing a sustainable bank. In fact, as part of our mandate, there is no simple formula. That is why we talked about a post office that could double as a bank counter.

As for the documents you say you need, they have been transmitted to the department, and I think you could reach out to its representatives through the chair of the committee. We are not

authorized to make the documents public. That is not our responsibility.

• (1810)

[English]

The Chair: For clarification—and this won't cut into your time—any draft reports remain confidential. Of course, once reports are tabled in the House of Commons, they are certainly available to us, and to the general public as well.

There is about a minute and a half left.

Ms. McLaughlin, go ahead.

[Translation]

Ms. Marena McLaughlin (Member, Task Force on Canada Post Corporation): Ms. Trudel, I would also like to add that, when we carried out the consultations with Canadians, 99.1% of respondents said that they had a bank account, be it in caisses populaires or other financial institutions. When we checked with citizens and companies, only 7% of individuals and 11% of the industry said that they might use postal banking. Given that 99.1% of Canadians already have an account in a caisse or in a bank, the market is very limited. As Ms. Bertrand mentioned, we have to take into account changes to legislation, international trade, policies of the Office of the Superintendent of Financial Institutions, OSFI, and all relevant regulations. In addition, that would be bordering on a conflict with caisses populaires, which are often located in rural and remote regions. Money laundering also has to be prevented. Investments would have to be made in too many sectors.

In short, after considering the issue, we concluded that, in our opinion, that would not have been a viable operation. However, you feel that this is another story.

Ms. Françoise Bertrand: Experts have told us that, nowadays, that is an operation that involves a major risk a public institution cannot take.

[English]

The Chair: Thank you very much for that.

Monsieur Robillard, welcome back to our committee. You have seven minutes, please.

[Translation]

Mr. Yves Robillard (Marc-Aurèle-Fortin, Lib.): Thank you, Mr. Chair.

I want to thank all the witnesses for joining us today. Unlike my colleague, I want to congratulate you on the tremendous work you have accomplished. The task force's report covers a number of issues, but I find that the security of Canadians and Canada Post users has been overlooked.

In my riding, a number of constituents I represent here have told me about security issues related to community mailboxes. As Canada Post provides a service for the owners of 19,766 public mailboxes and the mailing of letters your document talks about in detail, what is your assessment of the designated locations' security?

Ms. Françoise Bertrand: Thank you for your question.

It is true that we have not had an in-depth look at the security issue. In the discussion groups we organized before the surveys, we were essentially told two things—first that, very often, print ads would end up on the ground around mailboxes and, second, that people were concerned about mail security.

However, when we asked Canadians and businesses questions, they recognized the reliability of the service. When we carried out a scientific survey, the matter of security did not seem to be a problem. We have noted that there may, however, still be some concerns and that is what Mr. Hopson referred to earlier. If we do not explain to you how that will be done, and if we do not provide you with the information on the goal of the exercise, there are bound to be some concerns. However, the majority of Canadians who have gone from having door-to-door delivery to mailbox delivery are currently satisfied with the service.

● (1815)

Mr. Yves Robillard: Before I move on to my second question, I would like to point out that I did the work in my riding and that people from Canada Post people even came to meet with me. Based on their answers, I saw that people were starting to identify dangerous road sections. For example, in a small street that leads to some parts of my riding, the speed is extreme. Canada Post was open-minded, and we managed to move two sets of mailboxes.

Ms. Françoise Bertrand: That is what the municipalities have told us. We met with associations that felt that they were not consulted sufficiently about the location of mailboxes. They wished Canada Post would consult them regarding the best locations. Some mailboxes would benefit from being more secure, be it in terms of road traffic or the prevention of mail theft.

Mr. Yves Robillard: Thank you.

My last question is about Canada Post's solvency. That is an important topic for all of us. The security of the service provided by Canada Post must not be a neglected priority. What can you tell us about ways to ensure users' security, despite the changes that could affect Canada Post?

Ms. Françoise Bertrand: Mr. Robillard, are you referring to security related to alternating delivery days or strictly to security related to mailboxes?

Mr. Yves Robillard: Both.

Ms. Françoise Bertrand: Our surveys have revealed that Canadians are extremely satisfied when it comes to that. There were no doubts expressed about Canada Post's ability to ensure the best possible service. As I said already, the reliability of delivery and the signature service contribute to the quality of Canada Post's service.

Moreover, many Canadians recognize that they are making little use and even decreasing their use of Canada Post's services. However, they still feel that the service they are provided with surpasses their expectations. The answers provided to the questions in the survey we conducted and those provided in the discussion groups we organized suggested that Canadians felt that they were not informed early enough, thus being deprived of an opportunity to speak out on the best ways to do things.

Mr. Yves Robillard: In a way, Canada Post is the face of the federal government in our communities. It is important for that service to be associated with a high level of trust. Beyond the initial assessment, what can you tell us about the response mechanism and its structure when a problematic situation is brought to Canada Post's attention?

Ms. Françoise Bertrand: People have indicated pretty clearly that they wished there had been more consultation, information and communication. They are not questioning the methods we have employed or the approaches we have adopted, but rather our ways of doing things. You will see in the options we are putting forward that we really stress the importance of a collaboration between the stakeholders. That must be done with a knowledge of causes and the sharing of information, as it is only together that we can find the best solutions. That is what we are advocating when we talk about realignment or transformation. That can't only be done on paper. Since you will undertake an extensive consultation, this will be a good aspect to consider in your process.

● (1820)

[English]

The Chair: Thank you very much.

We'll now go to five-minute rounds.

Our first intervenor is Mr. McCauley.

Mr. Kelly McCauley (Edmonton West, CPC): Welcome. Thanks for joining us today, everyone, except for Mr. Hopson, whose Roughriders beat the Eskimos in overtime Sunday. Thank you, and thank you for the team you brought with you.

Did you look at the the previous five-point plan that the Conference Board had helped develop for Canada Post? I wonder if you could just share your views on that. Is that a viable thing to go back to, considering everything that you've studied?

Ms. Françoise Bertrand: Thank you for the question. We had prepared for that one.

It was in our mandate to—

Mr. Kelly McCauley: The top one is the obvious one, the conversion, but what about the other items?

Ms. Françoise Bertrand: We were asked to look at past reviews and to look at what had happened. Definitely the five-point plan is a constructive approach to a situation.

When we say “in 2016”, it's not sufficient. It's interesting, but we have to adapt to where we are today.

Maybe I'll let my colleague Krys give you some more details.

Mr. Kelly McCauley: Madame, we're short on time, and I have one more question. Please go ahead, but please be brief, though.

Ms. Krystyna Hoeg (Member, Task Force on Canada Post Corporation): Just to reiterate what Françoise said, we did look at that.

It was a workable plan at the time. Times have changed. They change very quickly. Due to an increased need for consultation, particularly on the community mailboxes, the numbers changed somewhat, but directionally they were correct. Our paper basically took those facts and took them forward from a financial perspective.

Mr. Kelly McCauley: Perfect. Thank you. It sounds as though the five-point plan was generally a good step toward sustainability.

Not that I am advocating for it, but one of the items suggested to cover off the pension deficit was selling off assets such as Purolator. Did you look at that at all, or was that just not considered?

Ms. Françoise Bertrand: The pension—

Mr. Kelly McCauley: No, to cover off the deficit. Did you look at the sale of assets such as Purolator or other—

Ms. Françoise Bertrand: Krys will answer that one if you wish.

Ms. Krystyna Hoeg: Yes, we obviously spent a fair amount of time on the pension and the solvency deficit. We looked at the fixed assets and Purolator and drew no conclusion except for the fact that it is optional, to be reviewed. Certainly our recommendation is to look at further synergies with regard to Purolator, but there are any number of fixed assets that may be redundant and could be monetized to solve, or help solve, the deficit.

Mr. Kelly McCauley: Perfect.

On the long-term financials, I looked at Canada Post's revenue projection of 2026, and they expect, despite everything we know—I think you've even commented on it—an optimistic 10% increase in revenues. I don't see that happening.

Have you discussed, looked at, or studied what you think are their real revenue projections for 2026? I should just put everything to Ms Hoeg. The three of you are excused.

Ms. Krystyna Hoeg: We certainly did. EY did a very robust scrub of the numbers that Canada Post gave us, and it was under a status quo scenario. They thought the numbers within the projection period were reasonable and materially correct and directionally correct. However, any projection, as we know, particularly one going out to 10 years, is going to be, by its nature, inaccurate.

Mr. Kelly McCauley: Right.

The EY numbers of course show, as you've mentioned, status quo, as in no change in the community mailboxes. Did they do up another pro forma based on some of your suggestions about community mailboxes, synergies, etc.?

Ms. Krystyna Hoeg: Not within the outlook period, but clearly we had a look with EY as to sensible steps that could be taken, including some of the options that we are putting forward, and basically decided that they are probably insufficient on their face and that a much more aggressive transformation would be required in order to render Canada Post financially self-sustainable.

• (1825)

The Chair: Thank you very much.

[Translation]

Mr. Ayoub, you have five minutes. Please go ahead.

Mr. Ramez Ayoub (Thérèse-De Blainville, Lib.): Thank you, Mr. Chair.

I would like to thank the witnesses for being here today and for all their work on this file.

I am very pleased to see all the energy you have put into providing us with information. I am also very proud to be part of the committee that will travel across Canada and delve further into these issues with the public. I can tell you in passing that, more than two years ago, I witnessed the end of home mail delivery and the switch to the new mail boxes in the five affected cities in Canada.

You were appointed to your roles not because things were going smoothly but because we wanted to examine the situation thoroughly, and in particular because there was a crisis in confidence. What I witnessed was that, within a period of 24 or 48 hours, the municipalities were informed that community mail boxes would be installed and home mail delivery stopped.

I would like to get back to the issue of planning. The Internet, email and electronic money transfers using new technology have been around for a number of years and they are growing exponentially. The five-point action plan was developed a number of years ago. Why was this plan never implemented? What is your opinion of this action plan?

It was touched on briefly earlier. I am a bit concerned that this plan may not have been aggressive enough or adequate for 2016. It is fairly recent after all. It should have been implemented but the process was stopped.

I would like to hear your comments on that.

Ms. Françoise Bertrand: What you are saying is true. The Internet has been around for some time, but for all technologies, there are early adopters and users. At some point, a normal distribution is reached and a large number of people change their behaviour. That said, there are always some people who strongly resist change.

The same applies here. But that is where the trend becomes exponential. It is getting faster and faster. People are encouraged to use the Internet now. Companies are saying they will charge if postal services are used. There is truly a change in behaviour. Above all, the pace is accelerating. What seemed sufficient in order to adapt one year at a time is no longer sufficient. Some parts are still viable with modifications.

I will go back to your comment about cities. In downtown areas, it does not work. Moreover, we know full well that people always resist change. In order to successfully implement change, a lot of communication and information sharing are needed.

Mr. Ramez Ayoub: Information sharing and communication are what was lacking in this regard. The plan seemed to have been decided in advance. It was imposed, but it is not sufficient to meet the objectives. The goal was to become autonomous and to preserve Canada Post and its high-quality service.

Ms. Françoise Bertrand: We have no opinion on the measures taken, but Canadians addressed these matters in the discussion groups. Everyone will know, for example, that Canada Post's financial picture is not rosy. Yet it was by addressing this that we could explore the options. When we met with the discussion groups and even with the stakeholders, they said they wanted more. It was probably the municipalities that were most vocal in this regard.

Mr. Ramez Ayoub: We have to look at it from the municipalities' point of view. They were the first point of contact with respect to this interruption. It is normal for citizens to complain to their municipal council that they could no longer get their mail or that their post office was closing. In such cases, the municipalities are clearly at the front lines.

• (1830)

[English]

The Chair: That is it for now. Perhaps in the next round, Mr. Ayoub, you can continue.

We'll go to Mr. Blaney for five minutes.

[Translation]

Hon. Steven Blaney: Thank you very much, Mr. Chair.

I missed part of what my colleague from the NDP said, but I got the gist of it. Once again, I must say that the work done was excellent. It is essential for society as a whole to adapt to reality, to adjust its financial and technical resources, and to evolve. I believe this is the mandate given to our committee, but also to your task force.

[English]

Now that you've seen the brutal reality—and of course you've mentioned *le déficit de solvabilité*, the pension deficit—do you think you will reach your objective to come to the government with a viable solution, and more specifically, one that is financially self-sustaining?

Ms. Françoise Bertrand: As I've said—

[Translation]

Hon. Steven Blaney: Do you understand what I am saying?

Do you think that you will be able to find a solution to this, that you will be able to say that you have found the right formula and that there is in fact work to be done?

[English]

Ms. Françoise Bertrand: There is no secret to Caramilk. That's why we're bringing to your attention some options that can bring savings and a bit of revenue that could do the bridging necessary before going into a more in-depth realignment of the institution.

I think it's important for all to remember that Canadians don't want layoffs. They want the institution to remain a public service. They're satisfied, and they feel it's an important institution in Canada.

It is really a changing of the organization that has to be planned, in a sense, from what we've all gathered as information. It cannot be done overnight. There isn't one bullet that will do the job. Many actions have to be taken, some being short-term and others having a long-term view.

Hon. Steven Blaney: I didn't mention cutting jobs, but there is attrition and there are other mechanisms. Are you willing to explore these avenues?

Ms. Françoise Bertrand: Thank you for the question. My friend here is all prepared to answer, because it's an important one.

Ms. Marena McLaughlin : We did really look at that. When we say that 70% of the labour costs are fixed costs, there is very little room to manoeuvre, unless you do a complete change in the governance and the approach.

As far as the location is concerned, we're saying that the window is the perfect window. It's open right now. It's an opportunity for the union, the corporation, and the stakeholders to look at the whole situation. First, the population is 49 years old and up. They constitute 64% of the workforce. Another 4% are over 60 years old. When you look at the demographic of the workers, you see that almost 70% will be leaving in the next four to 10 years.

Hon. Steven Blaney: You're saying 70% of the workforce will be leaving—

Ms. Marena McLaughlin: That's over age 49 from today, 2016. There are 16,200-plus who are eligible in 2020.

Hon. Steven Blaney: That's huge.

Ms. Marena McLaughlin: It's huge, but it's huge in the right approach. Really, if everybody wants to work together, there is no reason to have work lost. It may be reductions of positions or it may be realignment, but it's actually a perfect opportunity to streamline and to protect the jobs of the employees who will be there.

Hon. Steven Blaney: I'm not an expert in work relations. Does Canada Post have the capability to reduce its workforce, or does it have to go through some negotiation with workers?

Ms. Marena McLaughlin: You know collective agreements; there are always some stipulations and some restrictions. Canada Post has a no-layoff clause in its collective agreement.

• (1835)

Hon. Steven Blaney: What?

Ms. Marena McLaughlin: The clause says no layoff after five years of work.

Hon. Steven Blaney: What about replacement? You say 70% could leave. Is there any obligation for Canada Post to fill some or all of those positions?

Ms. Marena McLaughlin: In some ways, yes, because you cannot move workers beyond 40 kilometres of their work location.

Hon. Steven Blaney: It seems to me that it's viable, workable. Thank you for the answer.

The Chair: Perhaps you can continue that stream of questioning at the next round.

We'll go to Madam Shanahan, please, for five minutes.

Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.): Thank you very much, Chair.

Thank you very much to the panel for a very exhaustive report. I'm struck by the mandate you had from the minister. You were tasked with looking at how Canada Post Corporation can provide quality services to Canadians at a reasonable price. I think you looked at all the possible options in a very quantitative and robust way, but therein lies the rub because, of course, what is the mandate of Canada Post? It is a mandate to provide a universal service, so there are built-in constraints that no private business would have. I'm sure that was striking you as you were going through that study.

In brief, Canada Post started as a service department of the government. It was fully paid for because it was recognized as being a service that all Canadians needed, and it was a nation-building service that could contact every citizen and provide facility of communication and trade. It was changed to a crown corporation in 1981, but even then it was lopsided, with the pension still being part of the public service.

I can just imagine how awkward it was to manage that during that time, but we had a huge lettermail volume, so it masked the problem. However, any real business has to be nimble in reacting to a changing business environment. What we've had with email and so on is basically an Uberization of Canada Post. I really want to put that out there.

Knowing that is really the current mandate of Canada Post, even if you were to apply all the seven cost-cutting measures, is that enough to save Canada Post?

Ms. Françoise Bertrand: No. That's why we've said there are short- and mid-term options that can bring savings and some revenues. From our perspective and from the facts we've gathered, mid- and long-term a realignment has to be prepared because it went from mail to parcels, so the universal service obligation and the rural moratorium cannot be defined exactly as they used to be. The operations ought to be reconsidered altogether.

Mrs. Brenda Shanahan: If we are to say the crown corporation idea has to be sustainable, with the mandate you had—

Ms. Françoise Bertrand: Of course, it's our mandate. Yours might be another way of looking at it.

Mrs. Brenda Shanahan: There you have it, because really it all comes down to the mandate.

Thank you for doing that extensive polling. I was struck by the satisfaction that Canadians expressed, and the value they place on the reliability. That's what my colleague was talking about: the importance of security and knowing that you're going to get your mail, and how much they appreciate Canada Post.

You alluded before to the in-depth realignment of the services, and so on. How much are Canadians prepared to pay? I'm asking because of course this comes at a cost for Canada Post. Did you get that...?

• (1840)

Ms. Françoise Bertrand: They're not ready to pay; that was clear in the polls.

When you come with a price, when we looked at different alternatives, half of Canadians knew about the financial situation, but when we brought everybody to the same level and we asked if they

were prepared for this or that, they were quite strong in saying they were not prepared to pay for it.

Price sensitivity is important. There is the sensitivity of paying for somebody else, given that they're already paying a higher price for a stamp and they pay for their parcels as well, so already...

Then when we talked about a subsidy, because we presented it as an alternative, some people didn't always realize that "subsidy" may mean taxpayers' money, and they were not favourable to that idea.

Mrs. Brenda Shanahan: There's a price sensitivity at the counter.

The Chair: Thank you very much.

We'll go to our last three-minute intervention of the first round. We should have enough time for another complete round.

Go ahead, Mr. Weir, for three minutes.

Mr. Erin Weir: Thank you, Mr. Chair.

An issue that's come up and that I think your task force has been seized with is this solvency deficit in Canada Post's pension plan. Of course, that's based on some fairly extreme assumptions of winding up the pension and having to pay out all the benefit obligations at once. It seems to me that Canada Post is part of the federal government, and it's going to have employees in the future contributing to the pension plan, so I wonder if solvency valuation is an inappropriate metric and if it might make more sense to look at things on a going concern basis.

Ms. Françoise Bertrand: Canada Post is a crown corporation, and being a crown corporation it has the same obligations as any other crown corporation. VIA Rail and CBC have the same kind of framework. The solvency issue is the responsibility of all crown corporations.

What makes it so huge, I'd say, is the number. It's a huge institution, and we all know we live longer than we used to, so it really adds up.

The second thing is that the interest rate has brought the solvency to a higher level.

Mr. Erin Weir: No, I understand that, and I understand, as you say, that the current legislation would require Canada Post to meet that solvency test. However, we're talking about the future of Canada Post and possible changes to the legislative regime governance.

What I'm asking is from more of a policy perspective. Does it make sense to hold Canada Post to a solvency valuation, or might it be more appropriate to focus on the going concern basis?

Ms. Françoise Bertrand: My friend here can take the question. We've offered a few options to address the solvency issue, but it requires change, such as a regulatory one.

Ms. Krystyna Hoeg: I believe your question is about whether the solvency test is an appropriate measure. Certainly one could argue the pros and the cons of that.

One of the things we were struck with is that Canada Post Corporation, besides being a crown corporation, competes in the private sector. The private sector looks carefully to ensure that it's a level playing field that Canada Post plays on. They certainly did tell us in our stakeholder engagements that they would take a dim view if Canada Post was let off the hook with regard to solvency measures, when that's the standard all other corporations are held to.

The Chair: We'll go now to the start of a new round. This will be a seven-minute round.

Go ahead, Madame Ratansi.

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you, all. You come with a strong business background, and I appreciate the work you have done.

I'd like to note that we are going to be doing consultation. Your role, as you noted, was not to conduct any public consultations, but rather to have the engagement of stakeholders.

As you engaged with stakeholders, you also used EKOS for your consultation. Is it possible to get the raw data that you received from them? Is it fair to share it with us? We will be doing the same thing, but we need to ensure that we enhance our research with what you probably received in raw data. Is it possible?

Ms. Françoise Bertrand: It is to be shared first with the department, and then it is for the department to decide how to share. For us, what we had to make public through the department was the discussion paper.

• (1845)

Ms. Yasmin Ratansi: Fair enough.

Mr. Chair, could we take that up? I don't want to spend my minutes on it, but we'll discuss it later.

The Chair: We can make a request, Madame Ratansi.

Ms. Yasmin Ratansi: Under Canada Post's charter, it's mandated to provide postal service to Canadians. I'm trying to figure out how you see this mandate being fulfilled, because you note in your report that a 90-plus percentage are satisfied with Canada Post. Canada Post is a symbol they have come to adore.

You say in your statement that Canadians are overserved by Canada Post. Could you explain what you meant by that?

Ms. Marena McLaughlin: You're looking to see if 99% are satisfied with Canada Post.

Ms. Yasmin Ratansi: No. In your report you were saying 90% of Canadians are satisfied with Canada Post. Also, your report—or your discussion paper, really, since we're using it as a discussion paper—refers to Canadians being overserved by Canada Post. What does that mean?

Mr. Jim Hopson: What we heard was, as you said, they're overwhelmingly satisfied with Canada Post, but they told us that they could see themselves being happy with less than five-day-a-week delivery, that they could accept alternate-day delivery as a viable option, especially when it was held up against price increases. Price sensitivity was really an issue. They would prefer to look at things like delivery every second day and that sort of thing.

I think those are the kinds of options that need to be put on the table and discussed with Canadians. Also, we found as we surveyed that most people were quite happy with community mailboxes. We've heard a lot of talk about the need for door-to-door delivery, but when you look at the numbers, the reality is that most people in Canada are not getting door-to-door delivery. They're getting it through community mailboxes, through post offices, through apartment lobbies, and so on.

When you talk to people, the consensus now is somewhat different from the initial impressions.

Ms. Yasmin Ratansi: If I understand you correctly, by “overserved” you meant they didn't mind some service cuts. Okay, fair enough.

Mr. Jim Hopson: The one exception was parcels. They really want parcels to be timely and reliable and cost-effective as well.

Ms. Yasmin Ratansi: Consider an 85¢ stamp versus a \$5 coffee. Let's be realistic: if we want service, we pay for it.

I was a little taken aback by the Canada Post Corporation's press release after your task force report that says that your report or your discussion paper validates their five-point plan.

Did you look at the five-point plan, and is this statement that they have made a truism or is it just a position? I am asking because we have to keep an open mind. We're here to discuss.

Ms. Krystyna Hoeg: Absolutely.

As discussed previously during this meeting, we had a look at the five-point plan. It was a good plan at that point in time. It wasn't fully actioned, but it's even at the root of many of our recommendations. To say that it was validated is probably correct, but it simply wasn't enough and it isn't enough today.

Ms. Yasmin Ratansi: Fair enough.

Mr. Hopson, your resumé says that you teach leadership, you do team building, you manage change. Canada Post—we've not discussed this—is in the business of logistics. Think about it. They have excellent logistics. Has anybody reviewed that option? The five options or the six options you have given do not look at that venture. Could you give me some insight?

Mr. Jim Hopson: I'm not sure I fully understand the question in terms of logistics.

Ms. Yasmin Ratansi: Logistics is the business of delivering mail, having a network of services. In that network of services, there's so much potential. There is potential for innovation, etc. In your managing change, did you look at how this expertise in logistics could be utilized in a different channel to make the corporation more profitable?

Someone in your group can answer that.

•(1850)

Mr. Jim Hopson: We looked at several options that were there. We talked about things that could be done in terms of streamlining. I think what you're referring to is that they have this tremendous network right across Canada. They have a large, motivated group of more than 50,000 employees. When we talk about that as we go forward, that's where the transformation comes in. In order for transformation to occur, it needs all people working together with a common vision, common goal, and common values.

I think that idea really needs to be part of this as we go forward. It can't be business as usual, business as we've seen in the past. We can't continue to do things in the same way in the same time frames and so on. We are talking about a buy-in by a large number of stakeholders: the Canada Post Corporation, the government, the employees themselves, and the users. They all have to be on one page as we go forward to make this thing sustainable.

The Chair: You're done.

Ms. Yasmin Ratansi: I'm done? My seven minutes are done?

The Chair: Seven minutes goes by very quickly, doesn't it?

[*Translation*]

Mr. Blaney, you have the floor and you have seven minutes.

Hon. Steven Blaney: Thank you, Mr. Chair.

I would like once again to thank the witnesses who are with us today.

Ms. Bertrand, there was a part of your report that I liked. Representatives spoke to me about establishing a postal banking service. You have examined this possibility and it is clear from your conclusions that this is not necessarily a desirable or viable option. That is clear and it provides a certain framework. The comments about this are useful. We have a bit of time and I would ask you for some brief comments.

What I liked about your report is that you make a distinction between a letter that someone is expecting once per week, and packages that people want every day. There is competition. It is as though Canada Post's exit door, which is parcel delivery, is closing again due to competition and because Canada Post's costs are higher. I would say it is almost a catch-22.

I would also like to thank you for helping me to understand this evening that it is one size fits all. Canada Post is essentially a service that delivers various things and people are happy with it. I understood that. People are willing to receive their mail less often but want to receive their packages more often. How can all that be done while dealing with the \$5-billion deficit? That is my question for you.

Mrs. Françoise Bertrand: We have not studied how it will be done at the operational level. We leave that up to the experts. It will eventually be up to Canada Post to determine that.

The issue for us is the following. Mail and parcels are currently delivered through the same system. Your colleague was correct in referring to logistics. It is very interesting. Canada Post has a tremendous amount of data, but other players in the sector also have data. So there is a lot of competition.

The only unique thing that Canada Post can offer right now with its employees, apart from last-mile service, is that it has a privilege or a monopoly. It is in competition with Uber, Amazon and everything that the other players can offer. We have to take advantage of attrition to become smarter in order to find a solution to the pension deficit and produce change.

Hon. Steven Blaney: Will you recommend, for instance, that—

Mrs. Françoise Bertrand: We are not recommending anything.

Hon. Steven Blaney: No?

There will surely be recommendations in your second report though.

Would you consider having a separate system for mail and package delivery? Based on the avenues you are considering to achieve profitability, would that be a viable solution?

Mrs. Françoise Bertrand: Absolutely.

That is an avenue that will have to be examined with a view to a future realignment. If the government wants that, it is certainly one of the options to consider. That is why we talked about a change in governance and the possibility of regulations. In other sectors, in Canada and elsewhere, when regulations are done in a smart way, that is, by setting out the broad principles without getting into too much detail, it gives all stakeholders the opportunity to share their views and expertise. It also allows for an independent and impartial party to implement the government's policies.

Hon. Steven Blaney: I represent a rural region. It would be helpful if I could prove to my rural constituents that it would cost less to offer improved service, for example, by offering postal service at a corner store that would be open more often, thereby reducing service delivery costs and improving service. As a politician, I am willing to tell the people in the 30 municipalities in my riding of Bellechasse—Les Etchemins—Lévis that, even if there is no longer a small building with a Canadian flag, the service level will be better. I think we will have to have that conversation.

I would like to get back to how we conduct our consultations. You have provided some information, and I appreciate that. We have to inform people. We have to raise awareness among Canadians, together with Canada Post workers and the government. I think that is an important part of your mission. Without a doubt, I would tell you to be bold in your recommendations.

•(1855)

Mrs. Françoise Bertrand: At this stage, however, our role is to provide information so you can conduct a consultation with as much information as possible. We are not making any recommendations right now. We are presenting options.

Hon. Steven Blaney: I see.

[*English*]

Maybe I will address the question to Ms. Hoeg, who seems to like numbers, especially red numbers.

Ms. Krystyna Hoeg: Oh, she loves numbers.

Hon. Steven Blaney: Well, it seems that Canada Post... Page 63 of the report is the most scary for me. I have the French version, but basically it says that if we don't make a change, we will hit a wall. It is the last paragraph of section 6.5, the section on the long-term viability of Canada Post.

Although you are not making recommendations tonight, can you tell us how you think we can solve this? We say Canada Post is profitable, but we know the government has kind of given them a holiday on the pension, so it is not a real profit—it is just that we are less in the hole than we thought we were. How can it be shared with Canadians so that they understand what the reality is, because they are the ones who have to pay in the end?

The Chair: Ms. Hoeg, I am very sorry to do this, but in the interest of time, perhaps you can hold your remarks and your answers to Mr. Blaney's intervention until the next round.

Thank you very much.

We will now go to Mr. Weir for seven minutes, please.

Mr. Erin Weir: Thanks very much.

I would like to return briefly to the solvency evaluation issue and say that there is a big difference between considering that as a real thing that Canada Post needs to deal with and considering it as a kind of handicap that is applied to Canada Post to satisfy its private sector competitors.

Moving on to another issue, I want to return to the point about Canada Post having imposed a loss on itself in 2011 by locking out its employees. The response I heard was that it is part of an average, but I see 2011 as having really dragged down that five-year average that your task force considered.

The other response you presented was that perhaps some of the profit in 2014 was one-time revenue from increasing stamp prices. You note that point very clearly in your report. I am struck by the fact that your report doesn't mention the lockout at all in presenting the 2011 figure. I wonder if you might address that.

Ms. Françoise Bertrand: What happened in 2011.... It has moved on since then. We looked at the five years. We say it is on average a period of no profit. The 2014-15 period is healthier, but it is healthier because of an increase that brought \$200 million to the table. Our consideration is that we cannot go on regularly increasing the stamp prices.

● (1900)

Mr. Erin Weir: You could have looked at four years, or you could have looked at ten years, so I think it is worth noting that there was an exceptional reason for the loss in 2011 that weighs pretty heavily on the average. I guess that is the point I am looking for some acknowledgement of.

Ms. Krystyna Hoeg: I won't dispute that it will skew the five-year average, but in reality we looked at each of those years individually. The results were that three of the years basically ran deficits. Not until the exceptional price increase kicked in did that change. Although you are mathematically correct, we looked at each year on its own merits and did not dwell on that one-off.

Mr. Erin Weir: Sure.

Your task force is relatively pessimistic about the prospects for postal banking, but it seems to me that you have presented a critique of what we might call full postal banking and you acknowledge that there might be potential for Canada Post to collaborate in quite effective ways with banks or credit unions. I wonder if you could speak a little on that. Do you consider that to be a positive option now for the corporation?

Ms. Krystyna Hoeg: Certainly we heard from the credit unions that service the more rural areas, and they were not looking for more competition, especially from Canada Post.

Mr. Erin Weir: No, I am talking about the possibility of Canada Post having a partnership with credit unions in those remote areas.

Ms. Krystyna Hoeg: That's part of the option.

What we concluded was that banking today is really risk management and it is not the forte of Canada Post. When we examined the hub concept, it was from a hosting perspective to meet a certain need—not only to maintain a postal presence, but to utilize that presence in the most effective way. One of the ways of doing that would be to host a conglomerate of banks, should they wish to do that.

Mr. Erin Weir: In terms of the potential market for postal banking, I believe you suggested it's quite limited because there are very few Canadians who currently don't have a bank account.

The table on page 38 of your report suggests that if Canada Post were to open a full service bank, 7% of Canadians would certainly use it and 22% would probably use it. If half of the probables actually did use it, you're looking at maybe 20% of Canadians using the postal bank.

Wouldn't that be a fairly big customer base, and comparable to the big banks that are already established?

Ms. Krystyna Hoeg: Our mandate was basically to look at financial self-sustainability. The benefits would be greatly outweighed by the costs of doing that, and we just didn't see it as a viable solution.

Mr. Erin Weir: What's your sense of Canada Post's success, or perhaps lack of success, in selling financial services right now? I'm thinking about things like money orders. There already are some financial services available through post offices.

Ms. Krystyna Hoeg: To the best of my knowledge, they do a decent job, but it's a very small portion of their profits and most Canadians look for those solutions elsewhere.

Mr. Erin Weir: Okay.

Ms. Françoise Bertrand: It's not risk management as much.

On the 7%, it's important to understand with this table that the percentage is of people who thought it was a good idea. We pushed to a subsequent question: would you use it? It's not 7% of all Canadians per se—

Mr. Erin Weir: Okay. Still, I think it's a big chunk of the population.

Ms. Françoise Bertrand: In the focus group, as you'll see when you do the consultation, people mentioned that it might be interesting, although they felt there would have to be higher interest rates for... There were elements that they felt Canada Post, helped by the government, would bring to them, which would make it more interesting than what is offered by the banks or the credit unions or Desjardins.

Mr. Erin Weir: Sure—

Ms. Françoise Bertrand: Then it's more money; it's not as profitable.

Mr. Erin Weir: Right. I take your point.

Your task force seems very keen on the idea of more franchising. I wonder if you might be able to speak about some of the potential disadvantages or pitfalls of franchising.

• (1905)

Ms. Françoise Bertrand: The advantages are clear. Because of the rural moratorium that describes some localities and communities that are no longer rural, we say it's probably time to redefine. We were told by Canadians that they liked the idea of franchises because they have longer hours.

Mr. Erin Weir: Sorry, but given limited time, what I was asking was for you to identify some of the disadvantages. I think the report is fairly extensive on the advantages.

The Chair: Mr. Weir, you will have one more three-minute intervention, and perhaps you can bring the disadvantages up at that time.

We move on now to Mr. Whalen for seven minutes.

[Translation]

Mr. Nick Whalen (St. John's East, Lib.): Thank you very much, Mr. Chair.

I would like to thank everyone for their excellent work. I would simply say that I agree with Mr. Blaney as to the financial rigour of this report. I also agree with what Ms. Trudel said about being a bit disappointed that the task force did not have a broader mandate.

[English]

As a task force, what was the most limiting part about the terms of reference that were presented to you?

Ms. Françoise Bertrand: That's an interesting question.

I guess it was the four months. We would have liked to enjoy the summer. We worked very hard to be able to produce a discussion paper of quality to bring to your attention. Other than that, we felt we had everything we needed in order to poll Canadians, meet the stakeholders, and subcontract the expertise of EY and Oliver Wyman so that they could come to the table.

The four of us, as I said in the preamble, have different experience. We come from different provinces. We are all over 60—very young still, but with lots of experience. We felt that we were independent enough to do what ought to be done, given that we were looking to find ways for an important institution to be sustainable—not only financially sustainable, but sustainable.

Mr. Nick Whalen: Okay. Sustainability was the focus and the goal. I look at that, perhaps, as also the restraint.

When you look at the nature of Canada Post over many decades and not just back to 1981, you see that it provided a service to Canadians. It was part of a nation-building exercise. It brought the world to Canadians who live in all corners of the country.

The world no longer comes to Canadians by mail, but it comes in many ways that don't make it to all the corners of our country. Certainly in rural parts of my riding, access to Internet and access to banking are limited. When people move out of rural towns, it's because the services they need to engage in the modern world simply aren't there. Isn't that possibly part of Canada Post's role?

You say you weren't constrained, but if you focused purely on the financial sustainability, maybe that was what constrained you, because if you had looked at the role of Canada Post in bringing the world to all corners of Canada, you would not be able to ignore the fact that it might actually, in today's day and age, cost some more money, and that maybe a subsidy for rural service might be something that needs to be canvassed.

What did you find from your survey of Canadians about their appetite for a subsidy for the service?

Ms. Françoise Bertrand: It wasn't in the mandate at all. It was with no subsidy. It was to be self-sustainable.

Mr. Nick Whalen: Okay.

Ms. Françoise Bertrand: It's interesting, because at the same time, when we described the hub situation, what we had in mind was to bring to the community, where it's really needed, the kind of services beyond what is already Canada Post—not necessarily through workers of Canada Post, but to offer the facilities of Canada Post post offices. In the cities it hasn't—

Mr. Nick Whalen: Thank you. With seven minutes, I want to get on to the next point, so “yes” is fine.

Were there any other aspects of the service charter, beyond daily delivery and the proximity of the service, that you felt should be re-examined, or is that really the primary one of the two?

Ms. Françoise Bertrand: There was the length of time it takes for delivery to reach both the city and the rural areas. Many Canadians told us they could live with a birthday card taking longer to reach them, except that when they're waiting for a cheque, they want it as soon as possible. Then you send it by Internet.

• (1910)

Mr. Nick Whalen: Okay, perfect, and you mentioned parcel delivery as well.

When we talk about labour costs, are you including management-side labour costs in those numbers as well? Just give a yes or no on that, because I want to follow up.

Ms. Marena McLaughlin: Okay.

No. We talk about the employee as a fixed cost.

Mr. Nick Whalen: Okay, perfect. Thank you.

What are the management-side labour costs of Canada Post, then? Just give the number, please. How many billions, or how many hundreds of millions?

Ms. Françoise Bertrand: It's there.

Mr. Nick Whalen: I had a difficult time finding it, which is why I'm asking the question.

Ms. Françoise Bertrand: We'll get back to you with an answer.

Mr. Nick Whalen: In your discussion of reorganization and governance changes within Canada Post, how much do you think the corporation might be able to save by reducing the 5% of employees who are management? This isn't supervised managers, either; this is executive-level managers. It's 5%. It seems quite high.

Ms. Françoise Bertrand: We didn't look specifically at whether it could be reorganized. We didn't compare with other organizations, so we cannot—

Mr. Nick Whalen: A lot of work was done on reducing unionized labour costs. A lot of effort was put into that, and many recommendations. Where are the recommendations around reducing the cost of management-side labour?

Ms. Françoise Bertrand: From what we've studied already, action has been taken in reducing some of the numbers, and also some of the benefits. For example, many have switched to contributions rather than a defined benefit pension plan.

Already some changes have occurred. Can more occur? Probably, but—

Mr. Nick Whalen: Okay.

We talk about reducing the size of the workforce in Canada Post, but many millennials look at their retiring grandparents and see jobs at organizations like Canada Post as a source of good long-term, middle-class jobs. Eliminating those jobs from the workforce is certainly quite depressing for a new generation of people who have looked to those organizations as possible sources of employment.

When our committee with a broader mandate looks at this, not restrained by maybe some of the questions you had focused on, what would you recommend that we could look at that you felt that you were unable to look at? I ask because our committee is not constrained by the mandate that you were presented with.

The Chair: Please answer quickly, if possible. If not, we'll move on and try to get an answer a little later.

Ms. Françoise Bertrand: In the realignment, we think attrition is a crossroad moment for Canada Post to make sure that the jobs that are there will be there for the long term. These jobs probably ought to be with added value. Maybe they are jobs with much more of the logistics that the vice-chair was talking about earlier on.

It's not a matter of no more jobs. We went from 60,000 to 50,000; maybe at some point we'll have a third less. The value of those jobs, in terms of the task itself and what it will require, will require more training and better value. This is like any organization. It has happened in banks and it has happened in government. It's happening everywhere.

The Chair: Thank you so much.

We'll go now to five-minute rounds.

Go ahead, Mr. McCauley, please.

Mr. Kelly McCauley: Ms. Hoeg, I don't know if you want to take the opportunity to answer Mr. Blaney's question briefly.

Ms. Krystyna Hoeg: I believe the question was basically on long-term financial self-sustainability. Certainly we have put forth a number of options for consideration. They have a sensible amount of cost-cutting and financial benefit to them and they should be considered.

Over the long haul, the real problem is that Canada Post has a dual mandate. It has its social policy, its universal obligation mandate, and it has its corporate mandate right now within the parcel area. Within that space, as we look at digitalization and what is going to happen, while the monopoly side goes down and the competitive side goes up through parcels, Canada Post will be competing in the real world.

Based on the projections we looked at, under a reasonable status quo perspective the revenues simply will not outpace the costs. Ultimately you end up with a financially unsustainable position. This is why we concluded that by 2026-ish we would be looking at sizable losses.

●(1915)

Mr. Kelly McCauley: Excellent. That was well explained.

I think you answered this question when responding to Ms. Shanahan, but did I understand correctly that there was no appetite shown for higher taxes to support the current model? Is that correct, or was it just that there wasn't an appetite for higher stamp prices, or did the same kind of feedback come for both?

Ms. Françoise Bertrand: The increase in the price of stamps is not acceptable. A little indexation is not noticeable, but when you go from 63 to 85 cents, that is really where the problem lies. If you forget about that and you talk about a subsidy, it's important for people to understand that means their taxes. People didn't want that either.

Mr. Kelly McCauley: Perfect.

I have a last quick question. You talked a lot about community mailboxes, and it almost looks practical that we're going to go down that path again. What do we have to do to engage municipalities and get them back on board? We've seen everything from crazy mayors destroying...

Ms. Françoise Bertrand: Frankly, the more it is planned with the communities involved, the better the situation will be. What we have observed and been told is that there was, for the most part, no real consultation—

Mr. Kelly McCauley: If we do proper consultation and planning, do you get a sense that the municipalities will come on board?

Ms. Françoise Bertrand: Well, some will not when it touches the downtown—Toronto, Montreal, Vancouver don't want it downtown. It is not because they're against it; it's just not practical. They don't have the space.

Mr. Kelly McCauley: Yes.

Ms. Françoise Bertrand: In the suburbs, it can be easily planned if there is consultation.

Mr. Kelly McCauley: Luckily, downtown is mostly apartment buildings where—

Ms. Françoise Bertrand: Yes, so that's why we removed 800,000 doors that were touched by that option from our calculation.

Mr. Kelly McCauley: Right.

Do I have any time? No.

The Chair: Madam Ratansi, I believe you and Monsieur Drouin are sharing a five-minute intervention.

Ms. Yasmin Ratansi: Yes, we are. Thank you.

I'd like to follow up on what Mr. Whalen asked. He asked you about the labour cost of operations. It says in the revenue area that the cost of operations is \$6.2 billion. That, you say, does not include executive salaries. If it doesn't, from an accounting perspective, how do you then come up with a profit or loss before tax? I need to understand this.

Ms. Krystyna Hoeg: Yes, it is included in the costs.

Ms. Yasmin Ratansi: It is.

Ms. Krystyna Hoeg: It is.

If I could elaborate, EY did a review of the management costs that we were privileged to look at. Over the course of time, as the head count has gone down for the unionized staff, so have management numbers as well. They also, management, applied direct contribution to new hires, as opposed to a benefit pension plan. The benchmark will show that their costs were in line directionally with similar corporations.

Ms. Yasmin Ratansi: That's not my question here. We're talking about the sustainability of Canada Post, which is a national symbol. I think we need to have a frank discussion about losing a labour force through attrition or whatever, or through change or streamlining of the process. What is this \$2.3 billion in unallocated costs? Is it the cost of management salaries and contractual obligations?

Ms. Krystyna Hoeg: It basically is the network costs that are common across all the lines of business that are not allocated. A small portion of that will be management costs.

Ms. Yasmin Ratansi: You don't know what percentage of it?

Ms. Krystyna Hoeg: We did have a look at it. I can't tell you at the top of my head.

Ms. Yasmin Ratansi: Okay, because if I do the calculations as an accountant and say 70% of \$6.2 billion and then deduct the 64,000

or 61,000 people and then start looking at it, and then I look at labour costs and that comes to \$3.5 billion, then the rest is left as a guesstimate. To get rid of the guesstimate and to ensure that we are logically looking at savings, we need to be balanced. That's my major concern.

• (1920)

Ms. Françoise Bertrand: Madam Vice-Chair, please allow me. Out of \$4.4 billion labour costs, \$650 million is management, overhead, and back office.

Ms. Yasmin Ratansi: Okay. Fair enough.

The Chair: Mr. Drouin, Madam Ratansi asked for two minutes for you, and you have two minutes left of this one.

Mr. Francis Drouin: Thank you.

My question relates to admail and the assumptions that the task force has made. I am assuming that you come to these assumptions based on your conversations with Canada Post about the decline of admail.

Unless Canada Post finds a way to provide every household a civic address, I don't see the decline in admail going much down in the next 10 or 15 or 20 years. It's the only way that Canadians or businesses rely on to send information to their potential customers. I'm just wondering how you came to those assumptions.

Ms. Françoise Bertrand: There are two different issues. There's the address one and the neighbourhood. The neighbourhood we know: no flyers, no nothing. It will go down because eventually cost-benefit analysis by businesses will bring them to make more use of the digital approach. Also, the green trend that we are observing might accelerate that phenomenon.

The address thing remains. For example, your credit card comes to your address. It could be all kinds of things. Reliability is very important, but again, we see that in the digital world more and more. There are solutions being brought that can deliver the service without really going through the mail itself. You can do it digitally.

We're not saying—

Mr. Francis Drouin: That only answers for a segment of the market. I mean, not all seniors are online. Are we not going to be communicating to those seniors in the future?

Ms. Françoise Bertrand: It's interesting. The seniors are online much more than you seem to think. That was our surprise in the polls—

Mr. Francis Drouin: But in rural Canada in some places they don't have access to the Internet.

The Chair: That's your time, Mr. Drouin.

Ms. Françoise Bertrand: It's the access and the broadband that is the problem. It's not that they don't want to be there.

The Chair: Unfortunately, we'll have to leave it at that.

Next we have Monsieur Blaney or Mr. McCauley for five minutes.
[*Translation*]

Hon. Steven Blaney: Thank you very much, Mr. Chair.

Ms. Bertrand, these are the final opportunities to speak so I would like thank you, on behalf of the official opposition, for your excellent work.

As you know, we are preparing to hold consultations next week. Could you tell us about your group's next steps until you produce your final report? What is your schedule?

Ms. Françoise Bertrand: Under the contract, our first responsibility is to provide you with a report. We are prepared to come back to the committee during or after your consultations. We remain available.

Hon. Steven Blaney: I'm sorry but my time is almost up.

Ms. Françoise Bertrand: If you need us, we are available. We have nothing to do other than what you ask of us.

Hon. Steven Blaney: Okay.

I thought you were going to draw on our report, but instead we will be drawing on yours in order to make recommendations.

I am turning the tables a bit because I wanted to suggest that you make bold recommendations when that is actually the committee's job.

Ms. Françoise Bertrand: That is your job and we really appreciate what a big responsibility it is. Should you need additional details, rest assured that we can provide everything you need in view of the big job you have to do.

Hon. Steven Blaney: Thank you.

Yes, the committee will play a big role in this.

You have presented avenues to be considered, but you have not made any recommendations. I know that it is the committee's job, but we would have been very interested to see what recommendations you might make. That is not how the minister wanted it to work though. Very well.

• (1925)

[*English*]

I'm going to turn this over to my colleague, but before that, I want to share with you that we've had Canada Post in and we've asked them about the five-year plan. This plan was stopped when the new government came in.

In their estimation, the fact that they've stopped the five-year plan is a cost of half a billion dollars for taxpayers. Certainly there is a cost to doing nothing or to not taking the bull by the horns. Is that correct?

A voice: Correct.

Hon. Steven Blaney: Thank you.

With that, do you have some comments, Kelly? I will share my time with Kelly.

Mr. Kelly McCauley: Getting back to Purolator, we know that it's going to be growing and getting a larger percentage of the profits and

sales, etc., of Canada Post. In the projections, I think it's almost doubling by 2026.

Did you get an impression when dealing with Canada Post that they're ready for this, knowing what we're seeing with various disrupters in the business force? We're seeing stuff like auto-drive cars. We could have Amazon, which is playing with drones. Did you get a sense that Canada Post or the Purolator folks are preparing for any of this, or will we be dealing five years from now with another catastrophe?

Ms. Françoise Bertrand: Yes, they're taking action every day, but they're an institution that has a tradition, and that has a weight in itself, and unless all the stakeholders that decide on the direction are around the table, to change and bring about change—

Mr. Kelly McCauley: Unfortunately, I think you've answered my question.

That's all I have. Again, thank you very much. It has been very enjoyable.

Next time, Mr. Hopson, it's the Edmonton Eskimos.

The Chair: Thank you.

We'll go to Monsieur Ayoub, please, for five minutes.

[*Translation*]

Mr. Ramez Ayoub: Thank you, Mr. Chair.

It is always interesting to learn what the committee's mandate is at committee meetings, but that is another matter.

I am interested in the international aspect of the report. It is difficult to make comparisons with other countries. Did you find enough information? Who made the comparisons? Was it Ernst and Young?

Ms. Françoise Bertrand: It was Oliver Wyman.

Mr. Ramez Ayoub: Thank you for that information.

I would like to hear more about the international aspect. Have other countries had similar experiences? The whole world is digital now. I know Canada is different because of its large expanse and its rural communities, but are there other factors that could have been considered?

Ms. Françoise Bertrand: We found that the realities are very different.

Consider Denmark, for example, which has completely dropped this service and has gone fully digital. Its population occupies a small land area. The country was therefore able to make certain changes, but they cannot be implemented in Canada because of our huge land area and small population, except of course for the 80% of the population that is concentrated along the U.S. border.

Mr. Ramez Ayoub: Do you wish you had had more time to elaborate or dig deeper to find similar approaches around the world?

Ms. Françoise Bertrand: Based on what was provided to us, and I think we explored the subject thoroughly, there was no reason to recommend one avenue over another. None of the approaches could be applied in the same way because each country has its own specific features.

Consider postal banking, for instance. If that had been proposed under other circumstances and our country had not been recognized for the past eight years as having the best banking system in the world, there would have been other things to consider. In short, this difference was clear to us.

Mr. Ramez Ayoub: We are talking about a universal service that is essential. After having delved into the matter for four months, what is your opinion of the essential service that Canada Post provides?

Ms. Françoise Bertrand: In our opinion, there should still be an essential service.

Let's imagine how things might be in 2020-25. It will not be the same as it is now; there will be differences.

Mr. Ramez Ayoub: We have spoken very little about the issues for people with reduced mobility. They are often seniors. Can you elaborate on this?

Ms. Françoise Bertrand: In our view, seniors do not have reduced mobility. Canadians have told us they want door-to-door service in order to address mobility issues. That is included in the options we are presenting to you.

• (1930)

Mr. Ramez Ayoub: You touched on your dealings with all the stakeholders you consulted. How did it work out in general? Did you have their full cooperation or did you sense some reluctance on their part to share the information you need?

Ms. Françoise Bertrand: On the contrary. Overall, the people who came to see us sometimes presented a report and sometimes we just had a conversation. Some brought us their brief later on, but the information we gathered was very relevant.

Mr. Ramez Ayoub: Even Canada Post?

Ms. Françoise Bertrand: As to Canada Post, I didn't mention it earlier but I should have.

[English]

Mr. Chair, I should have mentioned that we had full collaboration, because the context and the institution are complex.

[Translation]

So that was very important to us. We also met with the four unions.

Absolutely, we had their full cooperation.

Mr. Ramez Ayoub: In your opinion, are Canadians ready to accept a change in services and approaches as regards Canada Post?

Ms. Françoise Bertrand: Actually, no one likes change too much. However, after we explain how and why, and we do it with the appropriate nuances, we are convinced that Canadians can adapt to these changes.

Mr. Ramez Ayoub: Thank you.

[English]

The Chair: The final three-minute intervention will go to Mademoiselle Trudel.

[Translation]

Ms. Karine Trudel: Thank you, Mr. Chair.

A lot of comments have been exchanged around this table and I thank the witnesses for their answers.

Could you give me a little clarification about one aspect in your report? You see labour costs as fixed while economists generally see them as variable.

Could you explain that a little more and tell me why you made the decision to consider those costs fixed? Labour costs are fixed, but in some cases, employees have no vacation and no leave. Those with temporary status do not work all the time and it's the same for part-time letter carriers. Clearly, their salaries are lower. Why did you consider this a fixed cost in your report?

Ms. Françoise Bertrand: As in a lot of labour-intensive businesses, reality takes precedence. Despite all the distinctions that there might be in terms of leave or absences, the fact still remains that, in total, labour costs represent a fixed equivalent of about 70% of Canada Post's total expenses.

Ms. McLaughlin, would you like to perhaps clarify that?

Ms. Marena McLaughlin: No, that's fine.

Ms. Karine Trudel: We are talking about a deficit over five years. In the first six months of 2016, Canada Post made a profit of \$45 million.

Could you clarify that? Why are you projecting a deficit when you are actually making a profit? Is it because taxes are such a big factor?

Ms. Françoise Bertrand: It is like the \$90 million amount. It's a long-term projection. We are going to have to wait for the other quarters to see how everything is really going to work out. The fact is that the basic equation that makes costs very high in the business, which is essentially in delivering parcels, cannot be sustainable, shall we say. Even though there was a small profit at the end of the year, our eyes are on this current year, and especially on the next 10 years, once again considering our ability to come up with solutions. Will that be in 2017 or 2018 and what solutions will be found? We are proposing several here, of course, but the government will have to make the decision about them.

Ms. Marena McLaughlin: Canada Post's main revenue comes from mail and related transactions. In the last 10 years, it has dropped by 33%. In the last five years, the drop has been 20%. If you look at the rate at which the number is increasing, it explains the lack of growth. Mail is Canada Post's main source of revenue. Admail is not significant. It uses a lot of the employees, but it brings in very little.

Ms. Karine Trudel: But parcel delivery is expanding. We can see that. We have companies that have to invest.

Ms. Marena McLaughlin: It is expanding, but we are in a competitive world.

[English]

The Chair: Thank you so very much. That ends our official round of interventions.

I use this right very sparingly, but I will invoke the right of the chair to have one follow-up question. It was suggested to me by Mr. Whalen, and I think it's a good suggestion.

If there is any organization in Canada that has done a superlative job of branding themselves, it's the Saskatchewan Roughriders. This has a point to it. Mr. Whalen asked whether there were any opportunities for Canada Post, which is one of our truly iconic federal institutions, to use this well-known brand to its financial advantage.

• (1935)

Mr. Jim Hopson: There was discussion of that throughout the work of the task force. I think one of the reasons the advertising option was put forth is that they are an iconic brand. They have a large presence in Canada.

When we looked at the options, we had to look at how it fitted with the workforce, the mandate, and their core business. As we said repeatedly, there is no magic bullet to the problems. There has to be

some sustainable change. We can't just add on to what they're already doing and generate revenues or reduce costs.

The Chair: Thank you.

Colleagues, this is the end of our two-hour-plus meeting. On behalf of the entire committee and Minister Bertrand to all of you on the task force, I want to express my thanks for all of the work you've done, not just for the government but in the service of all Canadians.

Canadians have a real affinity for Canada Post. It's one of our iconic federal institutions. Canadians feel an ownership and a sense of pride in Canada Post. What that future will be we have yet to determine, but we have gone a long way toward finding some options. Over the next two to three weeks, we'll be getting some new suggestions and ideas from Canadians from coast to coast to coast, and then there will be a report tabled in Parliament based on all our findings. I'm hoping this will lead the government to make sure that Canada Post remains a viable entity.

Thank you so much.

This meeting is adjourned.

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