



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

45th PARLIAMENT, 1st SESSION

Standing Committee on Government Operations and Estimates

EVIDENCE

NUMBER 022

Thursday, December 11, 2025

Chair: Kelly McCauley



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• (1555)

[English]

The Chair (Kelly McCauley (Edmonton West, CPC)): Good afternoon, everyone. I call this meeting to order.

Welcome to meeting number 22 of the House of Commons Standing Committee on Government Operations and Estimates, the Christmas version.

We welcome back, our colleagues and friends from Canada Post, to continue our Canada Post study.

Mr. Ettinger, I understand you have an opening statement. The floor is yours.

Again, welcome back. It's nice to have you with us.

Doug Ettinger (President and Chief Executive Officer, Canada Post Corporation): Thank you, Mr. Chair, and good afternoon to the committee members as well.

[Translation]

Thank you for having us.

[English]

I'm joined today by my colleagues Alexandre Brisson, our chief operating officer, and Rindala El-Hage, our chief financial officer. We're very pleased to be here. We value this important conversation and discussion.

I'll start with an update on our negotiations. As we announced last month, Canada Post and the Canadian Union of Postal Workers have signed agreements in principle. We are now working hard with the union to finalize the wording of these agreements. Both parties have agreed not to disclose details of what they contain until they're finalized. These agreements come after more than two challenging years at the bargaining table. I know how difficult this period has been on those who rely on Canada Post. Our customers both need and deserve reliable service from us. I look forward to rebuilding our business and restoring their trust as soon as possible.

That brings us to why we are here today. Last month we submitted our proposed transformation plan to Minister Lightbound. It is in line with his direction, which was based on the recommendations from the industrial inquiry commission.

[Translation]

We are proposing a balanced plan to modernize Canada Post.

[English]

It focuses on serving the modern postal needs of Canadians while returning us to financial self-sustainability. It also includes revenue growth, largely by growing our e-commerce parcel business. As our plan is still under review by the minister, I can't get into details today, but I'll briefly run through some of the key measures it contains, beginning with community mailboxes.

More than three-quarters of Canadian households already receive their mail through some form of centralized delivery. By converting more households to community mailboxes, we can provide a consistent level of service to Canadians while also achieving significant cost savings.

[Translation]

We offer accommodation measures to customers who need them.

[English]

Our delivery accommodation program ensures that people with functional limitations can access their deliveries. It is easy to request. We'll make sure that customers know it's there for them if they need it.

Next, on modernizing our post office network, let me start by saying that we will protect postal services in rural, remote and indigenous communities, period. The minister was clear that this was essential. We share this priority 100%. Modernizing our network will be about matching it to better serve how Canadians use the post office today. To ensure that we get it right, our approach will be highly localized.

[Translation]

This will not be a one-size-fits-all solution.

[English]

We know that every community is a little different. We won't force a cookie-cutter approach across the board.

The next measure is updating our service standards for letter mail. This will give us a couple more days to deliver letters across the country. That means we can move mail across Canada using more ground transportation, which amounts to major savings for us and reductions in greenhouse gas emissions.

To be clear, this does not affect parcels or direct mail. It's for letter mail only. We will, of course, continue to offer faster delivery options for urgent letter mail items.

Together, these measures will better align our operations with the current postal needs of the country.

[Translation]

We will proceed thoughtfully.

[English]

We will work closely with municipalities and other local stakeholders. We'll also work, of course, with our unions on the changes that affect our people, but we need to be a leaner workforce going forward. We'll be able to reduce our size primarily through attrition, given that we have an aging workforce, but we will still have lots of good jobs with good benefits to offer Canadians.

Our plan is also about generating revenue growth. We'll grow our core business, especially parcels, and expand into new revenue streams. We'll look at a new letter mail pricing strategy. We'll invest in continuous improvement of our operations. We'll fully leverage the investments we've already made to increase our service capacity and enhance our IT capabilities, which is the absolute backbone behind e-commerce and delivery logistics.

In closing, we know that our financial situation is unacceptable and cannot continue, but there are practical measures that we can take to fix it. Our plan will return our organization to its mandate to serve all Canadians in a financially self-sustaining manner, and it ensures that Canada Post will remain a vital infrastructure.

We look forward to sharing the details of the plan as soon as we are able to. In the meantime, I welcome today's discussion and look forward to your questions.

Thank you.

The Chair: Thank you very much.

We'll start the six-minute round with Mrs. Block.

Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you, Chair.

Welcome, Mr. Ettinger and colleagues. We are also looking forward to this conversation with you. It's taken a while for us to be able to get you here and to be able to complete yet another study on Canada Post.

At your appearance here at committee during our last study, you advised committee members that the government had not approved your strategic plan for a number of years. I think it was five years at the time, between 2019 and 2024. As you noted, this past September the minister made a number of announcements, including a deadline for Canada Post to submit a plan to the department. You referenced that.

Has the minister given you any indication, given that he's had the plan for over a month now, of the deadline for when you can expect his decision on your plan?

• (1600)

Doug Ettinger: We submitted the transformation plan, which I guess people refer to as the 45-day plan, back on November 7. It was based on our own planning as well as shaping it around the announcement he made on September 25, which we welcomed. We've been talking about these things publicly for a couple of years, at our

annual public meetings or in media releases or in our annual reports.

We appreciate that the government is looking at those options to enable us to transform this company going forward. We're very confident that the basic thrust of that plan is to create a Canada Post that is better than it is today and more focused on where Canadians' needs are today. That has changed a lot. There aren't any big surprises in the plan from what we've been talking about openly and publicly—CMBs, postal refreshment and modernization, pricing strategy and service charter changes around letter mail only.

That is the main thing, but we have not heard back from the minister's office at this point. They are reviewing it. I have not heard any timelines at this point.

Kelly Block: Thank you for that.

Is there anything in the plan that you submitted that was already in past strategic plans that you'd submitted to the government and that weren't approved?

Doug Ettinger: Yes. To that same point that I mentioned, a lot of the solutions are similar to what we've been looking at for some time. That's why I said there aren't really any surprises in this. They're the same things.

As I said earlier, there are practical things we can do to get our house in order to make us more competitive. If you look at letter mail, of course we all know that it's declining at a rapid rate, and our whole system was built around letter mail. Parcels are also very challenging. We're up against the very best companies in the world, who are very agile. The solutions will not surprise you, but there's more detail in there than we've maybe put out there in the past—

Kelly Block: Okay. Thank you very much. I have really limited time, and I have some other questions that I want to get to.

According to its Q3 report, at the end of this month Canada Post will run out of the \$1-billion loan the government provided to you. Last week officials told us they have been in discussions with Canada Post about approving an additional loan. How much funding is being discussed for this additional loan?

Doug Ettinger: We're in discussions with the government. We have been frequently over the last year or two.

Our CFO, Rindala, has been heavily involved in those discussions. I'll pass that question over to her to respond.

Rindala El-Hage (Chief Financial Officer, Canada Post Corporation): Thank you, Doug.

Thank you for the question. It is important. You're absolutely correct that we ran out of the cash injection this month. We've exhausted that. That was very important in enabling us to maintain operations.

The discussions we're having with the minister's office at this point in time are not yet finalized. We're working through the details to ensure that we have sufficient funding to maintain operations and service to Canadians until the transformation plan is approved and endorsed in due course, which will alleviate, obviously, additional funding around investing in the future of Canada Post.

Kelly Block: Has the government indicated when a decision might be made on whether they will approve an additional loan?

Rindala El-Hage: We are in constant discussion with the minister's office on that. We don't have a timeline yet of when that decision will happen.

Kelly Block: Thank you.

Given that there was no funding in the supplementary estimates, has the government told you that you will have to wait for the next cycle of estimates in order to receive approved funding?

Rindala El-Hage: Those discussions are happening at this point in time. We have at our disposal credit facilities that we were able to secure after the approval of the corporate plan last year. We've reported in our annual report, as well as in our Q3 financial report, that we have close to \$595 million of credit facilities that we are hoping we can utilize until that decision is made and the timing is better known.

• (1605)

Kelly Block: Are you still expected to repay the \$1-billion loan you've been given, given that you are seeking additional funding?

Rindala El-Hage: At this point in time, the MOU is very clear that the cash injection is repayable. As well, according to the MOU, there is a deadline of December 2026 for when that will be revisited by the Minister of Finance. At that point in time, a determination will be made on whether new terms will be discussed and negotiated.

The Chair: Thank you.

We'll go to Ms. Sudds, please.

Hon. Jenna Sudds (Kanata, Lib.): Thank you very much, Chair.

Thank you, all, for being here with us today.

As we heard as we undertook this study, and as Canadians know, Canada Post is certainly in deep financial difficulty. Without real reform, the future of this public service and the jobs that depend on it will be at risk. Postal workers keep our communities connected in many ways, day in and day out. Keeping the corporation strong and sustainable is certainly front and centre as we think about ensuring that they can continue to serve Canadians.

With that in mind, and Canada Post being a Crown corporation with a mandate to serve all Canadians, why do you believe this mandate is still relevant in today's digital economy?

Doug Ettinger: Thank you. It is a very good question.

In terms of the e-commerce business around parcels, which is where we're focused for growth, that market will double over the next 10 years. It's a very high-growth market. It is a digital market. We've recently updated our IT infrastructure. When you order something online, to the point that you receive it, it's all digital. We

feel very good about our ability to reshape the company, based on the strategies we have—with the ones we've talked about already today—but also with the digital capabilities we now have, which will enable us to make the customer experience even better for Canadians.

You know, we're always looking for ways to make it easier to navigate our websites and our programs. We're very pleased with how that has gone. There's a lot of digital stuff going on behind the scenes that powers this whole company going forward. We're very pleased with where we are on that.

Hon. Jenna Sudds: That's great to hear.

In that same vein, we often talk about or think about Canada Post as being vital national infrastructure. How does that context shape your future direction or your transformation plan?

Doug Ettinger: Well, we have the foremost network in Canada. We go everywhere, literally every day. Our infrastructure is an advantage for us. We want to be more efficient in that infrastructure, but our commitment is to deliver for all Canadians.

As we go forward, there will be changes along the lines of what we talked about. They will enable us to get our financial situation into better shape, but as we go forward, we fully intend to invest in the kinds of things that will make us even better with our customers. This is all about achieving better service, not less.

I know there have been some comments about cuts, and it's not about cuts, although the company will change; it's about creating a better experience for Canadians. We want to connect Canadians. Especially at this time in our economy and what's going on south of us, what could be better than to have a Canadian-owned company delivering to every community in Canada? A lot of the couriers don't go to all those communities. We're proud of the fact that we do, and we look forward to building on that as we go forward.

Hon. Jenna Sudds: I'd like to build on that last point, because I recall conversations in different settings around the importance of Canada Post in sometimes being the lifeline for supplies and life-saving medicine, particularly for rural, remote and indigenous communities.

How do you foresee being able not only to maintain but hopefully even to enhance those services, given the financial difficulties of late?

• (1610)

Doug Ettinger: We welcomed those changes in the announcement on September 25. Again, we've been talking about a lot of those changes for some time.

With those changes, along with other recent investments we've made, we feel very good that we now have all the tools that we need. The Albert Jackson processing centre in Scarborough is a leading-edge facility, and our recent update of our ERP system is very strong for us. Again, this whole business is digital behind the scenes.

We'll be able to be more efficient with CMBs and with some of the post office modernization that we're going to do. The investments that we've made and the changes that have been made to these legacy policies and regulations will enable us to compete a lot better.

The parcel business is hyper-competitive, but all of this will contribute towards being a better provider for Canadian businesses, particularly small businesses. We are overdeveloped with small businesses across Canada, and we're happy about it. The labour uncertainty over the last year has been difficult for small businesses. They're half of the GDP in Canada. For every dollar invested with small businesses locally versus international companies, 66 cents stays in Canada, so we want to do much more to support small businesses and work with them and give them the tools and resources they need to grow and thrive.

The Chair: Thanks.

Madame Gaudreau is next.

[*Translation*]

Marie-Hélène Gaudreau (Laurentides—Labelle, BQ): Thank you, Mr. Chair.

Mr. Ettinger, thank you for being here.

I have a very simple question: How many Quebec post offices will close as part of your reforms?

• (1615)

[*English*]

Doug Ettinger: I've lost my translation again, but I understood your question.

I'll say that the plan on post offices is to be very sensitive and very focused on the local issues and communities. All communities have different needs and different sensitivities. Our plan is to work closely with the local towns and municipalities. We're going to protect, very clearly, rural, remote, northern and indigenous communities.

[*Translation*]

Marie-Hélène Gaudreau: You say you're going to protect communities. The committee met with the mayor of Chute-Saint-Philippe. According to him, mayors are very worried about their local post office locations. The main post office can be up to a half-hour away.

Here's my question: Are you going to make tough choices? Yes, some locations may be fairly close, but getting to others could pose a transportation challenge. What's going to happen?

[*English*]

Doug Ettinger: We can't get into what's in the plan right now, because it hasn't been finalized or approved. Again, we'll be very

careful to share all the criteria, once we're able to, in terms of how we're going to go about that.

Our first approach will be in areas where we think we're overbuilt or over-serving Canadians. That is mostly in urban areas, where we have a dealer office nearby and some obvious duplication. That will be our first step. We will look at those areas where they have other options nearby. We won't get to the rural areas until after that. That will be our first phase.

Again, with the rural areas, we're going to be very sensitive.

[*Translation*]

Marie-Hélène Gaudreau: On September 25, we found out that the corporation would undergo reforms. Then people were left waiting. You submitted your plan a month ago, and you're waiting to hear from the minister. We can keep inviting you back, but you could tell us that everything will be settled on January 15. When will we get those answers?

[*English*]

Doug Ettinger: We have not been given a date for when we'll get some feedback on the plan. We hope to get that feedback right away, but it's up to the minister and his team. Again, we'll be very thoughtful about this. We'll share all the criteria once we get to that point.

I grew up in rural Canada, and I've lived in rural Canada. I know how important the post office is in these smaller towns and villages. We think we can offer better service, actually. It'll be different in some ways, but we think we can offer better service in many locations. We're going to take a thoughtful approach to that. We'll be sharing all of that once we're able to.

[*Translation*]

Marie-Hélène Gaudreau: You talked about reducing your workforce through attrition, but what about layoffs? You don't have to be an economist to understand how this works.

[*English*]

Doug Ettinger: We've taken some measures at the management level to cut back on management over the last couple of years, reducing both the size and cost of management. I think in the last year and a half, we've reduced management by 11%. I've reduced the executive team by 20%, but we're going to need to be a leaner organization. Canadians are using us very differently from the way they did 40 years ago. We need to adapt to that. We think we can, and we can be more responsive to their needs.

We think the positive thing here is that we have 16,000 people eligible to retire in the next five years, and then another 14,000 in the five years after that. We think that will provide a good way for people to leave the organization, if they so choose. We're going to try to do everything we can to have minimum impact on our employees and to treat them with respect through the process.

[Translation]

Marie-Hélène Gaudreau: Did you listen to the evidence given by elected official and mayor of Chute-Saint-Philippe, Normand Saint-Amour? He talked about the collateral obligations, as far as community mailboxes and snow clearing are concerned. His blue-collar workers are the ones who will have to take care of it.

You said that 16,000 people would be retiring and that you wanted to ensure mail accessibility. You said you had a good relationship with the people at the Union des municipalités du Québec, but that's not what they say. They're afraid that you'll take a blanket approach, and they really want you to consult them.

What do you say to them?

• (1620)

[English]

Doug Ettinger: They will be consulted. We haven't started that process yet, because we're still waiting for the feedback from the minister's office on the plan. However, the minute we do, we will start our consultations. Whether it's with regard to community mailboxes or post offices, we know that both of those are highly, highly sensitive for people. We're not going to run roughshod over the country. We're going to do it thoughtfully and with some clear criteria that people will be able to look at and understand, and the municipalities, in advance, will understand how we're approaching this.

[Translation]

Marie-Hélène Gaudreau: Thank you, Mr. Chair.

[English]

The Chair: Thank you.

We'll go to Mrs. Jansen, but before we start, I'll just mention that we may have to reboot our translation console. It could be any moment, so I'll just interrupt. We'll have to suspend for two or three minutes to do that. This is just a heads-up, everyone.

Please go ahead.

Tamara Jansen (Cloverdale—Langley City, CPC): Thank you, Chair.

Thank you to the witnesses.

Before we get into dollars and deficits, I want to talk about the people who are really impacted by the bumps in the road with regard to Canada Post. In my riding, small businesses obviously rely on those cheques arriving by mail. When those don't show up, it's not just an inconvenience; it's a case of how you are going to pay payroll and suppliers and keep the doors open for the next week.

I've heard a lot from charities, which are in the same boat. Their donations come through the mail. Often, it is \$20 from a senior who gives faithfully every year. When deliveries stop, those gifts don't

arrive, and the programs that people count on get cut. Even that simple act of sending a thank you note or a Christmas letter becomes very difficult. We know that when Canada Post falters, those groups lose income, lose supporters and lose connection. The cost is enormous, and Canadians notice it immediately.

My questions are surrounding the idea of how we got here. It wasn't sudden. We had a lot of warnings, including the Kaplan report, which made it very clear that Canada Post couldn't remain self-sustaining without real reforms, yet the Liberals went for five years without approving a strategic plan. There were five years of drift, basically, while losses were piling up. I think we're at \$5.5 billion now.

Maybe you can't answer this question, but why do you think the government failed to approve a strategic plan since 2019?

Doug Ettinger: I think that's a question better put to the government, but I'll say that the answer is that we couldn't get aligned, and it's the same answer I gave a year and a half ago. However, I'm pleased that we have alignment at this stage, at least in a strategic sense. Again, we welcome the changes. Those are, in my opinion, exactly what the doctor ordered for us to transform this company, get our house in order and get our finances in order. I wish it had happened 10 years ago. It didn't, but we're going to move forward. We're delighted with those changes, and we hope they are approved.

Also, it is not only that. With the investments that we've made over the years with Albert Jackson and with the ERP program, we can come out of this and rebuild even better than we would have otherwise.

Tamara Jansen: My next question is this: What impact did that five-year delay have on your ability to modernize, compete and prevent exactly this crisis that we're in right now?

Doug Ettinger: Certainly, we had to be more careful with our spending. There's no question. In the last few years, we've put in strict budget controls, discretionary spending cuts and unfortunately, as I mentioned earlier, some restructuring of management and so on to get our costs in line with what we can afford. We're in a very competitive category with, again, as I said, some of the best operations in the world, which are very agile. Some of them are gig-based, so it's a different model from ours. To compete, we need to be able to invest in our business, so that we can stay current with them. However, I feel as though, with those changes that were announced and those investments, we have the tools we need now to go forward and transform, and we're ready to do that.

Tamara Jansen: Had you been able to do this five years ago, what could we have avoided?

Doug Ettinger: That's hard to predict, but yes, there were certainly some losses that occurred over the years—there's no doubt about it. I'm just very pleased that we're able to look forward and solve the problem. We're ready to solve that problem. We know how to solve that problem. There will be things that we all disagree on—components and so on. However, these are things we need to get at now, and we're ready to do that.

• (1625)

Tamara Jansen: In the plan that you submitted to the minister, does Canada Post actually become financially sustainable, and on what timetable?

Doug Ettinger: Yes. It's an ambitious plan, and we've shaped it around the minister's announcement on September 25, as well as our knowledge of the industry and so on. It gets us to break even by 2030, five years from now, and it will be—

Tamara Jansen: Have you been paying anything back, or not yet?

Doug Ettinger: We haven't yet, but these are repayable loans.

Tamara Jansen: With your 2030 timeline, will anything have been paid back then?

Doug Ettinger: I...

Tamara Jansen: I saw some heads shaking, so I'm assuming it's a no.

Doug Ettinger: We're going to need to invest in the company over the next few years in order to do the things that we need to do to make the changes that are going to reduce our costs to give us a more competitive position in the marketplace vis-à-vis our competitors. There is going to have to be some investment over time.

The minister made it clear that these bailouts or injections have to stop. By the way, I agree 100% that they need to stop as soon as possible, but we—

Tamara Jansen: Do you know what your interest rates are? You were talking about—

The Chair: I'm afraid that is our time.

We are going to suspend right now for a couple of moments to reboot our system. I apologize.

We're suspended.

• (1626)

(Pause)

• (1630)

• (1630)

The Chair: We are back in session.

Go ahead, Ms. Rochefort, please, for five minutes.

Pauline Rochefort (Nipissing—Timiskaming, Lib.): Hello, and thank you for this opportunity to speak. I'm going to ask questions that come from my riding, actually.

The first one is on interlibrary loans. We know they're an essential part of how libraries in Canada operate, and they rely on Canada Post. They're very concerned, as you know, that the requirement for Governor in Council approval to increase postal rates will be removed and that you'll then have the ability to increase

rates. What are your comments on that? We know that libraries rely on Canada Post very much to ship books across the country.

Doug Ettinger: That's something we're proud to have provided for very many years. These are important policies for us, and we will continue to honour them without question. We have no plans and no interest in not having those programs. It would be against the needs for education, for inclusion and for fairness, and it would be against our basic values, whether it's providing reduced rates on postage for public libraries or whether it's providing free materials to the blind and the CNIB and so on.

We saw that media coverage. We have no interest, period. We will continue to support those programs, and we're very proud to do it, for a lot of reasons.

Pauline Rochefort: Thank you for that answer.

You spoke about the accommodation delivery program, but as Madame Gaudreau mentioned, we've had several witnesses come forward—people like mayors—who are unaware of the service. I've been going around in my riding, because I have a very rural riding, telling seniors who are concerned about the community mailboxes that they don't have to worry because there is going to be an accommodation program, but when I look at the program, I see it as being narrow.

I'm wondering how you are going to ensure that it's there to serve seniors and other populations. How are you going to ramp it up for the increased...?

Doug Ettinger: That is a great and important question. We're very sensitive to that. We've had the accommodation program for many, many years now, so we have some experience with it, but it is critical, not only for seniors but also for folks with functional limitations. We do a lot of things in terms of providing Braille trays in the community mailboxes and providing sliding trays in them at different heights. We can do door-to-door delivery for folks who simply can't get out to the community mailbox, which is very valid.

It is actually an easy program to apply for, but we have to do a better job on that. I think we need to do a much better job of promoting it to Canadians, and we're committed to that. It's also free. We will provide white-glove treatment on that. We'll make sure that we promote that properly, and you have my commitment to do that. We have to support the folks who need the support on this, and we intend to do so.

Pauline Rochefort: I'm going to keep you to your word on that, because if I have a complaint, I'm going to direct it to you. I expect that there will be people who will apply for especially the house delivery.

With Christmas approaching, another comment I received from some of the citizens in my riding is that they are concerned about mailing right now, given the experience last year. We know that there's a settlement being negotiated.

What's holding us back, given the importance of this period for so many people who want to ship things to their loved ones? What's holding us back from confirming and moving forward?

Doug Ettinger: I can't get into the details. We've agreed with the CUPW, our union, that we will not release any details, but we've signed agreements in principle for both the urban and rural mail carriers and the sortation folks. We're at the table as we speak, working on all the legal wording in a tentative agreement that we hope to sign right away.

However, I would say that we're open for business. We're able to handle the business right now. Our performance levels are in the high nineties. We're able to do it safely and effectively. This might not sound right, but I'm mailing Christmas cards, which I love doing every year, and gifts to family in Nova Scotia. I have confidence in the system right now. It's easy for me to say, but we're there, we're strong and everybody's at work. There is no reason that your parcel or letter won't get through between now and Christmas.

• (1635)

Pauline Rochefort: I'm out of time.

Thank you.

The Chair: Thank you very much.

Madame Gaudreau.

[*Translation*]

Marie-Hélène Gaudreau: Thank you, Mr. Chair.

Mr. Ettinger, the German postal service started down the path of privatization in 1995, as you know. The government decided to transfer parcel operations to DHL. The German postal service no longer exists today, because it wasn't profitable. The rules were really liberalized for DHL, and it became a virtual monopoly, with rules for the mail service and rules for private services.

My fear is that the government will let Canada Post die a slow death, so it can sell the Crown corporation to Purolator, and that players like Intelcom will only get bigger. Otherwise, why would you want to give up parcel delivery?

[*English*]

Doug Ettinger: That is, again, a very good question.

We have no intention of privatizing Canada Post—none. In terms of the 45-day plan that was submitted to the minister, there is no plan for privatization. There is a plan to transform Canada Post to essentially adjust to the needs of today's consumers and customers, whom we value very much. We're not changing just for the fun of it—and it's not fun—but because our customers are telling us that they're using the post office very differently from how they did back in the 1980s and 1990s. That little thing called the Internet came along, so now people use the post office differently.

I know the story of Deutsche Post and DHL quite well, as well as the story of the Royal Mail. We have no intention of going down that route. We're really trying to, as I said earlier, make Canada Post a preferred provider to Canadian business and to small business, which we really need to do a better job with to help them thrive and grow.

[*Translation*]

Marie-Hélène Gaudreau: Do I understand correctly that, under these reforms, parcels will no longer be delivered to people's homes? Isn't that what we are talking about?

[*English*]

Doug Ettinger: I'm sorry. I lost the last part of it.

[*Translation*]

Marie-Hélène Gaudreau: As part of these reforms, parcels will have to be picked up at the main post office, instead of being delivered to people's homes. Is that correct?

Doug Ettinger: Yes.

Marie-Hélène Gaudreau: Mr. Chair, I'd like to take a bit more time, if I may.

Mr. Ettinger, people are going to have to drive a half-hour to pick up their parcels, when they can just click a box online to have one of your competitors provide home delivery. How can you possibly be successful and profitable doing that? I'm a businesswoman, and that doesn't strike me as a sustainable model.

[*English*]

Doug Ettinger: Yes, that's a good question. The community mailboxes aren't perfect, but they're a very strong way to deliver parcels. Many people may not realize that the community mailboxes are more like a parcel locker. I think some of us have the vision that they're just for letters, but 90% of the parcels that come through our system can go through a community mailbox.

They're not for every location. They're not for every village or town, but they're safe, they're secure and they reduce GHG emissions.

[*Translation*]

Marie-Hélène Gaudreau: They need to be huge.

[*English*]

Doug Ettinger: Yes, and they reduce injuries. Injuries are still a big problem for us. We've cut back on them by about 50%, but community mailboxes can do an even better job with our employees, and we want to keep them safe.

[*Translation*]

Marie-Hélène Gaudreau: Thank you for the extra time, Mr. Chair. I really appreciate it. I'll consider it my Christmas gift.

[*English*]

The Chair: I appreciate you for clarifying that.

Mr. Patzer, go ahead, please.

• (1640)

Jeremy Patzer (Swift Current—Grasslands—Kindersley, CPC): Thank you very much, everyone, for being here.

I just want to start off by asking you, Mr. Ettinger, what the definition of “rural” is that Canada Post uses.

Doug Ettinger: Right now, what we have to work with is the one that's been in place since 1994. We'll take the government's guidance on that. I know there are some other programs that they're working on in terms of updated definitions of rural versus urban. In our plan, we will look to reflect the latest information from Stats Canada. In 1994, I think the country had 29 million people. Now we have 42 million. Small towns have become cities and so on. Rural areas have become suburban.

There are a lot of areas that were designated rural back in that time, and now they're very much suburban—almost urban. We have some duplication with our dealer network and with our corporate stores. Those are areas that we would look at carefully to see where we could reduce some duplication.

Jeremy Patzer: When you go through your rural review.... I'm going to give you just a couple of quick examples. The town of Vanguard is a town of a couple of hundred people at the most, but they rely on you guys every single week to send water samples off to Regina for their safe water supply. They don't have another carrier as an option, because it is a very small town.

It's common throughout Saskatchewan and, quite frankly, a lot of western Canada, to have towns that size.

What measures are you using to make sure that a place like Vanguard doesn't lose its post office? It really is a lifeline for that community.

Doug Ettinger: I appreciate that. I've lived most of my life in rural Canada. I understand how important the post offices are, so we're going to be very thoughtful and careful about how we do that.

If there is no other post office close, then it'll be fine. There'll be other criteria, and we'll reveal those when we have further feedback from the government on the plan. We recognize how important they are to those communities, and we'll be thoughtful about how we make those decisions.

Jeremy Patzer: Could you give a brief answer on the moratorium? With the moratorium still in place, I believe there have been 515 closures of rural post offices since then. How could that be?

Doug Ettinger: Well, there are different reasons. Oftentimes, the postmaster or the postmistress retires and it's hard to recruit somebody to replace them, or the business that they were in shuts down, or people move on to other things. It's not the easiest role to recruit for, unfortunately, particularly in remote areas.

We've said that in terms of postal service, we're going to protect rural, remote and northern. We have 280 air cargo flights going every week to 140 communities in Canada's north. We're committed to protecting that service.

Jeremy Patzer: With the \$1-billion bailout that you guys received—and I know there are ongoing conversations about another compensation package, I think, from the government—was there a provision in there that prevented executive bonuses above and beyond...?

Was there a provision in that contract when you guys received the bailout?

Doug Ettinger: Not that I'm aware of, no.

Jeremy Patzer: Is that something that the government is actively trying to put into a new bailout package?

Doug Ettinger: I'm not aware of that, no.

Jeremy Patzer: Okay.

We've heard of a lot of people receiving early retirement offers from the government, whether it's staffers on Parliament Hill or bureaucrats. I'm just wondering whether Canada Post has also received these early retirement offers from the federal government.

Doug Ettinger: No. We're a Crown corporation; we're separate from that. We sometimes take guidance from what they're doing in terms of key policies, but that has not included us in any way, shape or form.

Jeremy Patzer: Okay. Thank you very much.

Really quickly, there's one last point I want to ask you about, and it's this: The Kaplan report was pretty firm in its point, stating, “The notion that the January 2025 \$1 billion-plus loan/lifeline will be repaid requires the complete suspension of disbelief.” You've hinted today that you're trying to repay that loan. What are your thoughts on what the Kaplan report had to say?

• (1645)

Doug Ettinger: Okay.

With regard to the Kaplan report, we and our union had equal access. It was a public hearing. You might want to listen to that at some point. We put all of our ideas out there, as did the union. I think the report captured that pretty well. I think it's an objective and frank review of our challenges, our obstacles and our opportunities going forward. We're pleased that the government supported that. I think Commissioner Kaplan came up with a very fair review, and we're pleased with that.

As far as the repayable loan goes, that's how we're treating it right now. That's how we're going forward.

The Chair: Thanks.

Ms. Khalid.

Iqra Khalid (Mississauga—Erin Mills, Lib.): Thank you very much, Chair.

Thank you to the witnesses for being here today.

I'll start picking up on some things you've said, Mr. Ettinger. You said that the financial situation of Canada Post is “unacceptable” and that we need to act now. I'm trying to wrap my head around this. There are tens of thousands of people who rely on Canada Post for jobs. There are millions of Canadians who rely on the services that Canada Post provides.

When did your organization first realize that there was an issue here and that your business model was not working?

Doug Ettinger: I think if you go back in time—and some of the members around the table were here at that time—you'll see that we've been studied to death over the years, in a good way. If you go back to 2016, a lot of the findings and predictions from that study have unfortunately come true in terms of where we are.

COVID also accelerated the problem in the sense that a lot of up-start emerging private shippers came out of the woodwork and have done a good job. They're gig-based, which we don't support. We support union jobs with good benefits and good pay. However, they have stolen, and they have good programs to take a lot of market share away from us.

The key thing for me is that we're moving forward. Would it have helped if it had been years ago? Of course, but now we have a government that's taking this seriously. It is acting on it. We're ready to act on it now. We know what the key strategies are, even though you've heard them before, like community mailboxes. There's nothing new in this. There's no magic potion that's going to get us to the next place. However, trust me; these are big opportunities for us. We're ready to move on them now, and we have the team ready to roll.

CMBs can provide an even better service, but the savings opportunity there, for example, is \$300 million, \$400 million or \$500 million per year once it's at full state. When you add on the other things in the plan, you can see how there's a path to break even. It's an ambitious path, but by 2030, we want to be there. We think we have the tools now to do that.

Iqra Khalid: It's interesting that you say that this issue has been studied since 2016—it's been “studied to death” in your words—yet it seems as if none of the recommendations that committees and Parliament have provided to you have been implemented.

By your admission, since 2016, we have known that there was an issue. It's now at least nine years later. You've watched other companies grow. You've watched other companies take up space, be innovative and provide the services that Canadians are looking for. Yes, there are challenges, and I agree with you a hundred per cent that the gig workers are not treated properly in those private companies. That is a place we need to focus and work on. At the same time, they are providing services to millions of Canadians.

As a Crown corporation that is at arm's length from the federal government, you kind of function in your own space. You watched this transition happening for a decade. Why are we here?

Doug Ettinger: We've been doing a lot—as much as we can do within our control. We have made some strategic investments. For example, the Albert Jackson processing centre in Scarborough is a state-of-the-art facility that has enabled us to achieve the highest on-time delivery results in our history. That's one example, and I could go on for quite a while, but I'm keeping my answers tight here.

We have our updated ERP system. Pricing and analytics are critical in this industry. You're pricing based on lanes, origin and destination. It's very complex. You need the right systems to do that, so we've updated our systems. Now that we have the tools, and thanks to the government's taking this seriously and getting some of the shackles off us that have been there for a long time, we feel un-

leashed in a good way in our ability to take these tools and these investments and turn this company in the right direction for the good of Canada.

We know the economy depends upon it. No one else gets to all points in Canada the way we do. We can continue to do that. The things that we've talked about, even though there's more detail in the plan, are going to get us to that point. We're confident we can get there.

• (1650)

Iqra Khalid: I appreciate that.

How do you engage with your stakeholders—with your employees and with the people who receive your services? How do you engage with them so that they know what's going on with Canada Post, they know their jobs are secure, they know they're still going to be receiving mail, and they know who to contact when there are challenges and when there are issues that they want to bring to your attention?

The Chair: Let me interrupt. We are past our time. Go ahead if you're able to offer a brief answer to that.

Doug Ettinger: Maybe I'm not, but I'll do my best. Thank you.

We have a sales team. We have a customer care team. We have a corporate communications team. I get hundreds of emails every day, and we respond to every single one of them, so we understand the issues that Canadians are having. We have our finger on the pulse in that regard.

I believe we now have the tools so we can go forward and get this back to what our original mandate was: to serve all Canadians in a financially sustainable fashion. I believe we can get there.

The Chair: Mrs. Block, go ahead, please.

Kelly Block: I will be splitting my time with my colleague, Ms. Jansen.

When it comes to loans and supports that come from the government, whether it's to a Crown corporation like yours, to companies or even looking at what can happen within departments that need to come back to the government for more funding, can you tell us if, under the previous loan or any future loans, there are conditions or provisions to ensure that the money being given to Canada Post can't be used to pay executive compensation or management bonuses?

Doug Ettinger: Yes, that question came earlier. I'm not aware of that, but I'll ask our CFO if there's any inclusion of those kinds of terms in the loan agreement.

Rindala El-Hage: Thank you, Doug, and thank you for the question. It's a really good one.

When the terms of the MOU were negotiated with the Department of Finance as well as with PSPC, the focus was really to ensure that Canada Post has access to that funding to supplement and maintain our operation, to supplement our operating loss. The covenants around that MOU are to ensure that we provide the proper and supporting evidence to the Department of Finance and PSPC for where that money is going. It's really around funding our operating losses and ensuring that we can continue to bring the service to Canadians every day across this great country. There are no covenants in there tied to executive compensation.

Kelly Block: Would there be restrictions written into those covenants that would keep Canada Post from being able to provide bonuses?

Rindala El-Hage: There are no restrictions in the MOU pertaining to that particular subject, no.

Kelly Block: Okay. Thank you.

Rindala El-Hage: It's really around ensuring that we can maintain operation and service to Canadians.

Kelly Block: Thank you.

Tamara Jansen: Again, thank you.

I want to come back to the people who really feel the consequences of the problem that we're facing here.

When mail slows down or stops, rural Canadians are hit the hardest. Many rely on prescription deliveries, government documents, benefit cheques and essential goods that simply cannot be accessed any other way. In some communities, the post office isn't just a building. It's like the centre of life, and it's where seniors stay connected, small businesses ship their products, and families keep traditions alive through birthday cards and Christmas presents. I'm left wondering how we let it get this far.

I mean, the warnings were not subtle. The Kaplan report laid out exactly why keeping Canada Post afloat without structural changes would be nearly impossible, yet the Liberal government shackled you until the corporation was effectively insolvent. Now you've had \$5.5 billion in losses. How have you been financing that? Did you have it in the kitty, or who are you borrowing that from?

• (1655)

Doug Ettinger: Well, we had a surplus that we were running with, so that helped quite a bit, but I'll come back to the Kaplan report.

The Kaplan report was a public hearing. I thought the recommendations from it were very clear and very strong, and we're pleased that the government has picked up on those recommendations and endorsed them going forward. We're ready to act on those, assuming that the plan gets approved.

Tamara Jansen: You said that you were working with a surplus. Was the \$5.5 billion covered by the surplus completely?

Doug Ettinger: No, no. That's—

Tamara Jansen: How much of a surplus were you working with?

Doug Ettinger: I don't recall, but...

Go ahead.

Rindala El-Hage: What Doug was referring to is the healthy cash liquidity balance that we had on our balance sheet. At one point, we were a bit over \$2 billion in that particular account, which we used to fund and supplement the operating losses over the years.

Tamara Jansen: Okay. Then how are you financing all this?

Rindala El-Hage: Up until mid-2025, we were using our cash reserves. The repayment of the \$500 million in bonds that was due in July 2025 was the first trigger that we would be really, I want to say, "running out of cash", and those were the discussions coming out of the Kaplan report that we had with the government to ensure that we secured the \$1 billion for us to continue. Up until July 2025, we were using our cash reserves to fund the operating losses that we had.

Tamara Jansen: Okay. That's all.

The Chair: Thanks very much.

Now we'll go to Mr. Gasparro, and then we'll finish up with Madame Gaudreau.

Vince Gasparro (Eglinton—Lawrence, Lib.): Thank you for being here, and thank you for your service.

I want to pick up on something that was mentioned earlier in terms of addressing seniors. In my riding of Eglinton—Lawrence, we have quite a few seniors' centres. In many of them, English or French is not the seniors' first language, and this concern may actually be relevant in other parts of the country.

How will you be communicating some of these changes more broadly to folks whose first language isn't English or French? That's question one.

Second, how will you try to address some of their concerns? How will the communication flow go back and forth with some of these individuals, particularly seniors, in this case?

Doug Ettinger: That's a great question.

We'll have a full communications program, as I touched on earlier. We're going to do a strong job of promoting it—how to access it and how to apply. It's easy, but we know we have to be thoughtful about how we do that. We'll make sure that we promote it, so that everyone knows how to access the program, whether it's online or whether we have to do something by mail or whatnot.

In terms of other languages, we'll be more than happy to look at whatever languages are required. We've done that in other situations with money transfer programs through our post offices. We do them in many languages. We, of course, have that capability. Whatever the needs are, we will make sure that it gets done, and we'll do it properly. There will be no limitation on how we communicate that to Canadians.

Vince Gasparro: I'm making the assumption that you'll take a data-based approach. You'll look at the census data, and you'll look at the different languages on a constituency basis—obviously both official languages, plus.

Doug Ettinger: Yes, absolutely, we will. We'll look at that, and we have, again, some experience with that in other programs. We'll make sure we cover all those languages. We understand that this can be uncomfortable for people, so we'll make sure they have service in the language that they're most comfortable with.

Vince Gasparro: That's great.

Here's a basic question for you. What do you think Canada Post's role is in the 21st century?

Doug Ettinger: Again, it's back to a digital post office. Many of the things we're doing now behind the scenes are digital. Every day, we're looking at new ways to make it easier to buy something on your phone and track it on your phone and find out when it's being delivered.

We have a service that we haven't promoted much yet. It's called MyMail. If a parcel lands in your community mailbox, it can send you a notification to let you know that it's there and what it is. You have to go on the Canada Post app to get access to it, and we have millions of Canadians on that. We are working on things like that constantly.

As for the future, e-commerce has a very promising growth future, as I said. It will be doubling over the next 10 years, so the pie is going to get bigger. The competition is also very strong; they're some of the best companies in the world, so it won't be easy, but we're going to work hard to earn back the trust of our consumers and our customers, and we believe we now have the tools to do that.

We see a digital future, but we have to get our core business in line first. We have to get our house in order with all the things we've been talking about, now that the government has taken them seriously and has said that they're going to take those legacy regulations and policies away. That will enable us to be a much more efficient operation going forward.

• (1700)

Vince Gasparro: Thank you, Chair.

The Chair: Go ahead, Madame Gaudreau.

[*Translation*]

Marie-Hélène Gaudreau: Mr. Ettinger, not a week has gone by since September when someone hasn't messaged or called me about this. Perhaps it has to do with the fact that I'm on the Standing Committee on Government Operations and Estimates or the fact that I'm the critic. Seriously, most of the calls are from people with concerns about the Purolator lockers in post offices. Other issues people raise are the cuts, ties to the board of directors, the appearance of impropriety, influential external members and outsize compensation.

As far as the work environment goes, that worries me. I'd like to know what I should say to employees, because change always goes down better in bite-sized pieces. Nobody likes change, but it's nec-

essary. It was necessary a long time ago. What do I tell them? They are very worried.

[*English*]

Doug Ettinger: Thank you. There are lot of questions packed into that one.

As soon as we can share the plan, we will go to our employees immediately. We have town halls constantly with employees, and we'll make sure that our frontline supervisors are communicating to our employees and our unions, of course. We'll be collaborating with our union on anything to do with people changes, to make sure that we're all aligned on those changes. We look forward to that.

Again, the approach on this is that we're committed to service enhancements. It's not about cutting, although there's no doubt that we're going to look different going forward, and we have to, but we're looking to be thoughtful, respectful and flexible, and we're going to listen to the municipalities, the towns, the villages. We're going to listen to them and be flexible in terms of what they need.

Really, what we're trying to create here is a Canada Post for the future, one that has better service and the support of the business community in Canada, small business in particular. There's the great example of Shopify. They started out very small years ago. Canada Post was there to support them, and they've done so well across the world. We need more Shopifys in Canada, and small business will be where that comes from. We're going to do even more in terms of our relationships with small business going forward. That's a big priority.

[*Translation*]

Marie-Hélène Gaudreau: Thank you, Mr. Chair.

Thank you, Mr. Ettinger.

[*English*]

The Chair: Thank you very much. Thanks for being with us today.

I have a quick question before we send you on your way. Mr. Patzer brought up the urban-rural issue, and it's been brought up several times. Stuff that was declared rural in 1994 is now smack dab in the middle of big cities. What's it going to take to change that or to address it? Does it require legislative change? Does it require an order from the government? Is that something that you can change arbitrarily? It sounds like it's a common-sense thing to do immediately.

Doug Ettinger: It is a common-sense thing to do, because the country has changed a lot. We have been discussing it with the government. We're going to take their guidance on it, but there is new information from Statistics Canada.

The Chair: Can you make that decision yourself, or does it require the government to make a change to allow you to...?

Doug Ettinger: As far as I know, Mr. Chair, we can move forward with our own decisions, but again, we'll be very careful on that. As I said, the first phase will be the urban areas where there's obvious duplication, where you can literally see a dealer and a corporate in one frame.

• (1705)

The Chair: The example of Gatineau comes up. It is considered rural. I hope that does get addressed soon, because it keeps coming up.

Thank you for being with us. Before you go, I just want to mention that you have a Donald Cooper, who is our Alberta-based manager for government affairs. He is always an incredible help, so I wanted to pass that on.

Colleagues, we have in our translation booth Andre, who is finishing up his tenure with us. He has been with us—no, don't clap yet—since 1971. He has served 17 different parliaments.

Congratulations, Andre.

[*Applause*]

The Chair: That's absolutely spectacular. Colleagues....

Oh, I'm sorry. Go ahead.

Kelly Block: I'm sorry.

Before you adjourn, there is something I would like to just.... I don't know if it's a point of order, but.... Are you ready to adjourn?

The Chair: Go ahead.

Kelly Block: Okay. I want to touch on the previous meeting we had at this committee regarding my privilege motion. I think I asked you if we needed to report privilege to the House. After inviting the officials back and confirming that Mr. Jennings has reflected and noted that the only thing that was true from his first appearance was that Stellantis had agreed to what ISED had proposed, quite frankly, I'm not satisfied that we have brought this issue to an end, and I just want to reserve the right to bring this back.

The Chair: Certainly. I appreciate that, and I will commit to you that I'm going to read the blues and that I'm going to review the video as well. That's something we can address when we come back in January.

I want to thank everyone and wish everyone a wonderful Christmas. All of our support staff who are with us today, all of our members and all of our team, I wish you a very merry Christmas.

As for those watching at home, I hope you'll tune in later to "An OGGO Christmas Carol", where the chair is visited by the estimates of past, present and future.

Some hon. members: Oh, oh!

The Chair: Have a fantastic Christmas, everyone, and a wonderful new year. Thank you. We are adjourned.

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