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Chair

Mr. Tom Lukiwski

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● (0830)

[English]

The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)): Ladies and gentlemen and colleagues, I think we'll begin.

Welcome to meeting number 30 of the Standing Committee on Government Operations and Estimates. We are continuing our study of Canada Post.

As you probably are aware, ladies and gentlemen, since I'm sure you've been following the proceedings, the minister responsible for Canada Post has engaged in a fairly widespread consultation process. The first step was to establish a task force to examine the financial viability and sustainability of Canada Post. That task force has completed their work, and they have submitted their report to the minister. Our committee has also had a chance to examine that report.

The second phase of the consultation process is a cross-Canada consultation with Canadians, individuals, and organizations to talk about their views for the future of Canada Post, and that's why we're here today. Following the three-week consultation process, we will have a report drafted and submitted to Parliament before the end of this year.

We are here today to talk with all of you. The process is fairly simple, but we are under tight timelines. We're asking that opening statements be no more than five minutes long. That will allow for one round of questions from all of our committee members. Then we'll go on to the next set of witnesses. If I can get all of you to please abide by our tight timelines, I would appreciate it very much.

That said, my list has Mr. Hinds as our first intervenor.

Mr. Hinds, welcome. Your five-minute opening statement, please.

Mr. John Hinds (President and Chief Executive Officer, Newspapers Canada): Thank you.

My name is John Hinds, and I'm the CEO of Newspapers Canada. We represent over 850 daily, weekly, community, and ethnocultural papers from coast to coast to coast.

Newspapers and Canada Post have a unique relationship. We are not only customers but also competitors. As a consequence of that dynamic, we hope to see two major outcomes coming out of the current review of Canada Post that go beyond the narrow issue of fiscal sustainability.

First, we want to see a renewed public service mandate from Canada Post, particularly for rural and remote communities.

The second is that in a quest to ensure a sustainable business model, we don't want to see Canada Post given carte blanche to create havoc for private business. An outcome that elevates the fiscal sustainability of Canada Post over other considerations would, in our opinion, not sit well.

Newspapers and Canada Post are the two major distributors of flyers in Canada, and that relationship has caused a lot of friction over the years. In the last mandate review of Canada Post, the government of the day forced Canada Post to restrict its flyer business to delivery by only its own workforce. As the volume of other mails has shrunk, Canada Post has renewed its focus on the flyer business, which is creating even more friction.

The major issue for newspapers is that Canada Post is using its statutory monopoly position to unfairly compete with private industry. Canada Post has a monopoly over access to the mailboxes in all multi-family residential units in the country. We believe that reality gives it an unfair and unregulated competitive advantage over Canada's newspapers.

This competition is made more acute when Canada Post is also delivering to the customer the newspaper that contains the flyers. Traditionally, almost all community newspapers were delivered by the post office. Over the past few decades, however, this has changed as newspapers have developed alternative delivery systems that are more cost effective and allow for quicker delivery.

In urban and suburban Canada, almost all newspapers are no longer delivered by Canada Post, but at least half the community newspapers in Canada—over 400—and those serving the smallest communities still use the post office for all or part of their delivery. These newspapers are almost all located in rural and remote areas of Canada, where there is no alternative to Canada Post.

Unfortunately, the experience of those newspapers with Canada Post is not a positive one. The major fault lines rest on the principles of service and price.

Over the last few years, for example, postal rates for mailing newspapers have gone up faster than any other business expense. In many cases, that amount represents a spike of over 10% a year.

As we know, Canada Post is a monopoly and not subject to oversight by a regulator. The rates are set by the corporation, and customers really have no choice but to pay the fees. Community newspapers are well read, regardless of whether they employ a paid or free circulation model. These circumstances have led to a pattern of unequal treatment that has disproportionately affected the ability of small community newspapers to maximize their audience reach.

Canada Post offers a publications mail service to periodicals, including newspapers; however, free circulation community newspapers intended for all households are unable to access this service. Instead, they're required to use the neighbourhood mail service, formerly unaddressed ad mail, the same mail service used by businesses to deliver flyers and other advertising mail. As a result, exemptions to the rules have had to be introduced for community newspapers, and these rules are inconsistently applied.

That's just the tip of the iceberg. Many other stress points exist in the imbalanced relationship between newspapers and Canada Post, including, for example, prioritization of flyer delivery over newspaper delivery; refusal to deliver a community newspaper despite its exemption from the consumer choice program; inconsistent delivery, including late delivery—up to three and four weeks in many cases—or simply not delivering the paper at all; and, an inconsistent application of rules, often leaving newspapers dependent on the goodwill of the local Canada Post employee.

Moreover, a key component of the new postal transformation initiative was the decision to do away with local sorting of mail in favour of a more centralized and regional approach. In practice, this strategy has been fraught with glitches that have prevented citizens from reading their local newspaper in a timely way. We've heard multiple examples from our members of mail deposited in one location and intended for an adjacent town now being sent to a major centre for sorting, an unnecessary detour of hundreds of kilometres, often in winter, which results in long delays.

Canadian community newspapers could share story after story describing their frustration with Canada Post and its unwillingness to even consider how these service changes, which often occur without meaningful consultation, have a real-world impact. There's little accountability. As we've seen, Canada Post sets its own service rates and standards, and these standards do not account for the reader's need to have news in a timely fashion. Even then, there's no ability to hold them to those standards.

Readers want to receive their newspaper in a timely manner, and in many cases this simply doesn't happen. Clearly, some degree of independent oversight is required. Indeed, we believe that the creation of a separate postal regulator is necessary. Of course, this has proved very effective in both the U.K. and the United States.

● (0835)

As you see, newspapers have significant issues with Canada Post, issues that could be made even worse if a public service mandate and the interests of private business are sacrificed on the altar of fiscal sustainability. We trust that you will keep this in mind as you continue your work.

Thank you.

The Chair: Thank you very much, sir.

Mr. Holmes, please, for five minutes.

Mr. Matthew Holmes (President and Chief Executive Officer, Magazines Canada): Thank you, Mr. Chair and distinguished members.

My name is Matthew Holmes. I'm the president and CEO of Magazines Canada, and we take great interest in the subject of Canada Post, as you can imagine. Magazines and papers, along with parcels, are probably some of the few items remaining that Canadians look forward to receiving in the post.

We are the national trade association representing cultural, consumer, and business magazine titles, of which there are about 2,000 in the country. This is a \$2-billion-per-year sector, directly creating tens of thousands of high-quality knowledge economy jobs across all regions and across all platforms, print and digital.

The latest data shows that 70% of Canadians read magazines, and this is true and consistent across all age groups, including youth. Notably, 92% of those magazine readers are reading some combination of print—either print only or print and digital—so the Canadian reader is still very dedicated to the print platform.

I imagine that many here in the room and on the committee were taking in some of the presidential debate last night. The magazine market in Canada is very similar, in that it's almost impossible to avoid the content from the United States. Because of that, the Canadian marketplace has developed a unique situation, and we've become famous in the magazine world for that. Our base of about 80% for Canadian magazines is through subscription rather than newsstand sales. Subscription is a core element of the Canadian magazine. As you can imagine, subscription is dependent on a viable postal delivery system.

At the same time that the Minister of Canadian Heritage is conducting a major consultation on culture and how to better distribute and showcase Canadian content, my members are facing a financial and logistical bottleneck in their principal means of reaching their clientele. Most certainly, digital content consumption is on the rise, and Canada's magazines are drawing large and growing audiences in digital formats across all channels; however, the base still is dedicated to print.

We would argue that during your review it's critical not to lose sight of Canada Post's mandate to deliver a public service to all Canadians, no matter where they live in Canada. We would note that the independent task force's own public opinion research bears this out. Importantly, in all regions, Canadians believe that Canada will always need a postal service owned and operated as a public service.

This is also reflected in discussions with key stakeholders, including rural youth, and it can quickly go beyond just a rural consideration. I'm sure the member for St. John's East can appreciate that the people of Newfoundland, after the *National Post* and *The Globe and Mail* cancelled their newspapers in Newfoundland, now receive their news from the rest of the country through magazines delivered by Canada Post or through online means. That economic argument, coupled with our ample geography, can suddenly leave us as a nation of solitudes.

For this reason, we would speak against the price-based strategy, or what's often called "distance-related pricing". Canada Post has already experimented with this in its publications mail clients, and magazines in particular, and it's had a devastating effect on our members. We find the rates punitive and lacking a rationale.

Furthermore, as the task force discussion paper notes, "While mail revenues can be propped up over the short term by increasing prices, over the longer term, such a strategy" will only accelerate consumer shifts away from the service. We're clearly seeing that in magazines, which are pulling out of Canada Post at a rate that is quicker than any attrition in the wider industry.

On top of this is an unfortunate irony: many of the larger-volume Canadian magazines are getting hit the hardest in terms of rate increases. Strangely, these are the same customers who provide Canada Post with pre-sorted bundles that bypass almost all Canada Post operational channels—and thus operational expenses—and are placed almost directly in the hands of neighbourhood letter carriers.

In these cases, Canadian magazine publishers have already internalized and absorbed a considerable share of pre-delivery costs of the product, yet there is no pricing relief or incentive for this practice. Magazines, in essence, are being punished for helping to improve Canada Post's operational flow and productivity. For this reason, Magazines Canada has convened a national group of alternative delivery providers to study and conceptualize how we might circumvent this service for most of our needs, though we wish it were not so.

● (0840)

In conclusion, Mr. Chair, the Government of Canada has always maintained policies concerning the creation and distribution of Canadian content and cultural content to Canadians, a mandate perhaps no more compelling than now, as we prepare for the country's sesquicentennial next year. What the magazine sector would look for are stable long-term outlooks and pricing contracts that we can rely on and base our business upon.

Thank you.

The Chair: Thank you very much, sir.

Mr. Kelly, for five minutes.

Mr. Daniel Kelly (President, Chief Executive Officer and Chair, Canadian Federation of Independent Business): Thank you very much.

Just as a quick reminder, the Canadian Federation of Independent Business, which I represent, is made up of 109,000 small and medium-sized firms, all of them independently owned and operated and based across the country. Obviously, they have a very important

stake in the discussions about the future of Canada Post, and we congratulate the committee for its work.

I've put together a small slide deck of some data that we've collected from our members on this front.

I want to start by saying that 91% of small firms view Canada Post as important. They view it as an important service that they have access to in Canada, so we don't believe that Canada Post's core mandate is done and that there isn't a future for the corporation. In fact, we think very much the opposite, as 40% of small firms send 50 or more pieces of letter mail per month, and 50% receive 50 or more pieces of letter mail per month. Those are SMEs across Canada.

It often surprises people that when we dissect that a little and look at what small businesses are using Canada Post for, payments are still very high on that list. People who have moved to online forms of payment are often surprised that small business B2B transactions are highly dominated by invoices in the mail and by cheques coming back in the mail as a form of payment. If you're paying an invoice of \$10,000, you're unlikely to pull out a credit card to do that. You're likely to send a business cheque.

For small and medium-sized firms, 50% of purchases and 42% of sales come through cheques in the mail. Of course, during the recent debate over the strike and lockout, even though there wasn't necessarily a disruption, many small businesses took alternative measures in advance of that because they were so afraid of having money tied up in the mail.

Package delivery still remains a very dominant and growing use among small and medium-sized firms. I'll come to that in a minute.

Why do small firms use Canada Post? They use it because of accessibility, convenience, and cost. Those are the primary reasons why Canada Post is chosen by SMEs.

Again, when we looked at whether usage was increasing or decreasing, it is absolutely true that usage was decreasing. Forty-two per cent said that they have decreased their usage of Canada Post over the last three years. However, a growing number of small firms are moving online, making Canada Post's package delivery a pretty important option for them to get their products to market, especially low-priced products. If you're sending something valued at hundreds of dollars, you may look at a private courier service, but Canada Post is very dominant if somebody is sending an item worth \$2 or \$3.

We do believe that Canada Post maintains an important mandate, and our main message to the committee is to ensure that it is sustainable and that costs are watched carefully. There is an awful lot in the work the review committee has done already that supports these very measures.

When we surveyed our members as to some of the options that have been discussed with regard to reducing some of the cost pressures at Canada Post, a large number of small firms viewed freezing wages as being very important. I'll point to some of our Wage Watch data that shows Canada Post workers earn dramatically more than their private sector counterparts. When benefits and pensions are included, that moves to almost a 40% wage advantage for Canada Post workers over private sector norms. Freezing wages was number one on the list.

As well, making the shift to community mailboxes was generally supported by small firms. Moving delivery to perhaps three days a week was also something that was supported in broad terms. Involving more of the private sector in aspects of Canada Post, particularly at the front end, such as moving toward more private postal franchises, was also supported.

I will say, though, that it may surprise you to hear this from the Canadian Federation of Independent Business, but our members were not supportive of outright privatization. That was not viewed as a step that small firms overall were supportive of at this time.

On expanding Canada Post's mandate to banking, I have to say that there was overall opposition to that proposal, despite the fact that a lot of small firms wish there were more competition in Canada's banking sector.

● (0845)

Again, here are our main messages.

Addressing unsustainable pension liabilities is absolutely key to fixing the problems. Addressing overall labour costs more to private sector norms is key to the future of Canada Post. Letter mail hikes should be reconsidered or limited, because that has been hitting a lot of small firms hard, and we ask you to pay careful attention to that. Canada Post's monopoly over domestic letter mail should perhaps be reconsidered, which is a last recommendation from us.

Thanks so much.

The Chair: Thank you so much, sir.

Our final intervenor, at least as our witnesses go, is Mr. Bartlett, please, for five minutes.

Ms. Kristi Kanitz (Board Chair, National Association of Major Mail Users): Mr. Chair, I'm going to start. I'm Kristi Kanitz from NAMMU. I'm the board chair. I'll do a quick introduction and then pass it over to Patrick.

NAMMU is the sole voice of the mail industry in Canada. It's a national non-profit that has been representing the industry for over 30 years. We represent mailers, as well as service, paper, envelopes, software, and equipment providers. Our mission is to ensure that Canadians and Canadian businesses have access to a reliable, affordable, effective, and sustainable postal service. Our key focus is on working closely with Canada Post on products, price, process, and partnership. We do enjoy a cordial and productive relationship with Canada Post, including consultations on their products and services.

The mailing industry in Canada is diverse and economically vital. It represents approximately \$88 billion per year, which is about 5%

of Canada's total GDP. It represents 80% to 90% of Canada Post's revenues. These are the companies that are generating those revenues for Canada Post on an annual basis. It employs directly and indirectly more than 800,000 Canadians.

Mail plays a crucial role in the commerce of Canada, facilitating the presentment of bills, acquisition and the growth of the customer base, and the fulfillment of orders. It includes SMEs, as well as large enterprises and multinational corporations, and ranges from traditional manufacturing to innovative data-driven solutions.

Patrick.

Mr. Patrick Bartlett (Executive Director, National Association of Major Mail Users): Thank you.

First of all, we'd like to thank the task force for a wonderful report. We think it helped to establish a strong fact base from which informed decisions can be made about the future of Canada Post.

First, NAMMU supports the continued rollout of community mailboxes. We find it an effective way to deliver mail, and we found no evidence that it in any way diminishes the channel or makes it less competitive. We believe that Canada Post has to be more sensitive to the needs of Canadians and to communities that have special problems with mailboxes. Generally speaking, we support the continued move forward of the community mailbox program as an important cost control item.

We applaud the report's suggestion that the rural moratorium be updated. The removal of areas such as Brampton or Richmond Hill from the rural moratorium makes a whole lot of sense. Times have changed.

We also support moving more corporate retail to franchises.

We'd like to chat a bit about the rural post offices in general. I just had the opportunity to travel in my home province, Newfoundland and Labrador, and was in communities such as Bell Island, Trinity, and Woody Point. I saw all the local post offices there, with the Canadian flag and the community name, and it was a wonderful thing to see. We don't believe that mailers should be the sole provider or the sole payer to provide those locations and those community services at that level. There should be, as in other programs that Canada Post does—such as parliamentary mail—a subsidy to Canada Post to pay for those. That's one of our strong recommendations.

NAMMU, the National Association of Major Mail Users, doesn't support alternate day delivery, as we believe that will damage the competitiveness of the channel and make us more vulnerable to competitive inroads from digital.

One of the exceptions that we took to the report was the reference to advertising mail as "junk mail". We think that's an unfortunate term, as was the suggestion that it isn't green or environmentally friendly. Canadians value their advertising mail and use it. If not, businesses wouldn't be using it. The mail-and-paper industry in Canada has a great green record in terms of maintaining forests, and the growth of forests has continued.

We support the realignment of Canada Post to remain commercially self-sufficient. We also support the establishment of a regulator. We would require and recommend the establishment of consultative and oversight committees to work in areas such as partnering, competitive products, go-to-market strategy, and pricing.

Last, on labour disruption uncertainty, we've just been through a terrible summer in which people lost jobs and were laid off because of the uncertainty in the industry. We encourage government to work with the parties. We have two years to come to a resolution so that we don't face this problem in two years.

Thank you very much.

• (0850)

The Chair: Thank you very much.

Thanks to all of you for the economy of words you've exhibited.

We'll go now to questions from our committee members.

First up for seven minutes is Mr. Whalen.

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

I'd like to thank all of you for coming today. It's great to hear a diversity of voices, especially from the business community.

In reviewing the task force report, we've heard different sides. We've heard from a lot of people who are in favour and a lot who are against it. We've heard from people who like some aspects more than others. I want to focus a bit on what Mr. Bartlett said in terms of damage done to the value of the product by moving to alternate-day delivery.

Can you elaborate a little on that for us?

Mr. Patrick Bartlett: Yes. We talked to members about alternate-day delivery. Having control of when your product is going to be delivered to the door, whether it's advertising mail or an invoice or a magazine, along with the notion of having a fair bit of certainty of when that will be and being able to plan so that it arrives on a Thursday, a Friday, or a Monday, is a very important aspect.

We also believe that alternate-day delivery will damage the parcel business. The report made it very clear that Canada Post is effective in parcels because it's part of the overall infrastructure and the network that supports mail.

Mr. Nick Whalen: In terms of the newspapers and magazines, do you not feel that same-day delivery is important in your industries?

Mr. John Hinds: No. I think the issue we have—again, we're dealing with rural and remote Canada, particularly for delivery of newspapers—is really timely delivery. I think that it wouldn't be the issue so much.... Canada Post now gives a three-day to five-day window, which they often don't meet. If there were alternate-day delivery, it was delivered when it was supposed to be, and there was a sort of guarantee of that, I think alternate-day delivery might work.

I think one of the particular challenges we have—again, with newspapers versus flyers—is that they will deliver flyers before they deliver newspapers, and if they have that much more mail—

Mr. Nick Whalen: It's really a service charter issue. Maybe businesses should have part of the service charter devoted to that.

Mr. John Hinds: Yes.

Mr. Matthew Holmes: If I could add to that, at Magazines Canada, we would be very much against alternate-day delivery. For our members, the unreliability of the service is already compounding and expediting the desire to move away from Canada Post. With weekly magazines still very current in Canada, we rely on a timely delivery at a certain time of the week. That would make it difficult.

Mr. Patrick Bartlett: I'd also like to add that we think alternate-day delivery adds complexity to the system. We will see on-time performance suffer as a result of that.

Mr. Nick Whalen: We heard yesterday both from people in the business and online shopping world and from the union that they'd like to see expanded hours of delivery, such as evening delivery and weekend delivery.

Mr. Kelly, maybe you can start for us. Do you think your members would take advantage of such a service?

Maybe I can also hear from the other panel members as to whether there is an appetite for evening and weekend delivery.

• (0855)

Mr. Daniel Kelly: I do. I think that Canada Post's mandate is not dead but is changing. I think the corporation has been making some changes along the way, but others are necessary.

I believe that if Canada Post were to shift to alternate-day delivery, it would potentially create some opportunities for it to then offer services where it doesn't right now, and that might be expanded hours for package delivery. Especially for those who are looking at sending things in major urban networks on the same day, where they have distribution networks, that is obviously something where I think Canada Post could play an important role and potentially grow the pie, as opposed to just watching it shrink.

Mr. Nick Whalen: Does everybody else agree with that comment or have anything further to add on additional delivery?

Ms. Kristi Kanitz: We can take a look at the U.S., specifically with catalogue mailers, which have Saturday delivery. Catalogue mailers have been very resistant to removing that. They aim to have their catalogues there on a Saturday so that their recipient has a chance to sit down, flip through it, and look at what they would like. That drives sales.

In Canada, there isn't as much of it with our catalogue business because we don't have that kind of ability to deliver on a Saturday. Certainly, it is a consideration.

Also, regarding the cost-effectiveness, it's much less expensive to send a catalogue in the U.S. than it is in Canada. Cost-effectiveness is very important.

Certainly, for parcels, being able to deliver around business hours when people are at work and then have to go to an alternate pick-up location the next day, it would be helpful, but in terms of catalogues....

Mr. Nick Whalen: Although only about 11% of households are serviced by these beautiful rural post offices sprinkled around the country, it's more than just rural mail service or the quality of service that's lacking. Banking services are absent and access to high-speed broadband is absent in a lot of rural communities. How do you think your members feel about expanded service offerings from a community hub, such as access to banking services and maybe white-label banking services or white-label ISPs from these hubs, these post offices throughout rural Canada.

The Chair: We have about a minute left. Could you direct that to one of our witnesses?

Mr. Nick Whalen: I would like to hear from the Federation of Independent Business and perhaps also from the Major Mail Users.

Mr. Daniel Kelly: Postal banking has come up before. We talked to CUPW about that years ago. We weren't philosophically opposed to it, but we surveyed our members, and they didn't think it was a particularly great idea. If there are services that fit and can be operated out of a rural mail centre, I don't think anybody would be opposed to that, but I think it would have to be economically justified.

The Chair: A 30-second answer, please, if possible.

Mr. Patrick Bartlett: We'll try.

NAMMU's perspective on this is that Canada Post has not had a strong record of introducing new products, and the farther it's gone afield, the more unsuccessful it has become. New products that build on their current capabilities work. Things that go into new areas, such as postal banking, don't work and we don't believe will work.

The Chair: Thank you so much.

We will go to Mr. McCauley, please, for seven minutes.

Mr. Kelly McCauley (Edmonton West, CPC): Good morning and welcome. Thank you for your input.

We've heard a lot the last couple of days about an independent regulator, and I think someone brought it up today. There is currently an ombudsman. Keeping in mind that I have one other follow-up question, I wouldn't mind getting some feedback from you on how it's working, not working, and what the experience is. Does anyone wants to jump in?

Mr. John Hinds: We had hoped that the last postal review, the last mandate review, with the ombudsman would be.... We advocated for a regulator/ombudsman at the time. We went to the ombudsman, who said they can't deal with pricing and they can't deal with service. So what do they deal with? The ombudsman is an employee of Canada Post. For my members, I think the feeling would be that the ombudsman has been frankly useless.

We need a regulator who sets service standards and sets pricing and who is independent. I think that if you look around the world you will see that it is the trend and it's worked well. I think that if we look to the U.S. and the U.K. and other places, we see that the regulator works, because I think people feel they have a voice.

The challenge we have right now, particularly as small mailers—we are big mailers in small post offices but are actually small mailers—is that we don't feel we have a choice. We are told in July that this is what's going to happen to us in January and we're asked to

comment on it. The comments go forward, but they never actually change. I think we need a regulator with teeth.

● (0900)

Mr. Kelly McCauley: I have a quick question if you want to follow up. You said they were “frankly useless”, and that's an issue with their mandate; it's not the quality of the people there. Have there been any examples of successes in using them or it is just because it's pricing and service?

Mr. John Hinds: They can't deal with the issues that we're concerned about. They fundamentally don't have any mandate to talk about the.... They can't talk about price, and Canada Post sets its own service standards, and they can't afford service standards.... I'm not sure what they do.

Mr. Patrick Bartlett: Our mailers look upon the ombudsman as more of a consumer-facing capability. Canada Post has significant market dominance and wields a lot of power in the industry, to the point that in some cases it fines our members when they do something wrong, and there is no point of appeal. Recently, a member was fined over \$20,000. It would have put that company out of business. We had to call and ask Canada Post to please not do that. There needs to be a regulator to control them and offset their sometimes anti-competitive practices.

Ms. Kristi Kanitz: I'd like to make a point. The fines are considered surcharges. Canada Post has been going through updating their invoices and their financial system, and they do not have a process for reversing surcharges. If there is a mistake—and generally these are often mistakes on the Canada Post end so there's an issue at induction—and the employee believes that something has been done wrong, they automatically fine the mailer. There is no process at Canada Post for reversing those fines. They do not have an accounting process to do that.

Mr. Matthew Holmes: I can provide a specific example. In the magazine sector, up until about a year ago, Canada Post, for returning an undeliverable item, even though the address and the name of the person living at that address were absolutely accurate, would still have charged the magazine, even though that magazine was sending a legitimate piece of mail to a legitimate address.

Mr. Kelly McCauley: We've all experienced odd things, but I imagine that happens when you're dealing with billions of pieces.

Mr. Kelly, do you want to chime in? You're representing a much larger group—no offence intended to anyone—and are you getting the same feedback from your members?

Mr. Daniel Kelly: I think so. We've not had any direct experience, to my knowledge, with the Canada Post ombudsman, but we have with other public utilities. Regulatory bodies to look at rates are not uncommon, and we use them regularly. One of the our key recommendations in our submission is that letter mail rate hikes and package delivery rate hikes have been pretty significant and are pinching hard, thus reducing small business use of Canada Post, and they need to be reconsidered. I think the suggestion of some degree of supervision of the rates would be a helpful step in getting us there.

Mr. Kelly McCauley: Getting back to you, Mr. Hinds, you commented about sacrificing service for fiscal stability. Obviously things have to be paid for somehow, and you're either paying more for the service or freezing the costs. Do you believe there should be a larger or a direct government subsidy to keep things going and keep costs down?

Mr. John Hinds: In terms of rural and remote Canada, I think if you want to ensure delivery in rural and remote Canada, and that communities have—

Mr. Kelly McCauley: I'm talking about Canada Post in general.

Mr. John Hinds: Yes, but my specific point was that where our members are using Canada Post in rural and remote Canada, there's an issue we're concerned about, which is that if rural and remote Canada's postal transformation continues, it simply makes it not viable for our members to continue to use Canada Post, and they really have no option. What we've found is that if a community loses its community newspaper, it loses its trading area, and there's a whole host of things that happen through that. I think there is a public service mandate there. As to whether that's a subsidy on the part of government to support rural communities, that might be another discussion.

On the broader issue, I think it's also that, again, we don't want to see Canada Post as our competitor in the flyer business. They have what we consider to be an unfair advantage with access to the locked boxes. The reality is that I don't think it's the role of government to pick winners and losers in a competitive market, and essentially that's what's happening now.

● (0905)

The Chair: Thank you.

Mr. Weir, please, for seven minutes.

Mr. Erin Weir (Regina—Lewvan, NDP): Mr. Hinds, I wanted to ask you a bit about the competition you mentioned between flyers and newspapers. Is your main point is that Canada Post should do a better job of delivering community newspapers or that they shouldn't deliver flyers or...? What would you like to see changed?

Mr. John Hinds: What we see is that every newspaper delivers flyers. Canadians love flyers, as you probably know. It's very true. It's a real challenge for a newspaper when someone says, "I didn't get my newspaper" when it has been sent and the customer says, "But you didn't have the flyers inside it."

All newspapers deliver flyers. What we've seen is that the competitive flyer market is really in urban and suburban Canada. Look around. In any one of these towers, Canada Post has an unfair advantage, in that in urban Canada it can deliver to every single address. As newspapers, we cannot get through the door in terms of multi-family units.

They're using their statutory locked-box access, if you want, and that's an unfair advantage. In the case of rural Canada, most of the small papers are delivering flyers and they're using Canada Post, so there is a competitive thing there.

Mr. Erin Weir: My question is, what's the solution? Should Canada Post not be delivering those flyers? Should newspapers have access to multi-unit buildings? What's the remedy?

Mr. John Hinds: I would say that I think the research we've done shows that people don't want anybody to deliver flyers to locked boxes. That may be a solution.

Mr. Erin Weir: It's just that you mentioned that people really love getting flyers, so should people in multi-unit buildings be deprived of that?

Mr. John Hinds: Well, only through Canada Post....

Voices: Oh, oh!

Mr. Erin Weir: Well, I don't know.... That's my question, though. What would be the remedy? Is it just a matter of not having flyers in multi-unit buildings?

Mr. John Hinds: I would put that over to you guys. We're raising an issue where a statutorily mandated exemption is being used as a competitive advantage. That's serious business when you consider the number of Canadians who live in multi-family residences and who are not allowed to be served due to a statutory exemption.

Mr. Erin Weir: I think more than one panellist mentioned the idea of an independent regulator for the postal system. I wonder if anyone could speak in a more detail about what that might look like and how it might work.

Mr. Matthew Holmes: I'll kick us off and then defer to my colleagues.

In terms of a regulator, I think there's a spectrum of options. I note that in New Zealand there is a postal contract system set up between the government and the postal delivery. It establishes a set of commonly agreed upon goals and objectives, including those that we've been framing as the public service side of things as well as the more financial sustainability side of things.

It doesn't necessarily have to be a hard regulator like we might have in broadcast. It could be more of a formal process that sets and reviews certain annual or five-year goals and outcomes.

Mr. John Hinds: I think we almost need the ability to refer issues. We have 400 small newspapers in very small communities, and one of the things we find is that one is so dependent on the whim or the ruling of the local postmaster. There is no ability to appeal.

I think we've heard that through this process: you don't have anybody you can talk to. I think the regulator needs to be in a position where you can lodge a complaint. The reality is that if it's happening in one place, it's happening across the system. There are trends in these systems, whether it's a pricing issue or a delivery standards issue. I think we do need the ability to be able engage with a regulator as a complaint-driven process.

Mr. Patrick Bartlett: Yes, we would support that as well. We see it as a regulator's role to approve extraordinary rate increases, not necessarily those normal inflation-based increases that we're seeing in many cases, but the rate increases when they do something exceptional, like they did in 2014, I believe.

We would also like to have someone who could review with us the current surcharge structure that Canada Post has and could provide an appeals process where things of that sort happen.

We would also like them to oversee the relationship between Canada Post and its partners, many of whom are our members. Canada Post uses a group of people to go to the market for its advertising mail, and it does some inappropriate things. For example, a partner signs up a new customer, and Canada Post sends them information about a new product that's competitive with the service that partner provides—and Canada Post makes arbitrary decisions—so there needs to be a process in which that can be appealed, aired, and consulted on.

We also think there's an opportunity—maybe not for the regulator but overall—for Canada Post to work more closely with the industry, with perhaps some oversight, to focus on innovation within the industry. Canada Post has not had a great track record, but it doesn't have a great track record of consulting. We think that's an opportunity for an outside group to help Canada Post improve its revenue structure.

● (0910)

The Chair: Thank you very much.

We will go to Mr. Ayoub, please, for seven minutes.

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

[Translation]

I'll start asking my questions.

I'm a bit surprised to see how fine the line is between the business and residential services in terms of the competition, monopoly, benefits or perceptions of the competition.

Mr. Hinds, you spoke of flyers and how everyone loves getting them. That's the first time I've heard that. Obviously, you're in business. However, I've been hearing that people take all the advertisements in the community boxes and throw them out.

I'm a former mayor. There was a request to have a recycling bin beside the community box where people can put the advertisements instead of bringing them home.

You asked for greater access because you think Canada Post has an unfair competitive advantage. However, Canada Post claims to be looking for new revenue and to be experiencing a crisis of confidence. How can those two points be reconciled?

I asked residents and users this question. Do you want us to subsidize Canada Post despite its deficits? I'm asking you the question as a business representative. Do you want the Government of Canada to subsidize Canada Post in order to subsidize businesses?

M. John Hinds: I'll answer in English.

[English]

I think it comes down to this issue. I think that in urban Canada we do believe that there is competition and the competition should be encouraged. Again, it is a subsidy no matter what. If you're subsidizing Canada Post by taking away competitive business, you are essentially going to be subsidizing Canada Post either way.

The reality with rural Canada is that there may have to be some kind of subsidy or rural policy to support local communities. We've been talking about this with the current government.

As you know, the newspaper industry is currently quite challenged. The federal government has five consultations going on with us currently around how to continue to provide local news in local communities. There will likely be some solution there—we hope—that involves public policy. Again, in terms of supporting local communities, I think that may have to be the case. Whether that's done through Canada Post or through tax breaks, or whether it's done through regulation of American companies Google and Facebook in terms of advertising dollars, I think there's going to have to be some public involvement, particularly when you deal with rural and remote Canada.

[Translation]

Mr. Ramez Ayoub: I understand. It's a matter of finding a balance, and I understand that.

I want to know the difference between the speed of delivery of letters and packages and of magazine and newspapers. Packages can be delivered the same day or the following day. The business sector doesn't seem to be having any problems, based on the testimony heard up to now. However, what I've been hearing today is slightly different.

Canada Post's package delivery service is quite good. However, that doesn't seem to be the case for magazines or newspapers in remote regions. I want to hear a bit more from you about the difference between the speed of delivery of letters and packages in the business sector.

● (0915)

[English]

Mr. Matthew Holmes: I would respond that our members would be overjoyed if we could access some sort of speedy delivery, either next-day or same-day delivery, but currently we wouldn't hold our breath, to use that phrase.

The current delivery service is such that our members often see a significant delay in, for example, those weeklies, those regular mailers. For other magazines that are providing a quarterly or a monthly issue, that time frame is less precise and less dependent on the products they're delivering. For the weeklies in particular, for magazines like *L'Actualité* or *Maclean's* that have high frequency, it's critical to their service to have that timely delivery. That's why you see, where we have high density populations and customer bases in the cities, that most of those magazines have sidestepped Canada Post as much as they can, except for these community boxes, where they're absolutely dependent.

[Translation]

Mr. Ramez Ayoub: The package delivery market is competitive, however. Canada Post isn't your only choice.

[English]

Mr. John Hinds: In small communities, we only have Canada Post. For a small community newspaper there is no other option. Any newspaper in this country that has had an option to move to carriers or other things has moved. In terms of what has happened, 25 years ago, mail to suburban Canada was delivered by Canada Post. It now is no longer. It comes to rural and remote communities, where there is no option. The distances and the cost structure just don't do it. We've tried—and magazines have tried—a number of ways to do this.

The challenge we have is that news is becoming much more time sensitive: people want it immediately. Even if it's your weekly newspaper, you want it immediately, and advertisers also demand that. Particularly in our business, they want that delivery. If you say that you're going to deliver it on Thursday so it's there for the weekend shopping, then it has to be there on Thursday.

What we've noticed, particularly as a result of postal transformation, is that the delivery time, which used to be three days, is now from three to five days. It may be six days, as three to five days is only a target. To run a small business and to run a small newspaper in a town where your local advertisers are asking you to do something.... Advertisers have options. They have the online option, and they have everything else. You don't have an option except to rely on Canada Post to deliver your product in the time that they say they're supposed to be able to. When it doesn't happen and you get the paper that's supposed to be there on Thursday on the next Tuesday, then your advertiser wants the money back. That's what's happening.

The Chair: We'll go to five-minute rounds now. We have two intervenors.

Mr. Brassard.

Mr. John Brassard (Barrie—Innisfil, CPC): Thank you, Mr. Chair.

I want a couple of points of clarification here.

Mr. Kelly, you spoke about the impact of past and future price hikes on small business. I want to give you an opportunity to expand on that. Just what are those impacts? Are they costing jobs? Are they costing productivity? Could you expand on that, please?

Mr. Daniel Kelly: The price hikes have been rather significant. I think that for most small businesses it hasn't gone past the point of looking at Canada Post as at least an option, but it does hasten the move to.... In some situations, the price gap between a private courier option and Canada Post is not as significant as it used to be. Canada Post is still a low-cost provider of services, so it still has that to its advantage, but that is eroding, and eroding quickly.

The groups I'm hearing the highest level of concern from are those that use Canada Post to send low-cost items in the mail, things where the value of the product—and I would imagine newspapers and magazines would probably be in this boat—itself isn't that significant. Obviously, the delivery end of that is just so significant

that it can create huge pressures. It is hastening some moving away from Canada Post, which I don't think is serving anyone's needs, but it is also putting pressure on small firms that continue to use it.

The other worry I always have is with respect to even the possibility of a work disruption. That ties money up in the mail, and as we shift towards online banking and expand the number of electronic B2B options for payments, that will be another chunk of Canada Post's business that will erode, and we have to be concerned about that.

There is a high degree of price sensitivity on the part of SMEs.

• (0920)

Mr. John Brassard: Thank you, Mr. Kelly. I do have one more question that I'd like to ask Ms. Kanitz, and maybe you'll have some time afterwards.

You spoke about fines being considered, surcharges. You also said that there's no process to reverse the fines within Canada Post. I wonder if you could speak to any examples of best practices where perhaps Canada Post can utilize some of those existing best practices.

Ms. Kristi Kanitz: Simply having a process to be able to reverse charges would be incredibly helpful. Right now, the surcharge can be levied within hours of a mailing being inducted. If it is determined that there was—the expression that I hear quite often—“overzealous application of the rules” by the Canada Post employees and it's determined that it is not a correct surcharge, it can take weeks or months for that surcharge to be reversed. We have a segment of our membership that prepares mail for third parties, and the bill goes directly to those third parties, so all of a sudden that client of theirs is being slapped with a \$20,000 fine that is due and payable while that mail house is attempting to reverse that surcharge, and that could take months.

In terms of pricing, I want to show you the arbitrary nature of how this pricing works. People understand what happened with the postage. Canada Post also licenses data products that are used to support the mail industry. Last year, the price of one specific database was just under \$20,000 per year to license the data set. This year, a company that uses that data will be paying almost \$250,000 for the same data. That's in one year. It went from just under \$20,000 to \$250,000. There's no recourse, there are no appeals, and there is no way to change that.

Mr. John Brassard: I believe Mr. McCauley has a quick question as well, Mr. Chair.

Mr. Kelly McCauley: Thanks.

I want to go back to a comment made earlier. We're talking about how Canada Post has a statutory mandate and monopoly—we know—which gives them an unfair advantage for high-rise mailboxes. We're kind of in a trap if they use that unfair monopoly for funding to subsidize the other part of the business that you're asking for help on.

From a business point of view, how do you see that contradiction? You want your lower prices. You're also asking for better services, but saying don't compete with us over here to get the funding to do it.

Mr. John Hinds: I don't think anti-competitive behaviour should be.... Unless that's a specific policy: I mean, if you want to say you're going to charge a surcharge to urban customers to support rural customers and that's a public policy discussion, then that's a public policy discussion. But in terms of a kind of arbitrary decision by a corporation to do this...? If that's what it is and it's transparent, you can show it and it's accountable, and it's put in place by a regulator or by a government, I think that's different from allowing a corporation to do that.

Mr. Kelly McCauley: That's good feedback. Thank you.

The Chair: Madam Ratansi, please, for five minutes.

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you.

Welcome to the riding of Don Valley East. You see 150 condominiums and then apartments, and we have fun. Ad mail is real fun.

I have a question for all of you, which you'll have to answer very quickly. Were any of you consulted by the task force? No? Yes?

Mr. Patrick Bartlett: Yes, we were.

Ms. Yasmin Ratansi: You were. The task force recommendations were for alternate-day delivery. No, not recommendations, because they're not allowed to make any recommendations. It's a discussion paper.

They said alternate-day delivery. One of the recommendations was for community mailboxes, but alternate-day delivery does not seem to sit well with most of the businesses, right? Okay. Fair enough.

On community mailboxes, if in the apartment building Canada Post has the right to put in flyers, and you do not, you'll have the same problem if the community mailbox comes in, won't you?

Mr. John Hinds: No, because with the community mailbox, we have access to the household, and for alternative delivery, actually, it's a competitive advantage for us because we will be the only piece reaching the household. What we find in suburban Canada, where there are community mailboxes and we have large carrier forces who deliver the newspaper to the door, is that it's more effective if it goes through the door.

• (0925)

Ms. Yasmin Ratansi: That's fair enough. I'll go to the rural moratorium.

In the rural moratorium, it's about converting the current corporate offices to franchises. When we were listening to other witnesses, they told us that Canada Post is the last mile, so it will deliver past the road, right? If that's the case and nobody else wants to deliver the service, how do you justify converting it? Who will provide the service? Who will go in there? As business people, is it to your competitive advantage?

Mr. Patrick Bartlett: I think there's a difference between "last mile" and "first mile". I think most of the postal outlets in rural areas are operating as first mile outlets. Delivery can easily be done in places such as Trinity without a post office being present, or they can have a franchise post office. We're not suggesting shutting down post offices, by the way. We just think mailers shouldn't have to pay solely for that.

Ms. Yasmin Ratansi: Fair enough.

Mr. John Hinds: What we say is that there's less being done in rural post offices. The postal transformation agenda means that if you're mailing to a neighbourhood town that is five or six kilometres away, instead of them sorting the mail in the rural post office, which was traditionally done, it's now trucked hundreds of kilometres to places like Edmonton or Gateway, sorted there, and then trucked back to the neighbourhood community. We would like to see rural post offices revert to sorting mail for their region.

Ms. Yasmin Ratansi: Fair enough.

When we're talking about Canada Post, we're talking about the corporation and the people. All of you run corporations. Whatever edict you give to your staff or workers, they do it. I'm trying to find that connection between unethical practices of the corporation, which is going to be told to the people....

I'm trying to get a sense of how you resolve an issue that you raise with Canada Post. Small and medium-sized enterprises, I guess, are the biggest users of Canada Post, so can you give me some ideas? We're here to listen to you and get some feedback.

Mr. Daniel Kelly: Sure.

The Chair: Madam Ratansi, that's it. There might be just a minute.

Mr. Daniel Kelly: I don't think anybody who runs a corporation is of the belief that they can control every single thing that goes on with their employees. Would that it existed.

I will say that I think the challenge is both in terms of policy and then in terms of execution of that policy. Some of the things that have been pointed out are actually by Canada Post's design, so the issue is with management for not creating those processes, or perhaps with government for not creating the processes above the corporation that would provide avenues for appeal, etc. Then, there are also problems on the execution end, where the employee may be overzealous or misapplying a particular policy, with little recourse for private sector users.

The Chair: Unfortunately, I have to cut it off there.

Ms. Yasmin Ratansi: Mr. Chair, did you ask them if we could send them questions and if they would be willing to...?

The Chair: No, I was just about to get to that, but thank you again for assisting me.

Gentlemen and lady, we have a standard practice whereby if the committee members have additional questions, we ask all of our panellists to please allow us to send those questions directly to you. Conversely, if you have other information you wish to submit to committee members for the benefit of our study, please do so. You can send it directly to our clerk.

Thank you once again for being here. Your presentations have been both informative and extremely helpful.

We will suspend for a couple of minutes. I would ask our next group of panellists to get to the table as quickly as possible so we can try as best we can to keep on time.

● (0925) _____ (Pause) _____

● (0930)

The Chair: Panellists and colleagues, thank you very much for being here. I trust that all of you have been in the room watching the first session, so you know how we work things around here.

We're going to ask all panellists to please try to keep opening remarks to five minutes or less to allow questions from our committee members. After that, we will have a number of questions, I'm sure, from all on our committee.

First up I have Ms. Dollin, please, for five minutes.

Ms. Lynn Dollin (President, Association of Municipalities of Ontario): Thank you, Mr. Chair.

Thanks for providing the Association of Municipalities of Ontario the opportunity to appear before this committee and contribute to your discussions about Canada Post. This is an issue that is very important to Ontario residents.

The Association of Municipalities of Ontario is a non-profit organization that represents almost all of Ontario's 444 municipal governments. Municipal governments have many legislative responsibilities and are also seen as the voices for the broader community interests.

AMO welcomes the current efforts of the federal government to explore ways of enhancing postal service across Canada. Communities of all sizes depend upon postal service, whether it is to receive and pay bills, deliver online shopping, or other needs to support businesses, or to hear from loved ones and stay connected to organizations, charities, and others. We appreciate the federal government's decision to slow down the ending of door-to-door mail delivery by undertaking this new review.

AMO is a member of the Federation of Canadian Municipalities. Working with our own membership, we are dismayed by the move to community mailboxes as the postal delivery model for the nation. After the release of Canada Post's five-point action plan, many of AMO's members passed council resolutions expressing outrage with the phase-out of door-to-door mail delivery.

While Canada Post noted that it had a financial challenge, the end of the service would create financial and other issues for citizens and businesses. We heard consistently about accessibility—especially for seniors and people who live with disabilities—and the responsibility for the maintenance and upkeep of community mailboxes. This includes everything from paving, lighting, and snow removal to cleanup and policing related to vandalism and theft around community mailboxes. This last point is absolutely critical for municipal governments: we have no interest in inheriting or being made accountable, directly or indirectly, for a federal service responsibility of maintaining community mailboxes.

The City of Hamilton has acted upon these concerns and is taking the issue to the Ontario Court of Appeal. The city is defending its bylaw that regulates the installation of equipment on, in, or under a municipal road allowance. This includes Canada Post community mailboxes. While we await the Court of Appeal's decision,

municipal governments do not see themselves having any role in the maintaining of this new infrastructure placed on our property.

Our citizens in rural Ontario are very interested in this review. Many of them were the first to see the shift away from door-to-door mail delivery. Distances between houses and businesses in rural areas can be significant, and personal transportation options can be limited, and that's not to mention snow. These are also typically areas where larger amounts of Ontario's senior population resides as their youths move to cities.

The concerns of rural communities are reflected in the 2009 Canadian Postal Service Charter, which maintains a moratorium on rural post office closures and establishes service standards for both postal delivery and post office accessibility. It is crucial that any changes to Canada Post's operational services are consistent with this charter.

Some municipal governments have also raised the issue of postal banking. Reintroducing these services may remedy some of the difficulties faced by rural, remote, and northern communities, which have limited access to financial institutions. Some believe that the Internet has been replacing this need. Surprisingly, in Ontario high-speed Internet is not universal. In fact, many parts of Ontario are not yet covered by reliable Internet service.

These are several of the issues that have been raised in our communities and brought forward by municipal governments for your consideration. Should there be changes in door-to-door mail delivery, we urge the federal government to respect municipal decision-making authorities so that there is no conflict with local land use planning, practices, or policies. AMO has endorsed the FCM's three key principles, and they should be reflected in any changes that are made to Canada Post's service.

First, should the federal government decide to continue with the plan to phase out door-to-door delivery, we need meaningful consultations with municipal governments. Land use planning, service delivery, and right-of-way management are unique in each municipality. One size does not fit all. Canada Post must consult with municipal governments so that the location of community mailboxes meets the needs of the community.

● (0935)

Second, we encourage the development of good partnerships between our orders of government. As I said earlier, this sector has no interest in inheriting the responsibility to maintain community mailboxes. Either Canada Post must work with municipal governments to develop agreeable processes to maintain this infrastructure, or Canada Post must compensate us for this work.

Finally, any federal decisions should be in congruence with municipal planning. Any changes to door-to-door mail delivery must align with local strategies and processes aimed at fostering and supporting age- and/or disabled-friendly communities.

We believe that by following these principles both the federal and the municipal orders of government will be best positioned in working together.

Thank you, Mr. Chair.

● (0940)

The Chair: Thank you very much.

Mr. Mazer, you have five minutes, please.

Mr. Alex Mazer (Founding Partner, Common Wealth): Thank you, Mr. Chair, and good morning.

[*Translation*]

Thank you for inviting me.

[*English*]

My name is Alex Mazer. I am a founding partner of a company called Common Wealth. Common Wealth is focused on expanding access to pensions, working with labour unions, governments, and some of Canada's leading pension plans.

Throughout my career, I've had the opportunity to provide advice on pensions to government ministers, senior civil servants, labour leaders, and pension plan executives. Today, I would like to offer some thoughts on the future of Canada Post's pensions.

As you know, pensions have been a focal point in recent collective bargaining, and they feature prominently in the task force's discussion paper. I believe there is a path forward on pensions that will create value for management, labour, and the government. Such a path will require compromise and creativity, but I believe it is well worth the effort.

I will make three main points today.

First, shifting from "defined benefit" to "defined contribution" can be more expensive than reforming the existing plan and is likely not the best option.

Second, any reforms to Canada Post's plan should follow the principles underlying Canada's best public pension plans.

Third, to achieve the best outcome, the government should consider sponsoring a multi-stakeholder process supported by the right expertise.

A shift to defined contribution is often suggested as a fix for pension sustainability issues. Canada Post's management has recently shifted to DC for new hires within certain segments of its workforce. It proposed such a shift in recent collective bargaining with the Canadian Union of Postal Workers.

While DC plans by themselves create less financial liability for employers than DB plans, the picture is more complicated when there is an existing DB plan, as there is here. A 2014 paper by Dr. Robert Brown, entitled "Shifting Public Sector DB Plans to DC", examined this issue. Dr. Brown is professor emeritus of actuarial science at the University of Waterloo and a former president of the International Actuarial Association.

Dr. Brown's paper concluded the following: first, converting to DC makes the management of an existing unfunded liability more risky and difficult; second, shifting to DC actually increases the cost of delivering a comparable pension benefit—a 77% increase, according to modelling done by Dr. Brown. These conclusions are consistent with the task force's discussion paper, which states that a

shift to DC would be of limited effectiveness in addressing Canada Post's financial challenges.

If a shift to DC is not the right option, that does not mean that reforms to Canada Post pensions are not desirable. The goals of such reforms should be to enhance the corporation's financial sustainability, while delivering as much retirement security as possible. Canada's best public pensions provide a set of design principles that can help guide such reforms.

These principles include, first, joint sponsorship and governance between labour and management. Because this improves oversight and spreads risks, Ontario has exempted jointly sponsored plans from solvency funding requirements. The federal government should consider a similar exemption for Canada Post, provided the plan shifts to joint sponsorship and governance. This would offer a principled basis for eliminating the major source of Canada Post's pension problem.

Second is independence from the sponsor. The most successful pension organizations are at arm's length and independent from their sponsors. Pensions are not Canada Post's core business, yet the corporation retains the complex responsibility of managing the plan. A reformed Canada Post pension could be delivered by an independent fiduciary organization whose sole mandate is to deliver cost-effective retirement security for members.

Third is professional in-house investment management. By having in-house professionals manage investments, Canada's top public pension plans reduce costs and create investment opportunities that help increase risk-adjusted returns. With nearly \$22 billion in assets, Canada Post may have the scale to set up its own internal pension manager. It could also consider having its assets managed by another public asset manager, such as PSP Investments, which manages the assets for most federal public pensions.

The fourth principle is some flexibility in plan design. Many leading plans allow for adjustments in the event that assumptions do not turn out as planned. For instance, many plans make indexation contingent on investment performance. Such compromises will not be easy, but they are likely necessary for the plan's long-term sustainability.

● (0945)

To realize these principles in the specific context of Canada Post, the government should establish a dedicated process. Such a process should have a mandate that balances financial sustainability and retirement security. It should include representatives from the corporation and its unions, as well as a mix of cross-disciplinary expertise from the pension community.

That concludes my remarks. I look forward to the committee's questions.

The Chair: Thank you so much.

Madam Borden, please, for five minutes.

Ms. Donna Borden (National Representative, ACORN Canada): Thank you for allowing me to speak to you here. I am a member of ACORN Canada. We're an organization of low- and moderate-income people. We're a membership-based organization and have 80,000 members all over Canada.

The discussion paper, "Canada Post in the Digital Age", misses the mark when it comes to financial inclusion and the need for postal banking as an alternative to payday loans.

Recent surveys of 250 ACORN members show that 67% use payday installment loans. The problem with financial inclusion in Canada in terms of the use of payday lenders isn't that people don't have bank accounts. In fact, to get the payday loan, companies require that you have a bank account. The problem is that the low- and moderate-income people don't have access to short-term loans for people who are in crisis.

Another major problem is the predatory nature of the payday lending products in getting people caught up in back-to-back loans at high interest—400% to 600% in Canada—in short payback periods.

The idea of postal banking providing an alternative payday lending product is to provide people with a low-cost option in a time of crisis. For individuals who are using payday lenders, the demand for money is non-elastic. This means that the individual will pay a high price for the short-term loan, hence the Canadian Banking Association's comment that the CBA is of the view that providing additional credit to customers who have exhausted other credit lines is not helpful. It's not logical. The point is to provide an alternative to people who are already accessing the high-interest products.

It is true that credit unions are increasingly offering low-cost, low-amount loans to members; however, their reach is low. This is why postal banking could fill this gap and should be structured similar to that model. In fact, it is false that banks offer any low-cost short-term loans to low-income people who are using payday loans. The recent study by ACORN shows that because the banks deny people overdraft protection, lines of credit, and credit cards, that often forces people to use payday loans.

Further, "Canada Post in the Digital Age" quotes the Canadian Banking Association as saying that "many users of payday loan lenders choose the service because of the relative anonymity it affords". First, people use payday loans because they are in need of basic necessities: food, rent, car repairs, and necessities such as those. Secondly, why the government would quote in their review an organization that represents the biggest corporations—banks—as understanding why people use payday loans, but not consumer groups, is ludicrous.

On the profitability of payday loans, Vancity offers product at 20%, with a much lower payback. This is a model that we would suggest for postal banking. Even in Alberta, with \$15 for \$100 for a payday loan, in two weeks it's approximately 390%.

Note that Money Mart, the largest payday lender in Canada, is owned by Lone Star, which is owned by John Grayken, who has assets of \$64 billion, according to *Forbes Magazine*. This business model is getting people trapped in back-to-back loans.

Data from British Columbia shows that the average number of loans per payday borrower in 2014 was 4.3, and the number of people taking out 15 or more loans increased by one-third. In Nova Scotia, in a one-year period, 40% of the loans were from repeat borrowers, and 22.3% of the borrowers took out eight or more loans.

People need to have fair-interest and short-term alternatives available across the country, and we think postal banking will provide this desperately needed alternative.

The Chair: Thank you so much.

We'll now go to our seven-minute round.

Mr. Whalen, I have you on the list first.

Mr. Nick Whalen: You can take my time today, Ms. Ratansi.

The Chair: All right.

Madam Ratansi, and Mr. Whalen, I assume, will want to be the second.

Ms. Yasmin Ratansi: Exactly.

Welcome to the riding of Don Valley East.

Ms. Dollin, I have some questions for you.

We have been consulting a lot. We have spoken to Canada Post itself as a corporation and to the task force members, etc., and we have just come back from Montreal and Blainville, where we have been listening to municipalities.

Yes, we understand that Canada Post took a very top-down approach and was totally non-consultative, and they know that. When you bring about change, you have to consult the stakeholders. The mayors have told us, as you know, "not in my backyard", but we know that mail delivery is going down and we know that Canada Post needs to reinvent itself. In reinventing oneself, there's no one-size-fits-all solution, because we are a huge country, and we have the urban-rural divide as well.

If Canada Post were to reconult, would you be amenable to different solutions...? Because we do need solutions.

● (0950)

Ms. Lynn Dollin: I thank you for the question.

I think reconulting is a good idea. I do believe in the bottom-up approach versus the top-down approach. We believe in consulting with areas that have community mailboxes that have worked so we can use best management practices, versus those that haven't worked, and there are lessons to be learned from what has gone wrong in those areas. That would be the first approach. Go back to the people where they have had fewer problems and find out how that happened.

The other thing I would suggest is that we look at the work done through one of our member associations, the Rural Ontario Municipal Association, which has done an entire book on looking through the northern and rural lens. I think that is critical when decisions are being made, particularly in northern Ontario and rural Ontario, because, as you acknowledged, one size does not fit all, and what happens in your riding here does not work in Kenora, or Red Lake, or even in rural eastern Ontario.

Ms. Yasmin Ratansi: You would be amenable to another consultation? I know people say that as a municipality they don't want the expense of managing the boxes or maintenance, etc.

You were listening to the previous speakers. We talked about the rural moratorium. Some people don't want it to stay and some want it to stay. You want it to stay. What would you say? Why do you want it to stay? Why can't the postal office be franchised?

Ms. Lynn Dollin: Rural Ontario requires its postal service. Many of the places in rural Ontario do not have reliable Internet. The post office becomes an economic development tool for a downtown. If people have to come downtown to the post office, they might be more likely to stay in the downtown, and that's a downtown revitalization tool.

In the area where I live, I'm in a fairly large municipality of 35,000 people, and yet in the part I live in, it's rural. There are a lot of farms and a lot of seasonal workers. They ride their bikes to the post office to wire money home to their families.

Ms. Yasmin Ratansi: So there is the wiring of monies there. Partially, banking is being done.

I'll go to you, Mr. Mazer. You have a very complicated work you have presented to us, and that's the pension. In terms of the pension, we were listening to members of the union, as well, who say the financial situation presented by the corporation is not as dire as it seems, but we have Ernst & Young, which has done an audit, so we have some juggling and balancing to do. Ernst & Young claims, despite the fact that the corporation keeps on saying they are in a deficit, that Canada Post keeps showing profit.

You say that converting from DB to DC will be problematic. You state that Canada Post Corporation doesn't have the capability to manage a pension. Would you suggest that the Canada Post pension be merged into the PSAC pension? If so, what impact would it have?

Mr. Alex Mazer: There are a couple of different questions there. I'll try to address them both.

The first was around what is the financial state of the plan. Part of that debate, which I think you have been hearing at the committee, is around whether the pension should have to make solvency payments, because pensions are funded in two different ways. That's either on a "going concern" basis, which assumes the corporation continues as a going concern, or on a solvency basis, which assumes the corporation winds up.

In Ontario, which I think is the right approach, it's basically saying that you only have to fund on a solvency basis if you don't adopt certain governance changes. If you make some changes to improve the plan—

• (0955)

Ms. Yasmin Ratansi: What sort of governance changes would you suggest?

Mr. Alex Mazer: The main change I'm suggesting is moving from a single employer-sponsored plan, with the plan sponsored only by the employer, to one that's sponsored together and governed together with the union. That's the approach that has been adopted by many public sector plans in Ontario, such as the Ontario Teachers' Pension Plan, or the Healthcare of Ontario Pension Plan.

The second question is around merging the plan with other public sector plans. That could have some benefits. I think that's something worth examining, but you need to look at the specifics of what that would involve, which is partly why I'm suggesting a structured process that's taken out of the context of this broader review of Canada Post and taken out of collective bargaining.

These are complex questions requiring some expertise, but there are potential efficiencies of scale to come from such mergers or consolidation that are worth examining.

Ms. Yasmin Ratansi: Because this is a very complicated environment, Mr. Chair, can we send some questions over to him?

The Chair: I'm sure the question of pensions will come up again with other members of our committee.

We now go to Mr. McCauley.

Mr. Kelly McCauley: Let's go to pensions.

Thanks for your comments. We don't have enough time to listen to you fully, but I want to get to a couple of things.

You mentioned defined benefit versus defined contribution plans. We were chatting about this yesterday. We saw with Unifor and GM that everyone was grandfathered on the defined benefit but everyone new is on the contribution plan. You commented on comparable benefits. That plan is not on the comparable benefit one, and I think what had been suggested for Canada Post was not a comparable one as well.

If it's not on a comparable benefit, is it a practical solution to save money, much as General Motors or Unifor has done? I recognize that everyone would like to have more money, but reality is reality.

Mr. Alex Mazer: What I'm suggesting to the committee is looking at this on the basis of the evidence. What is the most financially sustainable approach and what does produce the most retirement security for the dollar? The answer to that question is often a bit counterintuitive. You hear a lot of debate in the media about how the DC is more efficient, but in a situation like this, where you have an existing defined benefit plan, making that shift can be very expensive. An example—

Mr. Kelly McCauley: But if you're not shifting to identical and benefit, then it is more efficient and less costly?

Mr. Alex Mazer: The evidence sometimes suggests the opposite. It can be the opposite because you still have the liability from the plan that you've been running over the years, and in producing retirement security, the new plan that you're setting up can be less efficient for every dollar you put in.

Mr. Kelly McCauley: But less costly.

Mr. Alex Mazer: It depends on how you measure the cost. I would urge the committee members to look at that paper done by Dr. Robert Brown, because it is probably the best recent example of work done by an expert in this area.

Mr. Kelly McCauley: Okay. I understand the solvency issue. We know that Canada Post is not going to stop operating, and therefore it's a bit counterintuitive to have the solvency issue, but it did come up that competitors to Canada Post—FedEx, UPS, etc.—do have to follow those rules. Is it not unfair to the competitors of Canada Post to force them to follow such solvency rules for their pension and make such contributions when government-funded Canada Post does not?

Mr. Alex Mazer: I think the best approach for looking at funding rules for pension plans is the governing structure of those plans and how they are overseen.

When the Ontario Expert Commission on Pensions wrote its report in 2008, it recommended that jointly sponsored plans be exempted from solvency payments, not because they were in the public sector or the private sector, but because they had a superior governing structure that allowed for better risk management and oversight.

I'm suggesting a principled approach, as opposed to just saying that because you're in the public sector you're never going to go out of business, and therefore you shouldn't have to make these payments.

• (1000)

Mr. Kelly McCauley: I appreciate that. Again, thanks for your comments.

Ms. Dollin, thanks to you as well for your comments. They were very well said, and I appreciate the comment on whether we can go back to the table with Canada Post, because we've heard again and again that there were not great consultations with the municipalities. I live in a riding where it's half community and half door to door, and it's just a way of life for both. It's difficult to change.

I appreciate that Canada Post says to go back to the table and they'll work with you. Where would it not work, under any circumstances, to go to a community box in an urban riding?

Ms. Lynn Dollin: My suggestion is that it would be very difficult in very rural, or remote, or northern Ontario communities. You will understand that if somebody with a disability, maybe, is trying to get to their mailbox and there's a snowbank in front of that mailbox, they're not going to call Canada Post. They're going to call their mayor, their deputy mayor, or their councillor, and they're going to be on the front page of the local community newspaper.

Mr. Kelly McCauley: Or put your phone number on the Canada Post website.

Voices: Oh, oh!

Ms. Lynn Dollin: Exactly. That becomes an issue.

Mr. Kelly McCauley: But inside the city itself—

Ms. Lynn Dollin: Inside communities, I think it's really important, as was demonstrated in Hamilton, that it also work, understanding that municipalities also have rules. Before you plunk down a community mailbox somewhere, know that maybe in that municipality road widening is going to happen, or that maybe there's a better location for it, or that maybe it doesn't fit in with the rezoning that's going to happen on that corner. That type of

conversation could be very helpful and could solve a lot of headaches before they happen.

Mr. Kelly McCauley: Is it fair to say that municipalities generally are open, but talk to them and respect them?

Ms. Lynn Dollin: Absolutely.

Mr. Kelly McCauley: Thank you.

The Chair: Mr. Weir, please, for seven minutes.

Mr. Erin Weir: Thank you for the presentations.

Ms. Dollin, we have a federal government that was elected on a solemn promise to reinstate home mail delivery. It doesn't sound like you have a great deal of confidence that it's going to happen. I wonder if you could speak for a moment about where you, as municipalities, feel the federal government is actually at on this issue.

Ms. Lynn Dollin: We're looking in that direction. That's what we're hoping for.

First of all, we're asking, particularly for the rural and the northern and remote communities to maintain what they already have and to allow the door-to-door delivery in the rural Ontario municipalities as well. I've mentioned that we've received numerous different motions from many of our over 400 members, and all of them are looking for the return of door-to-door mail delivery.

But we also aren't so closed-minded. We just want to talk. We want to be part of that conversation and we want to make sure that whatever that end is, it's something that we've come to a conclusion on together.

Mr. Erin Weir: Excellent.

Mr. Mazer, thanks so much for your comments on the Canada Post pension plan and the distinction between the going concern versus solvency valuation. I think a lot of the debate about the future of Canada Post has been driven by this bogeyman of a \$6-billion unfunded liability. I've certainly tried to make the point at this committee that the number is entirely based on a solvency valuation, which is based on pretty extreme assumptions that don't really apply to Canada Post.

I wonder if you could perhaps explain that it would be a reasonable thing, from an actuarial and an accounting point of view, to exempt Canada Post from those solvency payments.

Mr. Alex Mazer: I do think it could be a sound policy move to have an exemption for solvency payments, provided certain changes are made to the plan. There are various different views within the pension community on this issue. Some provinces, such as Quebec, have exempted single employer pension plans from solvency payments. My view would be that it ought to be accompanied by some changes to the plan.

I also think there are some opportunities here to improve the plan for the benefit of both management and workers and also for Canadians. Some of our best pension plans do contribute a lot to the Canadian economy and are a major source of strength for Canada. I see no reason that the Canada Post pension plan should not be managed according to the same principles.

Mr. Erin Weir: Excellent.

Mr. Borden, you spoke about the problems with our current predatory payday lending industry. I wonder if you might be able to speak a bit more about the role that you believe Canada Post could play in providing a superior alternative to that type of financial service.

• (1005)

Ms. Donna Borden: Some of these payday lenders provide short-term loans, but they also provide a service so that people can send money or transfer money to their families—with fees—and we think Canada Post could provide that at a lower fee and still make a profit at it. There are post offices all over the rural areas everywhere, so it would be very easy to set up a bank for people to have access to in order to send money and get short-term loans.

Mr. Erin Weir: The organization you represent is obviously out in the community and in contact with a lot of people. Is it your sense that there would be quite a bit of uptake for postal banking if Canada Post were to offer these types of services?

Ms. Donna Borden: Yes. In fact, our members have suggested it to us, and a lot of them are quite excited about the possibility of having postal banking, because with the post office they can go in and send money. As you know, Canada is multicultural and we have people from all over who send money overseas, and they pay quite a fee. Canada Post could charge less for it, and it would also be a profit for Canada Post. It saves jobs, and I think it would be better because it would provide services for everyone. It's closer for people. Banks are closer for people in the rural areas as well.

Mr. Erin Weir: Excellent.

Mr. Mazer, I wonder if you could speak a little bit more about the possibility of combining the Canada Post pension plan with other public sector plans in the federal sector. Is that something you think would make sense or that we should be taking a serious look at?

Mr. Alex Mazer: I think that should be one of the options on the table as part of a structured process. If you look across the country, you see that this practice of pooling public sector assets together to achieve efficiencies of scale is fairly common. It's used in B.C. and Alberta, in Quebec with La Caisse, and federally with PSP Investments. Recently, Ontario set up the Investment Management Corporation of Ontario to do the same thing.

There's the question of the pooling of assets, and then there's also the question of the merger of plans, which can be a little bit more complicated because you need to take into consideration the funded status and the various plans, comparing the two sets of benefits. That requires detailed actuarial and legal work. But there could be opportunities to achieve greater scale and to also spread risk across various plans, which could also bolster the case for a solvency exemption.

The Chair: You have a minute and a half, Mr. Weir, if you care to use it.

Mr. Erin Weir: Excellent. I have another question for Ms. Dollin.

On the issue of door-to-door delivery, some have suggested that it might be possible to maintain it for people who have mobility issues while using community mailboxes for everyone else. I'm wondering, just from a municipal planning perspective, if that is a solution that you see as being practical or realistic.

Ms. Lynn Dollin: Thank you for the question.

Yes, there is AODA, the Accessible Ontarians Disabilities Act directorate, which I think is something that you should be looking at, along with the work on age-friendly communities and aging in place done by AMO. The recommendations in both of those documents I think would serve you well.

The Chair: Now it's Mr. Whalen's turn.

You have seven minutes, please.

Mr. Nick Whalen: Thank you very much.

Just as a point of information, as somebody who had to defend the nuanced nature of the Liberal Party policy during the last election, this is exactly what we promised, Mr. Weir: that we would halt the change and that we would consult with Canadians and try to manage the change better. You might have been talking about your party's policy, which was rejected by Canadians. I will move on.

I will say that change management is what we're talking about, because the task force report is pretty clear that a business-as-usual approach for Canada Post will put it into a \$700-million-a-year deficit position in about 10 years, and this is what we're trying to avoid. We're trying to save Canada Post. It's important to Canadians.

My first question is really for you, Ms. Dollin. What has been the experience of your members in working with the current management of Canada Post to manage the change that has already happened?

• (1010)

Ms. Lynn Dollin: Well, I can say that change happens, and probably the first time we hear about it is from a resident who has told us about what has happened. There has been very little consultation between municipalities and Canada Post.

Mr. Nick Whalen: Okay.

The municipal leaders we heard from in Montreal yesterday were much more forceful on this. They said there was a complete lack of trust. Would your membership trust Canada Post's current management to handle this change? Or do we need new management to deliver on the change and to manage the new vision for Canada Post?

Ms. Lynn Dollin: Well, I'm new at this job, so maybe I haven't developed that level of animosity yet.

Voices: Oh, oh!

Ms. Lynn Dollin: I would suggest that whoever we're talking to needs to have two ears: they need to listen to what municipalities have to say about what's going to work on the ground, what's going to work in northern Ontario, and what's going to work in large urban centres. They need to hear from us, because we know better than anyone what's going to work in our communities.

Mr. Nick Whalen: We've heard a lot that there's no one-size-fits-all solution for Canada Post because all communities have slightly different needs. In addition to postal delivery, what other services might Canada Post help with to deliver services to your members who manage rural communities?

Ms. Lynn Dollin: I think that any services they can deliver would be helpful. I'm going to use another personal example from my community. Again, it's fairly large, and you would think 35,000 people would be sustainable, but it's also a very large community and there are tiny pockets. You can't assume that a population of that size is all going to be contained in a small area.

In our community, we've just had a bank close, the only bank within the community, so there is no opportunity unless you do Internet. We have a lot of older folks in the community who really aren't interested or just don't want to learn. They need that post office for many things, even if it's just to go in to say hello and chat in the morning, have a face-to-face conversation, and pick up their mail. Also, as I mentioned, we have people who do use the wiring service there, particularly the seasonal workers who are here to work on our farms.

Mr. Nick Whalen: Mr. Mazer, thank you for highlighting the pension plan reform and how it might allow us to bridge the gap between the union's position on the plan and management's position on the plan. Do you know if the union has suggested joint management as a means to achieve this? Do you have any familiarity with the negotiations around management of the postal pension plan?

Mr. Alex Mazer: I don't have detailed familiarity with what went on in recent negotiations. I know that a variety of potential reforms were tabled, both in the context of that collective bargaining and other negotiations with the other unions.

Part of the challenge is that collective bargaining is a difficult place to resolve those kinds of issues. The better pension organizations have tended to take pension issues out of collective bargaining into a specific process that is more about trying to build consensus between management and labour, and not use it as a bargaining chip when there are many other complex issues on the table.

Mr. Nick Whalen: I guess you don't have any precise familiarity, but do you have any reason to feel why.... You mentioned a paper by a Dr. Brown, is it?

Mr. Alex Mazer: Yes, by Dr. Robert Brown.

Mr. Nick Whalen: Do you have any reason to suspect those principles wouldn't apply to the current plan and how there may be some way to achieve savings in Canada Post's pension by converting? Or do you feel it should just be straightforward and that, like any others, this is going to add complexity and is probably not a decision, based on either cost or risk, that we should take?

Mr. Alex Mazer: You're asking about converting to defined contribution?

Mr. Nick Whalen: Yes, exactly, from defined benefit.

Mr. Alex Mazer: Not all defined contribution or defined benefit plans are created equal, but I think it can be possible to have quite good defined contribution plans. We've seen that in countries like Australia and the U.K. that have set up public defined contribution plans. Saskatchewan has a public DC plan as well.

The challenge is in how you manage that liability. You could look to the example of Saskatchewan, which is still managing the stranded liability associated with setting down its DB plans. That

occurred, I believe, in the late seventies, and Saskatchewan will be managing that liability for nearly a century from now. It remains on the books.

Those are the complexities that I think would need to be worked through in a structured process to figure out what is actually the bottom line associated with these different options and how much retirement security for the dollar each of the options deliver.

• (1015)

Mr. Nick Whalen: Thank you. How much time do I have?

The Chair: You have just a minute.

Mr. Nick Whalen: Very quickly, then, Ms. Borden, it sounds like this payday loan issue is very important for your organization. I was wondering if you or your organization have any reports, studies, or business plans that might provide us some detail on appropriate rates, or any rules that any type of payday loan offering from the government should have in order to make it both profitable to the offerer and fair to the people who are using the service?

Ms. Donna Borden: We have quite a few different reports that we've had done. We're in the process of doing another one right now. We could get them together and have them sent to you.

Mr. Nick Whalen: I very much appreciate that. Thank you.

Ms. Donna Borden: Yes, we'll send you what we have.

The Chair: Ms. Borden, could you get those directly to our clerk? You can meet our clerk and get all of the coordinates from her after this meeting.

We'll now go to five-minute rounds, with Mr. Brassard, please.

Mr. John Brassard: Thank you, Mr. Chair, and as well, full disclosure: Ms. Dollin is the deputy mayor in a municipality in my riding, so I may throw her a few lob balls this morning.

Welcome, Lynn.

I have a question for you. You talked about one size not fitting all municipalities as it relates to phasing in door-to-door delivery. Can you give me some examples of what municipalities would be looking for if they weren't going to get the community mailboxes? What are some of the criteria that you think would not involve that one-size-fits-all idea. I know that you spoke about northern and remote communities. Can you give me some rationale behind that, please?

Ms. Lynn Dollin: Certainly, and I thank you, MP Brassard.

As a former municipal councillor, you will understand that, first of all, nobody wants these. It's always "not in my backyard" or "not beside my house". By working and planning when the plans of the subdivision come in and having that done ahead of time, when the potential purchasers of that property move there they know what's going to be there, as opposed to it being put there afterward. I think that could happen through consultation. I think that posting them in places where they are accessible and where there will be less vandalism is another thing that I'm not sure is totally taken into account at this time.

Also, it's about making them accessible for everyone. In my community, we have several of these "superboxes", and we're constantly getting called about a puddle in front of them or how the infrastructure is not there around them and people can't access them. Even though it's not our responsibility, if we tell them to call Canada Post people say we're just passing the buck. You end up having to deal with it because everything that other levels of government tend not to take care of falls to the municipality to deal with.

Mr. John Brassard: With your answer, I'm actually reliving my days as a municipal councillor.

There were no issues, Mr. Chair, that caused more angst among neighbourhoods than where these mailboxes were going and when they were seemingly just plopped into position without consultation. I appreciate that answer.

Mr. Mazer, you spoke about joint sponsorship and independent sponsors. There are a lot of examples out there, such as the Ontario municipal employees retirement system. What do you think would be the ideal governance model if Canada Post were to move to a situation like that?

Mr. Alex Mazer: Typically, the models that tend to work have a board that has members who are appointed, some of them by the unions, some of them by the employer. That might be roughly fifty-fifty. Those board members, in some cases, are experts in pensions and investments. In other cases, they're more representative of the employer or the union. I've seen models work on both ends of the spectrum.

Mr. John Brassard: Is there one in particular that you would highlight as functioning very well?

Mr. Alex Mazer: Two plans that have performed very well on a global scale in Ontario would be the Ontario Teachers' Pension Plan and the Healthcare of Ontario Pension Plan. Actually, both of those plans, according to independent studies, have had the best returns virtually in the world over the past 10 years. They're both a little different, but they both use a variation of that joint sponsorship model.

• (1020)

Mr. John Brassard: Ms. Borden, the task force report to the committee said that "Canada Post would be entering a well-established banking market that serves Canadians well...in which a new player would have to earn its market share through fair competition."

It talked about four different examples, one of them being an option of "[p]artnering with 3 to 5 large banks or credit unions to provide a low-cost extension". Even there, it said that the fourth

option would only be marginally profitable. What other examples could you give the committee? If it's not those options, then what?

The Chair: A very short answer, please, if possible.

Ms. Donna Borden: I think Canada Post would definitely make a profit. Look at the payday lenders and how much they're making. People use these services. Ms. Dollin just mentioned that the banks are closing in her area, but then payday lenders are usually opened in those areas. Postal banking would be a great alternative. I can't see how it wouldn't make a profit.

Mr. John Brassard: Fair enough.

The Chair: Thank you very much.

[Translation]

Mr. Ayoub, you have the floor for five minutes.

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

Ms. Dollin, I have a few questions for you.

When you spoke of your past experience at the municipal level, you mentioned a lack of communication. Do you think if there had been communication, if a consultation had been held regarding service cuts before the major changes were made, would the situation have been better accepted by municipalities? One way or another, would the reaction have been the same?

[English]

Ms. Lynn Dollin: Thank you for the question.

Through you, Mr. Chair, the answer is yes. I think we would have been able to come to a better solution for everyone had there been more consultation in the beginning. It is still my reality. I am still representing my municipality, plus all of the municipalities in Ontario.

[Translation]

Mr. Ramez Ayoub: I imagine that if we continue consulting municipalities and increase our communication with them, the situation would improve. The solutions should be more effective. There's no one size fits all approach. There's no magical solution that suits everyone. However, we would be able to find a solution that works better.

[English]

Ms. Lynn Dollin: Absolutely: better solutions come by collaboration and talking to each other.

Canada Post post offices across Ontario are community hubs. That's where you find out who died or who had a baby. That's where you figure out what happened to your lost cat or get your children a babysitting job. Those kinds of community hubs are essential in small-town Ontario.

Having a conversation with Canada Post could certainly help decide where those services are essential.

[Translation]

Mr. Ramez Ayoub: Do you know what percentage of mail was delivered door to door in rural regions, in comparison with the percentage of mail delivered in new neighbourhoods, where the community box is ever-present? I'm wondering whether that's the case in Ontario. It's certainly the case in Quebec.

Is the situation the same in Ontario?

[English]

Ms. Lynn Dollin: Thank you for the question.

In large urban centres, it has been door-to-door mail delivery. In small-town Ontario and rural Ontario, it's still the mailbox at the end of the farm driveway. Also, in small-town Ontario, the older residents are picking up mail at the post office; they have a slot in the post office. The newer residents in the newer subdivisions are picking up from these superboxes or community-style boxes that are at the corners in the subdivisions.

[Translation]

Mr. Ramez Ayoub: You spoke of compensation for mailbox maintenance. When you communicated with Canada Post, were you informed of the possibility of compensation? I would say that it's minimal, but a certain amount has been set aside for mailbox installation and maintenance, snow removal, and lighting to some extent. Did your association hear about it during your negotiations and discussions with Canada Post?

• (1025)

[English]

Ms. Lynn Dollin: Thank you for that question.

It is not the case, that I'm aware of. Again, I've only been holding this position for about a month now, so I'm fairly new in this cycle, but certainly from my own experience—with all due respect to the speaker who was here earlier who talked about newspapers and flyers—some people don't love their flyers. They take them out of the mailboxes, and the flyers either go onto the ground or into the garbage can. If there's no garbage can there, they go onto the ground. If that garbage can isn't opened up again, it's not Canada Post they call. It is their councillor.

Mr. Ramez Ayoub: But I can confirm that you don't need to.... You're not the one responsible for the snow removal and all the maintenance of those community boxes.

That's it for me.

Ms. Lynn Dollin: It would be lovely if we could have your phone number.

Voices: Oh, oh!

The Chair: Panellists, thank you very much for your informative presentations here today.

I have just an extraneous comment, Ms. Dollin. As a politician—and I'm sure there are many of us around this table who would know exactly what I'm talking about—I find your comment about small-town post offices being a hub of all activity absolutely correct. It's an old politician's trick when you're campaigning in a small town to drive in with your magnetized name signs on the side of your car. I always park right in front of the post office, because I know that,

every day, every single person in the community will show up there. They'll know I've been there.

At any rate, thank you so much.

Again, I offer what we offer all of our panellists. Should you have additional information you want to bring forward for the benefit of our committee—and Mr. Mazer, I'm thinking you might have that—please feel free to contact our clerk and submit any of your information to our clerk. Conversely, should any of our members have additional questions of you, I hope you would allow us to contact you directly.

Thank you very much. We will suspend for a few minutes until our next set of panellists comes to the table.

• (1025)

(Pause)

• (1030)

The Chair: Panellists and colleagues, ladies and gentlemen, I think we'll commence now, if we can. We have a cast of thousands with us at the panellist table.

I'm sure all of our panellists have been in the room for some of the previous presentations, so I don't think I need to go over the process.

However, suffice it to say that since we have a number of panellists—I have six speakers who I believe will be making brief presentations this morning—I would encourage all of those speakers to please try to contain their comments to five minutes or less. That will allow time for only one seven-minute round of interventions, so we'll have enough opportunities to keep our road show on schedule.

With that, I have a list of speakers before me, and I will start on that.

Our first intervenor will be Mr. Rae, please, for five minutes.

Mr. John Rae (First Vice Chairperson, Council of Canadians with Disabilities): Good morning, honourable members.

My name is John Rae. I appear as first vice-chair of the Council of Canadians with Disabilities. We are Canada's cross-disability coalition working for a more accessible and accepting Canada. As such, we consider reliable home delivery of the mail an important part of the fabric of what makes Canada great.

In terms of specifics, we support the government's moratorium on the creation of more community mailboxes. We recommend that the moratorium be made permanent, and that the previous work, if possible, be somewhat reversed so that more Canadians receive home delivery.

The move toward community mailboxes has a disproportionately negative effect on our community, and I think also for women who are in abusive relationships. Simply getting to the mailbox for some of us is a barrier, a new barrier. In the year 2016, we think it's unreasonable that government entities should do anything that creates new barriers to our participation in Canadian society, and that's what's happening.

Our former chair, Mr. Tony Dolan, who lives in a suburb of Charlottetown, already has to rely on his spouse to pick up his mail. I consider that unacceptable.

We want no more community mailboxes. We believe that Canada Post is a public service and, as such, must remain public. Thus, any notions of privatization must be resisted. In rural areas, it is particularly important, and that's one of the many reasons why we support postal banking.

We have heard dire predictions about the future of our postal service. So far, the financial picture of Canada Post over the last number of years does not bear out this paranoia. Yes, it is true that the use of the postal service has changed since more and more people use the Internet. That's a problem for our community, many of whom are poor and cannot afford a computer.

If we look at what's happened so far, the corporation has done an excellent job of finding new sources of revenue. We see postal banking as one of those new aspects that excites us and should be seriously looked at. We believe that the post office is uniquely positioned, given the number of outlets that it already has across the country, to institute such a system and to operate it effectively.

It would, as other participants have suggested, help deal with the problems of payday loaners. I think Al Capone would have been proud that these people have found a way to do legally what he and his loan shark cronies were unable to do back in the 1930s. I think he'd be proud of them. These entities particularly prey upon the poor, and poverty is such a reality throughout our community, so this is an area that I think is exciting.

• (1035)

One of the reasons why I think mail usage has gone down, and only one, because there are others, is the excessive rate increase that happened. This had dire consequences for small businesses, which, after all, we are told, are the main creators of new jobs in this country, and also for community organizations that use the mail to send out notices of meetings or conduct direct mail campaigns. It is my hope that such excessive rate increases will not be our experience in the future.

In conclusion, we want regular, reliable home delivery of the mail, five days a week, throughout Canada.

Thank you.

The Chair: Thank you very much.

Next we have Mr. Dachis, please, for five minutes.

• (1040)

Mr. Benjamin Dachis (Associate Director, Research, C.D. Howe Institute): Thank you so much for having me.

My name is Benjamin Dachis. I'm the associate director of research at the C.D. Howe Institute. We are an independent not-for-profit organization that aims to raise Canadians' living standards by fostering economically sound public policies.

I'm the author of a C.D. Howe Institute study entitled, "How Ottawa Can Deliver a Reformed Canada Post". I argue that it's time that Canada reform its postal services so we can catch up with those in the rest of the world and so Canadians benefit from the most efficient postal system possible.

The scale of Canada Post's competitiveness problem is enormous. Canada Post's labour costs are 41% higher than those of firms like

UPS and DHL. That's a big problem. That labour is about 70% of Canada Post's total costs, according to Ernst & Young. The benefit costs at Canada Post are 60% higher than those of their competitors.

As of the middle of this year, Canada Post had a pension solvency deficit of about \$8 billion. Keep in mind that Canada Post has received special permission from the federal government to defer the vast majority of the payments it needs to cover its pension deficit. That cannot go on forever.

Projected losses at Canada Post, assuming that it doesn't go ahead with the mailbox conversions, are going from \$100 million in 2016 to over \$700 million in 2026. Keep in mind that these are likely at the low end of the reasonable range of potential losses, according to the discussion paper from the Canada Post review panel.

This is why fundamental change in the Canada Post business model is critical. That's the long-term solution. It's similar to that of countries like Sweden or Finland, which was to eliminate the government monopoly on letter pickup and delivery completely and allow private entrants to handle the job.

The second option is to eliminate the government monopoly more gradually and make Canada Post lean enough to compete with private companies. This can be done through contracting and franchising.

Only about 40% of Canada Post's retail postal operations are contracted. Those are the operations you see in Shoppers Drug Mart, for example. Canada Post is prevented from closing or franchising almost 3,600 corporate post offices because of a 20-year-old moratorium on the closure or franchising of rural post offices. You may often hear of it as "the rural moratorium", which is really a misnomer, because it now applies to places like Brampton, Saskatoon, and Halifax. These are major cities in Canada. Keep in mind that this moratorium now covers 96% of all locations operated and owned by Canada Post.

Aside from following through on conversion to community mailboxes, increasing use of contracting, according to the review panel study, is by far the largest saving option they've come across. Converting 800 of the highest-volume corporate post offices—less than a quarter of the total protected stores—to franchise outlets would save \$177 million. In a scenario where Canada Post converted or franchised all of its corporate outlets, it could realize savings of over \$350 million per year. That alone is half of the hole that Canada Post needs to fill.

Canada Post could extend this model even further and apply the franchising model to mail pickup and delivery to realize even bigger potential savings. If contracting pickup and delivery resulted in similar savings, the cost savings would be dramatic, without necessarily cutting delivery standards.

Contracting arrangements would also create a strong incentive for contracted employees to maximize their productivity, knowing that low productivity or excessive wage demands—or the threat of a work stoppage by contractor employees or Canada Post employees—could result in losing their contracts. Contracted employees and Canada Post employees likely would perform better at lower costs—or both—than what we see now.

Through attrition, Canada Post could gradually increase the share of services and contracts without relying on layoffs, as layoffs of most existing employees are forbidden under the current collective agreement. According to the review panel, 25% of approximately 16,500 in the Canada Post workforce will become eligible for retirement over the coming five years.

• (1045)

Whatever route the government chooses, and whether that route includes a fully privatized Canada Post or one that involves carefully selected private services to be tendered for contractor franchising, the goal really should be a competitive and efficient postal service.

Thank you again for inviting me. I look forward to discussing further in questions.

The Chair: Thank you very much.

Our next panellist will be Professor Lipsig-Mummé.

Professor Carla Lipsig-Mummé (Professor, York University, As an Individual): Thanks very much and hello to everybody.

I should mention that I'm a professor of work and labour studies and I direct a seven-year research project called "Adapting Canadian Work and Workplaces to Respond to Climate Change". It's part of a suite of research projects that began to get funding from the Social Sciences and Humanities Research Council in 2008 and continue into the 2020s.

Reviewing the task force discussion paper and some of CPC's own reports, I'm struck by the lack of strategic creativity when seeking options for the future and the need to broaden our ambition. I use the word "our" advisedly, because the task force report really showed us to what degree Canadians hold Canada Post in both affection and commitment.

The task force was struck to explore the range of possible responses by CPC to the new challenges of the digital era, particularly in relation to raising more revenue to compensate for the decline in letter mail volume. Unfortunately, both the CPC and the task force define narrowly both the central question of what is to be done and the scope of CPC's potential for growth and diversification.

The task force then looked at solutions in all the old places. The options proposed do not reach beyond the tried—and not so successful—and the known, focusing on cuts in services and jobs, with some outreach to new revenue sources. But is that all that's possible?

In my own research, I've looked around at what other countries have done. I have worked and talked with the president of the U.S. Postal Regulatory Commission on its work as well. Let's turn the

question around: is to focus narrowly on cuts, jobs, and competition all that's possible?

On the question of what is the future for the Canadian postal service, let's ask these two questions. First, how can Canada Post take leadership in both the digital and the environmental transitions that are transforming the economy and society in Canada today, as they are in other developed countries? Second, how can Canada Post contribute to the government's high-priority climate action program? While that plays almost no role in the task force report, it's coming down the pike for Canada Post. We know it will.

We can widen the question. How can Canada Post take digital and environmental leadership in this transitional time? This opens the door to a broader vocation for Canada Post as a leader in environmental innovation as well as to next-generation training for Canada Post workers, because there will be a next generation.

Postal services in a number of developed countries are offering successful and innovative new services. Canadian postal unions have proposed collaborative strategies to reduce the greenhouse gas emissions that Canada Post's work creates, because Canada Post is a major producer of the very pollution that we need to slow.

I should mention that in 2011, during negotiations, the principal union came to Canada Post with a proposal for two things: one, to eco-audit mid-sized facilities to reduce their greenhouse gases; and two, to start a pilot project with greening the work. That did not go through. Canada Post didn't take it up in that round of bargaining. One hopes it will in the future.

I want to mention, too, a number of promising strategies that will contribute to Canada Post's transformation for the next generation.

First, conduct eco-audits of all Canada Post facilities, with transparent reporting.

Second, have Canada Post retrofit all corporate-owned postal facilities for energy conservation and sustainable practices. You seek federal infrastructure funding for that, but the federal government has been open to that kind of infrastructure funding.

Third, have Canada Post replace its 13,000-vehicle fleet with green vehicles.

Fourth, parcel markets are growing exponentially. Canada Post real estate, home delivery, and its local post offices for parcel pickup are all competitive advantages. Don't cut the infrastructure.

Fifth, use the delivery network for multiple purposes. It's good business. It is also environmentally cleaner.

Sixth, environmental multi-skilling and training of postal workers, which is going on in other countries, can make our postal workers specialists in safety monitoring and energy efficiency installation and will broaden the services that Canada Post can offer, as well as create a small army of environmental experts in the field. Now, you may be thinking, what is Canada Post doing here? The answer there is that it's what other countries are doing as well.

●(1050)

I'll continue.

Seventh, training for monitoring the health of seniors and disabled in rural areas is cost effective.

Eighth, have Canada Post to take on the responsibility for the delivery of some social programs for the government, as La Poste in France does.

Last, Canada Post is to develop a green plan in real time.

The Chair: Thank you very much.

Next we have Mr. Kirk.

Mr. Gary Kirk (Owner, A Good Read Bookstore, As an Individual): Thanks for having me here.

My name is Gary Kirk, and I'm the owner of A Good Read bookstore in Toronto. Twenty years ago, as a hobby, I started selling rare books online. Nine years ago, that hobby had grown to the point where I was able to open a bricks-and-mortar store, and I now have four employees.

I like to think that's what the Canadian government wants to see happen with e-commerce. The sad reality is that Canada Post has been more of an obstacle than a tool in the growth of this business, most of which has been done by having my books taken across the border and mailed using the U.S. Postal Service.

E-commerce is not going away. In 2012, it represented about 5% of total retail. In 2015, it was up to a little over 9% of total retail. In 2019, it is predicted to exceed 20% of total retail, and our postal system will determine what that looks like.

I have with me a chart from a *Global News* report in 2014. I apologize, but my printer died and I didn't get to print enough copies for all of you. The dark red bars shown here represent foreign-owned or foreign-based sellers online and their percentage of total e-commerce. Normally, when you do the top 10, you would stop there, but here they had to go to the top 14, because otherwise there would be no Canadian companies. There are a number of reasons for that. I'll try to get to them as quickly as I can.

One is the Canada Post pricing model for packages. The second is the strategic advantage that Canada Post concedes to foreign sellers. Number five is the market distortions caused by the extremely large discounts that Canada Post gives to certain large sellers.

The first is the pricing model. If I want to mail a hardcover book anywhere in the United States, I can do it for under \$3.50 U.S. In Canada, if I want to mail that same book across the street, it would cost me \$12.90. That is before the discounts given to sellers, but those discounts amount to 20%.

Aside from the expense, the bigger problem is that each package will have a mailing rate that is a function of the dimensions, the weight, and—this is the best part—the volume of traffic at the originating postal code and the volume of traffic at the destination postal code. The range in prices for a package of the same size is over 400%, so a book that I can mail across the street for ten bucks would cost me \$35 to mail to Canmore, Alberta. It would cost me more to mail a book from Toronto to Fergus, Ontario, than it does to Montreal, because of the volume.

That's not how e-commerce works. When you sell something online, you have to pick one shipping rate or the website you're using provides you with one. You have absolutely no way of predicting what it's going to cost you to send something somewhere, because you have no way of knowing where your customer is going to be. You can hope that the majority will be in large urban centres, but the reality is that a lot of people in smaller and more isolated communities rely on e-commerce to get things they can't find locally.

What makes this particularly galling is that if I'm mailing a book from the U.S. into Canada, I pay one rate that's based on weight, so it would be cheaper for someone to mail a book from Hawaii to Canmore, Alberta, than it would be for me to mail a book to Canmore, Alberta, by a factor of 50%. To me, that's just crazy, and I don't understand why we do this.

If I want to mail a CD in Canada, depending on whether or not the employee at the post office bends it to make sure there's only paper inside, I might mail it as a small letter for about two bucks. If he or she decides to bend it and says that I can't have anything stiff in there, it will be \$8. That same CD mailed from China to anywhere in Canada costs \$4, so we're creating a situation where we're putting our own domestic sellers at an enormous disadvantage. If I wanted to get into e-commerce in Alberta, I wouldn't be able to do it. It would cost me 40% more to mail a book within my own postal code than it would for a seller in Toronto.

●(1055)

The last point is that it isn't this way for everyone, and I know this because a couple of times a month Amazon.ca asks me: "Paying too much for shipping? Send your inventory to our warehouse and we'll do the fulfillment for you." Now, every package I've ever received from Amazon.ca has come through Canada Post. When I look at what the FDA fees are, for a package that would cost me \$9 to ship, Amazon.ca charges \$3.75 in postage for the first 500 grams—37¢ a gram. Given that they've built in a profit margin there, that suggests to me discounts in the order of 80% or more.

People make their decisions about e-commerce based on the combined price of the item and shipping. We have created a monopoly: Amazon.com representing 23.6% of Canadian e-commerce and Amazon.ca 8.5%.

The Chair: Mr. Kirk, I have to get you to wrap it up, please.

Mr. Gary Kirk: All I would say is that you need to decide what you want e-commerce to look like in this country, whether you want it to be distributed nationally, or whether you want it to be dominated by foreign-owned corporations.

The Chair: Thank you very much.

I would again encourage all our panellists to please keep your opening comments to five minutes.

We now have Wanda Morris, from the Canadian Association of Retired Persons, for five minutes, please.

Mrs. Wanda Morris (Chief Operating Officer, Vice-President of Advocacy, Canadian Association of Retired Persons): Thank you.

We are a non-profit, non-partisan organization, and our mission is to look after the financial security and health care of Canadians as we age. I'm here not so much to speak about Canada Post, but to talk about why door-to-door mail delivery is an essential service in Canada.

When we look at services that our governments provide, whether it's police services, or firefighters, or the provision of highways, we don't ask that those break even. We recognize that those are essential costs to society, and I put it to you that mail delivery, for our constituents, falls in the same category.

A 2009 report from Statistics Canada showed that only 21% of individuals 75 and over were on the Internet, so this idea of phasing out physical mail delivery and instead having everyone go online is not workable for our constituents. That was seven years ago. People are going online more all the time, but even at that time, only 45% of 65-year-olds to 75-year-olds were using the Internet.

Though our members are perhaps more Internet-savvy than others and 70% of our members use the Internet, half of those only use it for Skype. There is a widespread fear among our members about things like identity theft, so they're concerned about using the Internet for their banking. I have to say that some of those fears are valid. We have seen identity and data breaches.

As well, many of our members are unable to handle the physical hardship of going to a community mailbox. We surveyed our members, and almost one in five, or 18%, said that the elimination of door-to-door delivery poses a hardship for them. When we think about what we're doing to seniors, to our elders, we are asking them to make these treks not on a nice fall day like today but in the middle of snow and ice, where they are at risk of a fall and, potentially, a very severe health incident.

If they are unable to make that trek to the mailboxes, they may be relying on others—for example, to pick up a pension cheque or some other government funds—which then puts them at risk of elder abuse. We know that one in 10 seniors over the age of 65 experiences some form of elder abuse, so we're really putting them at risk and, also, I believe, at risk of vandalism when they use

community mailboxes. They are simply a target for somebody to go after.

We certainly believe there should be some form of mail delivery. CARP recognizes that there are financial realities and that we're not operating in a fiscal utopia here, so we're prepared to accept some type of cuts in services, but I think that as a minimum, one-day-a-week mail delivery needs to be sustained.

I'd also like to make the point that the community mailboxes we're seeing are not only a risk to our seniors, both as opportunities for potential physical or mental abuse as a result of using them, but they're also a tremendous eyesore in the community. I'll pass around an image for you. It's one of a whole selection of images that I could have pulled off the Internet showing the litter around these community mailboxes. That is not what we want to see in our communities and areas where we live.

We strongly call on the committee to immediately eliminate community mailboxes and restore at least once-a-week mail delivery services.

● (1100)

The Chair: Thank you so very much.

Our final panellist will be Mr. Millar, from the Oakville District Labour Council.

Go ahead, please, for five minutes.

Mr. David Millar (President, Oakville District Labour Council): Thank you.

When the Liberals took over the challenge of our federal election campaign and promised the public they would stop the Conservatives and save Canada Post, we hoped that the failed Conservative strategy of cutting our public postal service would finally be cast aside. We were promised that all options would be on the table except for privatization.

The Canada Post review task force that was set up earlier this year to identify options for the future of Canada Post has now released its discussion paper. We were concerned that the makeup of this task force was composed of former CEOs and big-business people. That's a little like getting the fox to design the henhouse.

While we were disappointed, we're not really surprised to see that the discussion paper, instead of broadening Canada Post's horizon, continues to support and even expand the Conservative cuts to the postal service, including reducing delivery frequency; closing post offices in rural and small towns, by lifting the moratorium on such closures; converting more home delivery addresses to so-called community mailbox delivery; and charging people for door-to-door delivery, like a postal tax.

The paper did touch on some ideas for service expansion but devoted much less time to them, skewing it heavily in the direction of cuts. Some ideas were becoming an Internet service provider; providing scheduled monitoring services for the elderly and people with disabilities; offering green packaging and recycling; developing an electric vehicle charging network; using post offices as community hubs; providing a marijuana distribution service; and providing postal banking on a very limited scale if the financial institutions are interested.

However, many of these more positive public-service-oriented possibilities were glossed over or dismissed. Some were not even discussed but placed in an appendix on the last page. Others that were raised, such as bringing back food mail to replace the failed nutrition north program, were not mentioned anywhere.

We don't need cuts to rural postal service, and we don't need to lose good jobs, especially since they are so scarce in our rural communities. We don't want to hear the Liberals say that privatization is out and then implement the self-privatization of the post office by allowing Canada Post to open more franchises and close more corporate retail stores.

The task force has evidently accepted Canada Post Corporation's claims and projections about its finances, including the solvency deficit in the pension fund. It even cites the discredited 2013 Conference Board report that falsely predicted massive losses and has been wrong every year. Once again, we have the CPC throwing out wild figures and projections without having to account for them. We cannot trust anything the corporation says about its finances at this stage.

The task force also asked the consulting firm Ernst & Young to independently review the CPC's finances; it's like dishing up dirt. Other experts consulted by the task force are not identified. Neither does this report disclose the methodology for conducting its polling, nor how it arrived at the cost savings it estimates.

Look at the section on postal banking as one example of the big business bias. There is no sign of a postal banking study, which the CPC conducted for four years. Instead, the paper claims that full-scale postal banking won't succeed in the Canadian context because we already have the best and most inclusive financial system there is. There is no mention of the fact that Canadians are paying some of the highest bank fees in the world. A public option is badly needed.

The task force does say that a partnership model with banks or credit unions could be considered. The paper also says there may be an opportunity for corporate post offices in select underserved remote communities in line with the task force hub option of offering services in select communities, provided financial institutions have an interest in this initiative. This may not be the postal bank we envisioned, but it's a start.

Let's remember that this is not yet a done deal, because we are now entering phase two, where we need the public to support our vision to create a better public postal service. We must remember that the task force's suggested cuts are not recommendations, only options. We must vigorously oppose any recommendations that undermine public postal services and good jobs.

•(1105)

The Chair: Thank you very much.

Now, as I mentioned at the outset, colleagues, we'll have enough time for one seven-minute round of interventions.

We'll start with Madam Ratansi, please.

Ms. Yasmin Ratansi: Thanks to all of you for coming.

We have been listening to divergent viewpoints, some with dire predictions about the demise of Canada Post, how bad it is, and whatevernot, and some saying that there are creative solutions. We are here to listen to everybody, because we need to find solutions.

I think we should try to be careful about saying that it is a privatization attempt. We need to listen. We cannot make judgments on the previous corporation mandate or on the previous government's mandate. Ours is not to privatize Canada Post. Let us put it on the record.

We understand, from the task force and from Canadians, that Canada Post does provide essential services. When we throw out aspersions about its financial status... We haven't examined the books of the corporation. We would like to do so and we will speak to the respective people, but we know that Canada Post needs to move forward.

With that, Madam Lipsig-Mummé, I liked your presentation. You say that there was no strategic thinking. I am a person who used to do receiverships, so my job was to ensure that I made a profit, and I did make a profit in receiverships. That was my job. I'm an accountant. That is my financial background, but the social aspect of ensuring that a human being is there at the end is important.

Give us some creative thinking. I've seen some presentations on what the hub should look like. We have heard about moratoriums. Yes, no, rural: there is no one fit solution. We cannot compare Canada to Sweden or Finland, because that is comparing apples to blueberries.

Madam Lipsig-Mummé, could you give me some idea of what you would see as the fourth revolution of Canada Post?

Prof. Carla Lipsig-Mummé: I want first to answer almost the last thing you said: we're not Sweden. One of the things I've been finding as we've been looking at how to reduce greenhouse gases and work in Canada is that you can borrow tactics, not strategies, from other countries. You can borrow pieces. They will work. They can be adapted.

Ms. Yasmin Ratansi: I have just come back from India. India is a country of 1.5 billion people, and their postal service works. It functions, and it provides postal banking. Do you have some ideas about what tactics we can adopt from different countries?

Prof. Carla Lipsig-Mummé: Yes, but how much time do we have?

Ms. Yasmin Ratansi: You have to give me a quick answer, and then I need to go to somebody else.

Prof. Carla Lipsig-Mummé: Okay. The answer is yes. One of the first things you would start with is the government directing Canada Post to develop a green plan, which is developed collaboratively with its employees and their unions. A green plan has three and possibly four parts of development and a real timeline.

Ms. Yasmin Ratansi: If we had time.... We will not ask you the question, but we would like you to submit some papers or whatever your thought process is.

Prof. Carla Lipsig-Mummé: I would be happy to.

•(1110)

Ms. Yasmin Ratansi: Good.

Mr. Rae, you did a wonderful presentation. We have been talking to a lot of people with disabilities. They have told us that Canada Post is an essential service because of safety concerns.

How large is your membership, sir?

Mr. John Rae: I am not actually sure, because our organization is made up of other organizations. We are a coalition made up of nine provincial cross-disability organizations and a number of union disability organizations.

Ms. Yasmin Ratansi: Do they all believe that they do not want community mailboxes?

Mr. John Rae: I doubt that any community has a universal view on these topics, but certainly our experience tells us that there is a disproportionately negative effect on our community just in getting to the community mailbox, especially in the wintertime. We have no faith that the snow removal to make it possible to get to the mailbox is going to happen. The notion that somebody will have to collect our mail is unacceptable to us.

Ms. Yasmin Ratansi: Fair enough.

Some solutions have been proposed, and Ms. Morris, you could address these.

There was the view that you could probably deliver it to the homes one day or two days a week. Businesses don't want that, so there's no one-size-fits-all solution.

Would your memberships be agreeable to a solution like that?

Mr. John Rae: No.

Ms. Yasmin Ratansi: I'm just taking suggestions from the task force. I'm not saying they are recommendations, but we want to hear your input.

Mr. John Rae: No, absolutely not. This is an issue of equity and an issue of fairness. I can't understand why anyone would expect us to accept one-day-a-week mail delivery while many other Canadians would get five. That makes no sense to me whatsoever, Madam.

Ms. Yasmin Ratansi: Fair enough.

Ms. Morris, what about your membership?

Mrs. Wanda Morris: I believe our membership is open. Many seniors are aware of the fiscal realities that Canadians face. Alternate-day mail delivery is probably the easiest solution to sell. I think the minimum that would be possible would be one day a week.

Ms. Yasmin Ratansi: Okay.

Mr. Kirk, you were talking about e-commerce and the competition you face. When we were listening to some other people, they said that the Universal Postal Union, which was established 141 years ago, is a major problem that Canada Post is facing. The U.S. has negotiated 13 treaties with different countries. Are you aware of the UPU?

Mr. Gary Kirk: Oh, yes. I know that by treaty they're not allowed to charge foreign sellers zoned pricing based on delivery. I'm just saying that if you can't do it to them, then you shouldn't do it to us. Why would you give them certainty about price and not give it to Canadians?

Ms. Yasmin Ratansi: You're suggesting that Canada Post—

Oh, am I finished?

The Chair: Time goes so quickly, Madam Ratansi.

Mr. McCauley, for seven minutes.

I think you might have a follow-up.

Mr. Kelly McCauley: You were going to get my last question, but I'll let you continue, please, because I think it's important, but briefly.

Mr. Gary Kirk: Briefly, sellers based outside of the country know what it will cost them to ship anywhere in Canada. Sellers in Canada have no idea what it will cost them to deliver products.

Mr. Kelly McCauley: Would that be a solution to you if it...?

Mr. Gary Kirk: As for the solution I would propose, you often hear that Canada has various geographic and demographic challenges, but in Australia they use flat-rate e-commerce bags. If it fits in the bag, it costs you one price.

Mr. Kelly McCauley: We heard that about the USPS as well, and it's over three different bags.

Mr. Gary Kirk: Yes. You can find a product that works. If they can deliver a product nationally for Amazon for \$2.50 but they charge me \$9 to \$25 to ship, I'm guessing there's somewhere in the middle where we would all be happy.

Mr. Kelly McCauley: Perfect. That's just what I wanted to hear. Thank you very much. That's wonderful.

Mr. Dachis, we've heard from the task force that Canadians don't wish to pay more for stamps and they're not interested in paying higher taxes, except for Canada Post.... We've also seen that Canada Post's long-term numbers are not looking good, as prepared by Ernst & Young. Do you believe these are accurate numbers that Ernst and Young has put together?

• (1115)

Mr. Benjamin Dachis: Oh, absolutely. They have no incentive in terms of protecting their long-term reputation and no incentive to misrepresent any of these numbers.

Mr. Kelly McCauley: Okay.

Ms. Morris, thank you very much. I appreciate everything that CARP is doing. We talked—and Mr. Rae chipped in as well—about one of the items Canada Post currently does, which is a once-a-day home delivery for those who are infirm or disabled, or for seniors who cannot get to the community mailbox. We've also heard that Canada Post has not done a good job of explaining that this is available, or there's a perception that it's not easy to arrange this with Canada Post.

Do you think it would be acceptable to the general population, seniors, and also the disabled if it were very easily accessible and you don't have to get a proper doctor's note or jump through hoops to make this available to those Canadians? I think you mentioned a beautiful fall day, and one of the other suggestions was about seasonality. In winter, we'll deliver it to the home. In summer....

Mrs. Wanda Morris: While hearing the logic of your argument, CARP's position is that to single out seniors, for example, to say they should have special delivery, is problematic, because—

Mr. Kelly McCauley: No, not just seniors, but people who are not able, so that's a big umbrella.

Mrs. Wanda Morris: We also have concerns about how that bureaucracy would work.

Also, we are concerned about the idea of a slippery slope, in that we diminish mail delivery for everyone else and eventually the people who currently get special treatment are told later on that there just isn't the ability to provide that any longer. Our position is that we do want mail delivery for all homes.

Mr. Kelly McCauley: Okay. I appreciate that.

Mr. Kirk, one of the things that came out was the disparity for e-commerce people like you, and shipping to the States, shipping back up, and making it less expensive. We heard what you said about Australia, where just one bag fits all. We heard about how in the U.S. three bags fit all.

I congratulate you on what you're doing. I'm a big fan of bookstores, period. I never buy on the Internet. I only go to bookstores that sell used books.

Without subsidizing businesses, what else do you see Canada Post doing to assist e-commerce businesses like yours?

Mr. Gary Kirk: Again, certainty about pricing would be the main thing.

Mr. Kelly McCauley: When you say “certainty” do you mean also the geographical and long term?

Mr. Gary Kirk: Yes, along geographic lines. I understand that a 5 kilogram art book is going to cost more than a paperback. I accept that, and I can factor that into my pricing of the item. I had somebody buy a \$4.99 paperback from me. They were living in a rural community in Alberta. It would have cost me \$15 to ship it to them. What do I say? I'm sorry, but Canada Post doesn't think you get to participate in e-commerce? There's no cheaper way to send it.

You can add on top of that something that I failed to mention earlier, which is the fact that Canada Post is not bothering to collect duty on shipments over \$200. The shipping advantage is combined with the fact that they don't have to charge HST if they are based outside of the country. It's almost as if they are out to get you. I just don't understand it. Only Canadians would set up a system that disadvantages their own sellers. It's the ultimate self-deprecating Canadian thing to do.

Mr. Kelly McCauley: Well said.

I'm going to pass the rest of my time to Mr. Brassard.

Thanks, Mr. Kirk.

Mr. John Brassard: I have one quick question for Mr. Millar.

In your statement, you said that it even cites the discredited 2013 Conference Board report. Can you explain to the committee who discredited this report or where that discredit comes from?

Mr. David Millar: I can't tell you where it was discredited, but that's from the discussions I've had with members from the Canadian Union of Postal Workers. I've had discussions with people as far up as the president of the CUPW.

The Chair: Thank you very much.

I'm going to Mr. Weir, but I do want to recognize Professor Lipsig-Mummé.

Prof. Carla Lipsig-Mummé: It's not on the Conference Board, but it's on the statistics and the numbers. In the task force report, it projects a \$63-million loss for Canada Post in this year. In the second-quarter report by Canada Post, it announced \$45 million in profits before tax already in this year. I think we need to look with caution at these numbers.

• (1120)

The Chair: Thank you, Professor.

Mr. Weir, please, for seven minutes.

Mr. Erin Weir: Indeed, there was the same issue with the Conference Board report in which it projected losses for Canada Post by assuming losses in years when the corporation had actually turned a profit. I think it's important to be accurate about the actual situation of Canada Post rather than being alarmist.

Ms. Lipsig-Mummé, just to stay with you for a moment, you talked about a green plan for Canada Post. One of the options that even the task force has acknowledged is using Canada Post infrastructure to support electric vehicles. Could you speak to the feasibility or the desirability of that approach?

Prof. Carla Lipsig-Mummé: I can speak to it, I think.

First of all, 13,000 vehicles makes Canada Post the largest, or one of the largest, fleet owners in the country. Second, about four years ago, *The New York Times* published an op-ed page piece by the then president of the U.S. Postal Regulatory Commission calling upon the postal service to shift over to green vehicles.

The impact would be enormous. The motivation—that might be the word—or the encouragement to automakers to in fact go green would be enormous, but I think there's also this point. It's almost impossible, with the Canadian federal government going forward with a high-priority shift to low carbon to reduce our greenhouse gas policies, that they are not going to turn to Canada Post, as one of the largest crown corporations left, to say “And what will you do?” and maybe “Shouldn't you be taking some leadership?” We might also argue that the government perhaps needs to prod Canada Post on this.

Mr. Erin Weir: Now, beyond Canada Post converting its own vehicles to alternative fuels or to electric, once it did that, it would have this network of infrastructure that presumably other organizations and individual Canadians could also utilize.

Prof. Carla Lipsig-Mummé: That raises the question of the hub, but also, I got a bit into the fact that the infrastructure of Canada Post that it now has is a very large competitive advantage, and it's a treasure in a number of ways. One is as a community hub, but also, there are a large number of ways that Canada Post still serves to network the country still.

Mr. Erin Weir: Yes.

Mr. Rae and Ms. Morris, you spoke very eloquently about the critical importance of door-to-door delivery. We now have a Prime Minister who was elected based on a very clear promise to restore home mail delivery, and that would imply not only a moratorium on future conversions to community boxes but also returning to home mail delivery in places where the previous Conservative government cut it.

I wonder if you could speak quite concretely about the expectations that your members have of the current federal government when it comes to door-to-door delivery.

Mr. John Rae: We were encouraged by the promises of the Liberal government. Of course, now it's a matter of community

people like us holding its feet to the fire. That's sometimes easy and sometimes not.

I would suggest that there's an additional advantage in home delivery for our communities, the elderly and those with disabilities. Sometimes the mail carrier is the first person to discover that there may be trouble. Mail accumulates and the red light goes off in the mind of that mail carrier that maybe there's a problem in that household. Sometimes that mail carrier is indispensable in helping that person to get the assistance that's needed. Not only does the issue revolve around mail delivery and its importance to Canadians, but there are additional spinoff benefits to having it.

Mrs. Wanda Morris: We haven't polled our members on this issue specifically, but I know anecdotally that many of them were up in arms about the community mailboxes. Many of our local chapters took this on as an issue. Certainly, if it is reasonable for us to avoid any future community mailboxes, it is also reasonable for us to rip up the current ones and restore home delivery.

• (1125)

Mr. Erin Weir: Excellent.

Mr. Kirk, I think you brought a very interesting perspective that our committee hasn't heard as much. You've been limited a bit by time. I wonder if there are any further points you wish to make.

Mr. Gary Kirk: The main point I would make is that e-commerce represents a tremendous opportunity for growth. In countries that have postal infrastructure that allows for it, it's growing much faster than it is in Canada, and it's growing in a more distributed way. We have a postal system that basically allows only people living in a couple of major centres to enter the market. I think that has implications for regional development and, downstream, it has implications for quality of life.

I can take advantage of Amazon's low fulfillment rates by closing my store, laying off my employees, and shipping all of my stuff to one of their warehouses where employees are expected to pick 97 units per hour. If that's the kind of future we want for people, as opposed to people working in their communities, selling their own goods online across the country, and hiring people locally, which I think is a better future....

It's analogous to roads. We have a system right now that says the highways are only available to a few large players and anybody else has to use local roads or pass through fields. We wouldn't accept that for our physical retail. We wouldn't accept that only big corporations can be on streets and everyone else has to sell from their homes. We shouldn't accept a postal infrastructure that is basically the same thing.

The Chair: Thank you very much.

Mr. Whalen, I suspect you might have some comments in your seven minutes.

Mr. Nick Whalen: Yes, I have a few comments. Just to clarify, as someone who had to go door to door all last summer explaining the Liberal government's position on Canada Post, with many difficult conversations—even with parents of children on my soccer team, who worked for the postal service—we did not promise that we would roll back or reinstate door-to-door delivery. What we promised was that we would do exactly what we are doing here today, which is stopping the transformation initiatives at Canada Post, consulting with Canadians, finding a direction, and implementing that direction.

It faces two major challenges. What direction do we go? We have heard a great variety of views, from virtually privatizing the service to greatly expanding it. Also, then, how can we have a Canada Post that is given recommendations that it's actually capable of implementing? Is Canada Post able to implement the changes we're recommending? The question of what kind of Canada Post we want is a conversation about what kind of Canada we want. I would like to echo some of the comments that Mr. Kirk brought forward.

In terms of what the task force has brought us, it had a limited mandate. It was looking at what it could recommend from a self-sustainability standpoint, and it did a financial analysis. On our side of the table, we do not feel bound only by the recommendations or the options put forward by the task force report. All options are open to us: from reducing services to greatly expanding them. We have environment, rural broadband, access to markets, access to expertise, and Canada Post being the face of government in rural communities.

A simple question for Mr. Dachis would be this. When we talk about reducing labour costs, are you saying that we should only have the type of dystopian jobs that Mr. Kirk rails against, where employees have very few rights, very low wages, and poor working conditions, in order to leverage that type of sweat equity in our distribution system, or should we have a distribution system that allows working parents to raise families?

Mr. Benjamin Dachis: What I'm recommending is in fact a continuation of Canada Post's existing model. When you go to a Shoppers Drug Mart, the kind of retail outlet that has—

Mr. Nick Whalen: Yes, Mr. Dachis, but at Shoppers Drug Mart the people who work behind the counter are not making middle-class wages. They're making minimum wage.

Mr. Benjamin Dachis: That I can't confirm, but the bottom line is that if we want to address social issues, say, the question then becomes—this is going back to your point about how we want to view Canada—what's the best way of dealing with the specific issue you have in mind? Are the postal rates the best way to deal with these kinds of low-income folks? Or is it through the broader social support network that your government has done very well, through things like changing the child benefit program and other tax policies?

The big question for this panel is the question of low-income support and income inequality. Is the postal service the best way to deal with that? Not at all. What we're talking about is franchising and contracting—

●(1130)

Mr. Nick Whalen: [*Inaudible—Editor*] treating jobs that middle-class Canadians have in the postal services as some type of welfare. These are actual jobs that people do. They provide logistics services to Canadians.

Mr. Kirk, you talked about fulfillment and a gap in fulfillment. If Canada Post is able to meet the rates for all of Canada, and the rates it provides to foreigners in terms of the right structure it has under the universal postal union, would that be an acceptable solution to you? Do you think it should be done by a general increase on everyone's price or by subsidization of the rates that are paid?

Mr. Gary Kirk: The difficulty of setting a national post rate too high—and I got this from Mr. Chopra himself on the phone once—is that private couriers would undercut that rate on high-volume routes, like Toronto to Montreal. I asked if he thought that some sort of regulation needed to be introduced to stabilize the market and make this functional, then, and he ran as far as he could in the other direction.

Basically, it just needs to be something that's predictable and makes sense. There are various ways you could tweak it. In Australia, I think they actually licensed their bags, and they call them eBay bags. Presumably, they got some funding for it out of eBay.

Mr. Nick Whalen: In terms of fulfillment, I know you mentioned that you would not be interested in using an Amazon-like service, but it seems to me that there might be a gap in the Canadian e-commerce market for this type of warehouse fulfillment service. It doesn't seem to be provided.

Canada Post seems like an excellent organization through which to leverage this type of value. It's across the country. It has a network. It has physical space. If you were looking for that type of service, would you be more amenable to going to Canada Post to have your fulfillment done?

Mr. Gary Kirk: Again, for someone like me, fulfillment out of a warehouse doesn't work, because I'm selling unique items. It's not like I have a box of signed Pierre Trudeau memoirs and they can simply pull one and ship it every time one sells. Actually, I have a couple....

The problem is that there are various coping mechanisms that have developed to try to mitigate the impact of the Canada Post pricing model. In large centres, you have mail bundlers. What they do is collect packages from a bunch of small sellers to access a better volume rate, then they charge a premium on top of that rate for the service. That is the closest I've been able to get to that, but it doesn't help you if you're living in Fergus, Ontario. It doesn't help you if you're living anywhere outside of a large centre.

It's crazy that we've developed an industry just to try to mitigate the impact of our national postal service's pricing model.

Mr. Nick Whalen: Thanks, Mr. Kirk.

Dr. Lipsig-Mummé, you said there were four parts to developing an environmental plan. I would like to hear, very quickly, the titles of those so it's in the record.

Prof. Carla Lipsig-Mummé: Okay. You eco-audit. You share. You do it collaboratively. You then set up. If you're unionized, you do it through collective bargaining. You can do it with non-union companies. You plan the stages by which you'll reduce the greenhouse gases, now that you know where they are. At that point in time, you set yourself real—

Mr. Nick Whalen: Hard targets and milestones.

Prof. Carla Lipsig-Mummé: Yes, hard targets. Thank you.

After that, if you're in the private sector, you divide up the profits you've made.

Mr. Nick Whalen: Thank you very much.

The Chair: Panellists, I want to thank you all for bringing, as I think Mr. Whalen said, such diverse perspectives to this committee. I thought it was a fascinating discussion.

I think Professor Lipsig-Mummé is already going to be sending us additional information. I also encourage you, should you have additional information that you think would benefit this committee in our deliberations, to please do the same.

In particular, Mr. Dachis and Mr. Kirk, you could have spoken for many more minutes—or perhaps hours—if we had given you the opportunity. If you do have additional information, please contact our clerk. Get that information to us. Conversely, should we have any subsequent or follow-up questions we want to ask of you, I hope you'll allow our committee members to contact you directly and get their questions answered.

Thank you once again. I truly appreciate it.

The meeting is adjourned.

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