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A socio-economic report

Should Canada Post be privatized?

Every now and then, the idea of privatizing Canada Post comes up. Today, there are signs everywhere that this debate is resurfacing: a drop in the use of lettermail for communications, waves of liberalization and privatization in Europe, the forecast deficit at Canada Post, and its recent announcement of service cuts. In this report, the Institut de recherche et d'informations socio-économiques (IRIS) will look at the pros and cons of liberalizing the postal sector and privatizing this Crown Corporation, using examples from other countries. Our analysis will begin by taking stock of the Corporation's current financial situation and highlighting proposals from various supporters of liberalization or privatization. We will then assess the potential and limits of these proposals and propose other alternatives that are, in our opinion, better suited to Canada Post's specific situation.

Financial Situation

Formerly known as the Post Office Department, the Canada Post Corporation (Canada Post)[1] was established in 1981 as a Crown Corporation, with the Government of Canada as its sole shareholder. It provides a country-wide postal service at a uniform rate, and currently enjoys an exclusive privilege over delivery of letters weighing less than 500 g in Canada. International delivery was deregulated in 2010 and is now open to competition. Canada Post is also active in other businesses it owns: in deregulated areas such as parcel delivery (*Purolator*), services related to information systems and information technology (Innovapost), as well as logistics and transportation management (SCI Group Inc.).[2]

This Crown Corporation stopped receiving government subsidies to offset deficits in 1988.[3] In 2011, on a consolidated basis, Canada Post recorded a before-tax loss of 253 million dollars, after 16 consecutive years of profit.[4] Chart 1 shows Canada Post's net profits over the past 12 years.

CHART 1 **Canada Post – Net Profits, 2001 to 2012 (in millions of dollars)**

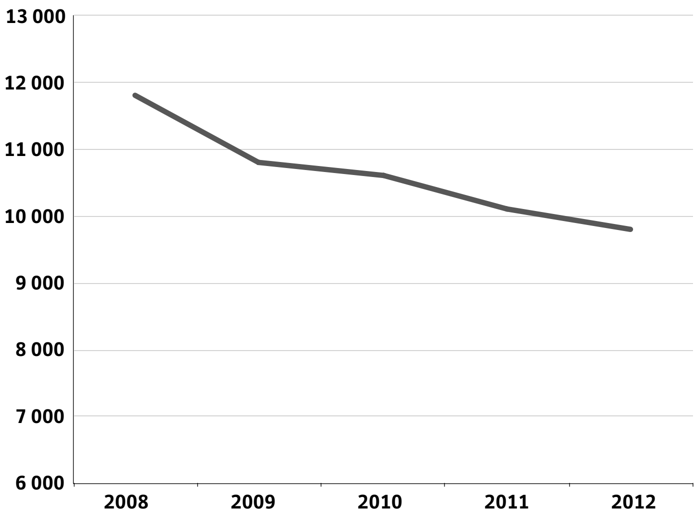
Source: Canada Post, Annual Reports – 2001 to 2012

Since 2001, the Crown Corporation has recorded almost $1.7 billion in profits, which have enabled it to invest in infrastructure and to pay taxes and dividends to the federal government.

This is not to say that the future does not hold challenges for Canada Post. While 2011 may be an exception for Canada Post, the current juncture leads to the belief that more deficits could occur in the future. According to Canada Post, a deficit was avoided in 2012 due to one-off internal policy changes that will not reoccur in coming years. "[Translation] Based on current financial projections, Canada Post will need additional liquidities by mid-2014, at a time when its before-tax losses stood at $129 million in the third quarter."[5] Although the 2011 deficit occurred as a result of a turbulent year (a labour dispute and a costly decision rendered by the Supreme Court in a pay-equity matter), Canada Post's structural problems make its long-term profitability more problematic. Among these problems, the Corporation cites first and foremost a decrease in mail volumes, and a solvency deficiency in its pension plan.[6]

The popularity of digital media and the Internet is now the most important change factor for Canada Post. As shown in Chart 2, the number of pieces of mail delivered between 2008 and 2012 by the Crown Corporation decreased by 26.8%, a drop that dramatically accelerated in 2012.[7] It is still impossible to know how far and how fast the decrease will go. Moreover, it should be noted that, while most types of mail volumes (transaction mail, admail and publications) are falling, parcel volumes are rising (mainly due to online purchases).

CHART 2 Mail volumes expressed as number of items (in millions)



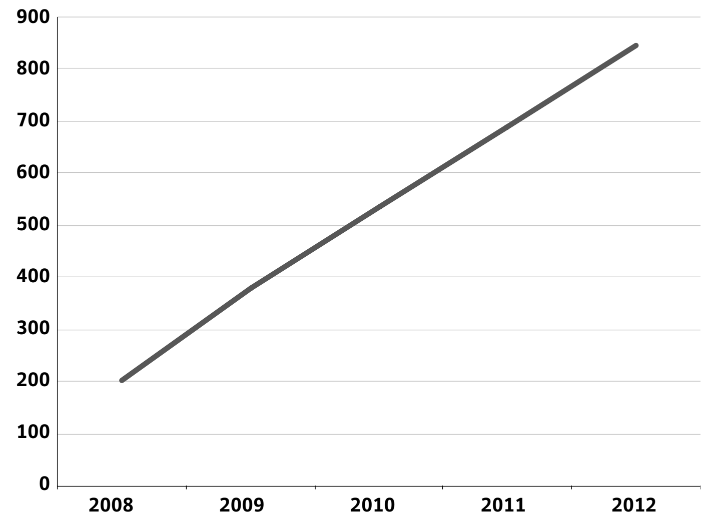
Source: Canada Post, 2012 Annual Report, p. iii.

However, Canada's population and the number of addresses delivered to by Canada Post are increasing. As shown in Chart 3, there has been a steady rise in the number of these addresses. Less and less mail is being delivered to an increasing number of addresses: sources of revenue are decreasing, while sources of expenditure are increasing. This does not bode well for Canada Post's finances.

Further, Canada Post is also facing pressure in terms of funding its pension plan. In fact, like other defined benefit plans, there are "ongoing significant funding challenges in light of demographic shifts and a prolonged period of low interest rates and volatile investment returns." [8] In short, the 2008 economic crisis, and the recession and downturn that followed, resulted in particularly disappointing market returns for pension plans. In 2012, the Canada Post Pension Plan had a solvency deficiency – i.e., a funding shortfall between plan assets and the cost of retirement benefits if the plan came to a sudden end – of $6.5 billion.

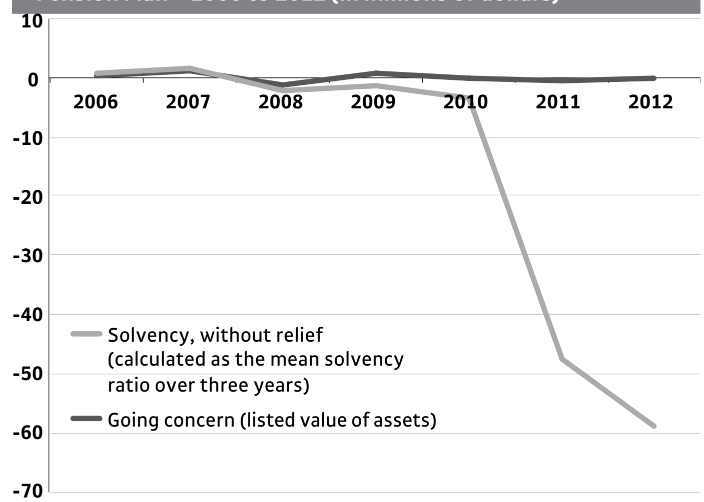
However, it should be noted, as shown in Chart 4, that the Canada Post Pension Plan does not, for the time being show any sustainability problems. It will be able to ensure retirement security so long as the fund continues to operate normally. Hence, if Canada Post does not close down or liquidate its pension fund, it may be possible to negotiate a resolution to the solvency issues, which are far from being insurmountable, especially if the rates of return for the plan increase.

CHART 3 Number of delivery addresses – 2008 to 2012 (in millions)



Source: Canada Post, Annual Report, 2012, p. 4.

CHART 4 Solvency and sustainability of the Canada Post Pension Plan – 2006 to 2012 (in millions of dollars)



Source: Canada Post, Annual Reports, 2008 to 2012, p. 66 (2008), p. 69 (2009), pp. 38-39 (2010), p. 50 (2011) and p. 52 (2012)

However, accountability rules require Canada Post to fund the plan to ensure its solvency if it should suddenly be terminated. In the past, Canada Post has made such solvency payments and then reached an agreement with worker representatives to recover these amounts.[9] Further, federal legislation allows crown corporations some latitude in managing their funding obligations. This includes solvency relief, from which Canada Post has benefitted since 2011.[10] The Government of Canada issued Canada Post a letter of credit allowing the latter to make these payments pending a return to solvency. However, the credit cannot exceed 15% of the value of the Plan's assets, and it will have run out by June 2014, when Canada Post will have to start paying major amounts into its Pension Plan that could reach $1 billion per year.[11] In addition, the Federal Government has apparently advised Canada Post that it will not be renewing the letter of credit in 2014.[12] This pressure on the Plan's solvency, even if it does not affect its sustainability, is the greatest threat to Canada Post's short-term financial stability.

Finally, Canada Post is planning to take on other challenges: the lag in renewing its infrastructure, the low automation rate of its sorting and delivery processes, and particularly elevated rates of employee absenteeism.[13] It should be noted that all of these problems have been the subject of reforms at Canada Post in recent years, i.e. through major investments in sortation infrastructure (2008-2014), a new delivery model (2010)[14] and a disability management policy (2011)[15].

All postal sector organizations have been dealing with the massive rise of digital media. Many alternatives have been suggested and implemented. In Canada, despite significant reforms and increases in postal rates,[16] it seems Canada Post still has more adjustments to make.

One of the options envisioned by the Corporation to reduce costs is by cutting the services it provides. In so doing, it would reduce its operating and labour force costs, giving itself more leeway to respond to decreasing revenues. Clearly, this would means shrinking the business, since it would reduce its capabilities instead of expanding them. In December 2013, the management of Canada Post announced that the Corporation was going to phase out urban door-to-door mail delivery and expand the use of community mailboxes over the next five years, increase the price of stamps by 22 cents, and open more postal franchises in stores.[17]

A Conference Board of Canada report states that doing away with door-to-door mail delivery will result in major savings for Canada Post, i.e. the equivalent of 576 million dollars per year by 2020.[18] These service cuts will lead to the elimination of 6,000 to 8,000 positions in the Corporation. To do this, Canada Post will rely mainly on attrition, that is, by not filling the positions of employees who retire. However, neither the study nor Canada Post specifies the required investments for implementing the new delivery mode.

Apparently, no other country has terminated its urban door-to-door mail delivery service,[19] but some of them, especially in Europe, have opted for some form of privatization or liberalization. Hence, comparing the impact of Canada Post's announced plan with other countries' experience remains difficult, given the various ways each postal system operates, and factors associated with other steps to liberalize businesses.

However, it is quite possible that, as the quality of service decreases because of the service cuts, some may find privatization or liberalization increasingly more attractive. These options will become even more tempting with major hikes in the price of stamps, as occurred this year (2014), when Canada Post increased it to one dollar. It has been noted that the less the public feels it is receiving "its money's worth" for a public service, the more likely it is to accept its privatization. It should also be pointed out that the postal transformation process underway at Canada Post would make privatization considerably easier. Some post office operations have already been relocated to private franchises set up in existing business premises. Community mailboxes lend themselves much more easily to privatization, since they are easier to deliver to than inside mailboxes, and less of an intrusion into privacy.[20] Of course, poorer working conditions and increased postal rates will enhance the situation for potential private-sector buyers. These changes may well pave the way for the speedy privatization of Canada Post, an option that may find favour with a public that has become progressively more accustomed to deteriorating postal services.

Arguments favouring liberalization or privatization

Liberalizing or privatizing the postal sector has been advocated by many in the public arena. Let us first examine the difference between the two concepts and the main arguments for each.

Liberalization would consist in opening up the postal market to competition by abolishing the Corporation's exclusive privilege over mail operations and allowing other private-sector businesses to enter the field. Privatization would eliminate the public ownership of Canada Post and transfer ownership to majority private shareholders. This would result in putting the entire postal sector in the hands of the private sector.

The Fraser Institute, in a document published in 2011 following the lockout of postal workers, comes down on Canada's public postal service.[21] Authors Lammam and Karabegovic advocate liberalization and even privatization, arguing that crown corporations are inefficient. They say the Crown Corporation's monopoly gives it an advantage, notably by ensuring that it cannot go bankrupt because of unconditional public funding – which favours laxity and limits innovation, in the absence of competition. The Fraser Institute also states that the abundant labour force hired by crown corporations compared to private enterprise results in low productivity. Finally, it criticizes the role played by unions in the public sector, stating it results in paralyzing essential services when unionized employees take job actions.

In a recent research note dealing with Canada Post,[22] the C.D. Howe Institute concludes that reforming Canada Post should occur by gradually privatizing and abolishing its public monopoly. The C.D. Howe Institute researcher suggests contracting out some of the postal services provided by

Canada Post. The efficiency gains provided by contracting these services out would, in the Institute's opinion, protect current jobs while maintaining service standards throughout the country. To ensure postal service in rural areas, it suggests funding these services directly through government revenues. A 2007 study by the same research group contains a more detailed analysis on the impact of postal service deregulation in several countries (Sweden, Finland, New Zealand, the Netherlands, Australia, Germany and the United Kingdom). The authors conclude that, following these changes, companies had been able to either improve or maintain service quality (on-time delivery performance).[23]

The Montreal Economic Institute, in a report published in 2011,[24] also defends moving towards liberalization, and contemplates privatization in light of a comparative study of liberalized postal systems in other countries, such as Sweden, New Zealand, Austria, the Netherlands and Germany. The authors of the study suggest undertaking reforms by implementing a program to sell shares to employees, followed by phased-in and ever increasing liberalization. According to the authors, liberalization would provide an incentive for increased productivity. As for delivery to remote areas, they suggest eliminating uniform pricing, even if this means subsidizing consumers to avoid hiding the real cost of postal services to the detriment of urban postal customers. However, they point out that "Individuals who chose to live in rural regions [...] must also accept that there are downsides to this choice, such as higher prices and reduced access for some products and services."[25] This is a way of saying that universal access to postal services should not be a government priority.

As we have seen, proposals to liberalize or privatize postal service are based on three arguments:

- Competition would result in increased productivity.
- Postal enterprises would enjoy substantial savings, especially in terms of the cost of wages.
- The public would get equivalent or improved services for less.

Let's now look at these arguments based on concrete examples of countries that have liberalized or privatized their postal services.

Pros and cons of liberalization or privatization

There is a great deal of data we can use to assess the pros and cons of liberalizing or privatizing postal systems. Since these vary considerably from one country to another, and since geography and climate can significantly impact the costs of postal services, our analysis will cover a large array of countries that have liberalized or privatized their postal services (England, Sweden, Belgium, the Netherlands, Germany, etc.) to provide as complete a picture as possible.

But first, we should briefly discuss the concrete impact of these changes to postal services on people's lives. When the European Union issued directives on postal liberalization and privatization, the resulting impact on consumer mail habits was not as far-reaching as expected.

TABLE 1 Market share of former monopolies

Country	Market share of former monopoly
Germany	91%
England	95%
Sweden	93%

Source: Richard Pond, *Liberalisation, privatisation and regulation in the UK postal services sector*, Working Lives Research Institute, London, 2006, p. 15; and Jörg Flecker, Christoph Hermann, Torsten Brandt, Nils Böhlke, Christer Thörnqvist, "Liberalisation and privatisation of public services – Company reactions," PIQUE, Vienna, 2008, p. 45.

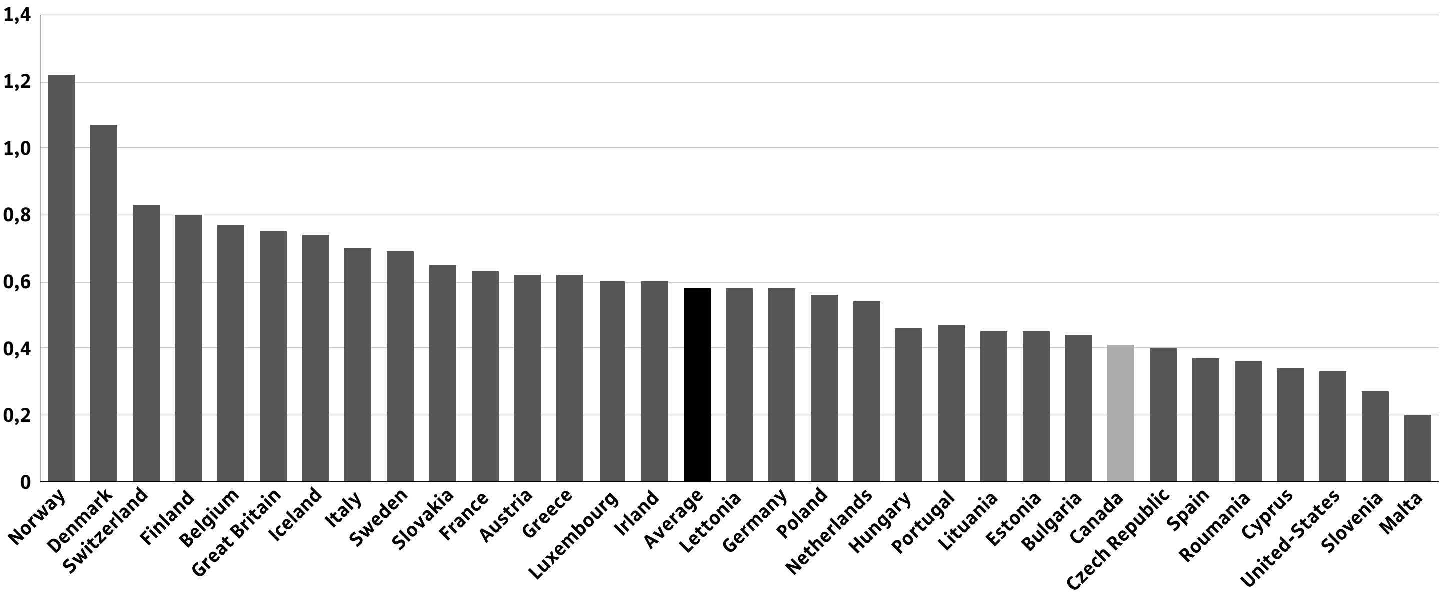
Table 1 shows that in Germany, England and Sweden, the former public monopolies still account for more than 90% of mail transactions. This applies to relatively recent examples of liberalization (in England, in 2006), or to less recent ones (Sweden in 1993, and Germany in 1996). In fact, it seems that after a boom in post-liberalization, these markets moved closer into line with the former public operator, and with a competitor that focussed its operations on the most lucrative markets.[26] The post office and mailbox networks and the actual organization of mail operations require massive initial investments, except in more densely populated urban areas.

This provides a benchmark for looking at the situation in Canada. Considering the vast geography that has to be covered and our low population density, the first question to ask might be where potential private postal enterprises would want to settle to earn their profits. The answer is obvious: in large urban centres. But there are not many of these in Canada, so one might wonder whether liberalization or privatization would provide more choice to most Canadians.

There is another thing. It seems that privatization or liberalization as such has not resulted in major price variations, either higher or lower,[27] for the average consumer. Often, costs have been maintained relatively low due to steps taken by governments to set certain mandatory rates.[28] However, as we shall see later on, the cost of bulk purchases has dropped considerably.

It is doubtful that in Canada, we will see the cost of stamps drop as a result of privatization since, as shown in Chart 5, its price in 2013 was much lower than in many Western European countries that privatized their postal services. The American public postal service ranks even better. The radical increase

CHART 5 Stamp prices in Europe, Canada and the United States (2013, in €)



Sources: Deutsche Post, *Letter Prices in Europe*, March 2013, p. 7, www.postescanada.ca/cpo/mc/aboutus/news/pr/2012/2012_postage_rate.jsf et http://money.cnn.com/2014/01/24/news/economy/postal-stamp-price-hike/, IRIS calculations.

decided by Canada Post in 2014 would place the price of its stamps slightly above the average for 2013 (but we can assume that all of the other countries will also raise the price of their stamps in 2014).

Advantages

Now that we have made these preliminary observations, let's look at some of the advantages of postal liberalization/privatization.

REDUCTION OF POTENTIAL THREAT TO PUBLIC FINANCES

Obviously, if the postal sector were to be completely privatized, Canada Post would no longer have any ties to the federal government. And in principle, there would be nothing to compel the federal government to intervene to "rescue" Canada Post from eventual financial difficulties. Considering the difficult road ahead for the Crown Corporation, this appears to be a significant advantage. However, three caveats need to be raised in that regard.

First, as previously mentioned, the federal government withdrew from its responsibility to offset Canada Post's deficits in 1988. In theory, even if the situation is dire, the federal government wouldn't have to loosen its purse strings. We know however that this remoteness remains somewhat theoretical. Indeed, it's hard to imagine that a government would choose to let Canada Post go under and close up shop, leaving the Canadian population with no postal service.

Second, while the government, in the current situation, has the "moral obligation" to intervene to rescue Canada Post, this obligation would still stand if the Corporation was to be privatized, as the case of Air Canada clearly demonstrates. Although it was privatized a long time ago, Air Canada still seeks the assistance of Ottawa[29] and requests the government's intervention in labour relations through the imposition of special legislation.[30]

Finally, if the federal government withdraws "in theory" from its obligation to rescue the Crown Corporation from a difficult financial situation, it will also most certainly forgo any possibility of sharing in its benefits. As mentioned in the introduction, Canada Post has for many years paid annually large sums of money to the government of Canada. From 2005 to 2008, Canada Post put 208 M$ in dividends into federal government coffers. Had the Corporation been privatized, this money would not have been available to improve public services.

LARGE VOLUME MAILERS: RATE REDUCTION AND DIVERSIFICATION

In all the countries surveyed, privatization has clearly led to a reduction of postal rates for large volume mailers. Sweden, Poland and Germany, for instance, saw a significant reduction in postal rates for large businesses and organisations.[31] "However, these clients, including mail-order firms, large insurances and banks, telecommunication companies and government agencies are at the same time highly sensitive with regard to prices and they are specifically targeted as potential customers by the new competitors."[32] It was also noted that in Spain, the new competitors from the private sector were able to offer services that were more personalized and better tailored to the needs of these major clients.[33]

Under a system of universal public services, large volume mailers end up paying more than what they would pay if postal services were solely catered to them. Consequently, when postal services are liberalized or privatized, the new competitors immediately target these wholesale consumers by offering them very competitive rates.

As we will see, this outcome can have an impact at other levels. But from the point of view of large volume mailers, this is undeniably an advantage of liberalization/privatization.

ACCESS TO NEW MARKETS FOR INVESTORS AND ENTREPRENEURS

The public monopoly currently in place prevents investors from buying shares in the Crown Corporation for the purpose of receiving dividends. The monopoly also prevents the creation of for-profit postal competitors. Liberalization/privatization would allow individuals with the necessary capital to set up private postal businesses or invest in stock portfolios to seek financial gains in that industry.

Again, this kind of investment opportunity would have an impact on other people, but obviously, investors would welcome the possibility of making profits.

Disadvantages

LOWER QUALITY SERVICES

One of the crucial elements of a good postal service is its network of post offices and mailboxes. And it is essential that users of the network have access to service outlets located relatively close to every home. However, in most countries where postal services have been privatized or liberalized, the number of post offices has dropped significantly.

In Germany, for instance, privatization led to a quantitative and qualitative decline in services.[34] In fact, as soon as the end of its monopoly on letter delivery was made public, the government announced the closure of a series of post offices deemed insolvent, most of them located in rural areas.[35] According to some studies, the number of post offices shrank by 40% in Austria and Germany.[36]

A study of 21 European countries found that privatization of the postal service in those countries was followed by a significant decline in the number of post offices and in the frequency and quality of postal services.[37] For the most part, post office closures took place in rural areas and in the poorest communities. This outcome is not surprising. The logic of the private sector is to go where it can generate a big enough profit, while ignoring areas that are less profitable.

"In Sweden postal services have not improved because of the closing of all post offices (and outsourcing counter services to private partners), a decreased number of post boxes and unchanged distribution times since the liberalisation in 1995 whereas prices for business customers have been reduced compared to private service users."[38]

Belgium, on the other hand, seems to have been able to liberalize its postal service without reducing the number of postal outlets, transferring them all to private dealerships.[39] However, Belgium seems to be the exception rather than the rule in Europe, and it should be noted that there was an important increase in the price of stamps in that country after privatization.[40]

Other aspects of privatization, although frustrating for customers, are harder to quantify, as illustrated by the following comment from a customer in the Netherlands: "On Wednesday, we have at least six people coming to the door, all bringing some mail. First was the local paper. Then the other local paper. Then the postman comes. Three more will come later. I think that's the basic defect of post office privatisation. What used to be done by one man is now done by six. They're all underpaid, and the delivery hasn't improved. It used to come in the morning, and now I'm still waiting."[41] The same article also notes significant increases in the amount of unsolicited admail, which is not all that surprising given the cost reductions for bulk purchases.

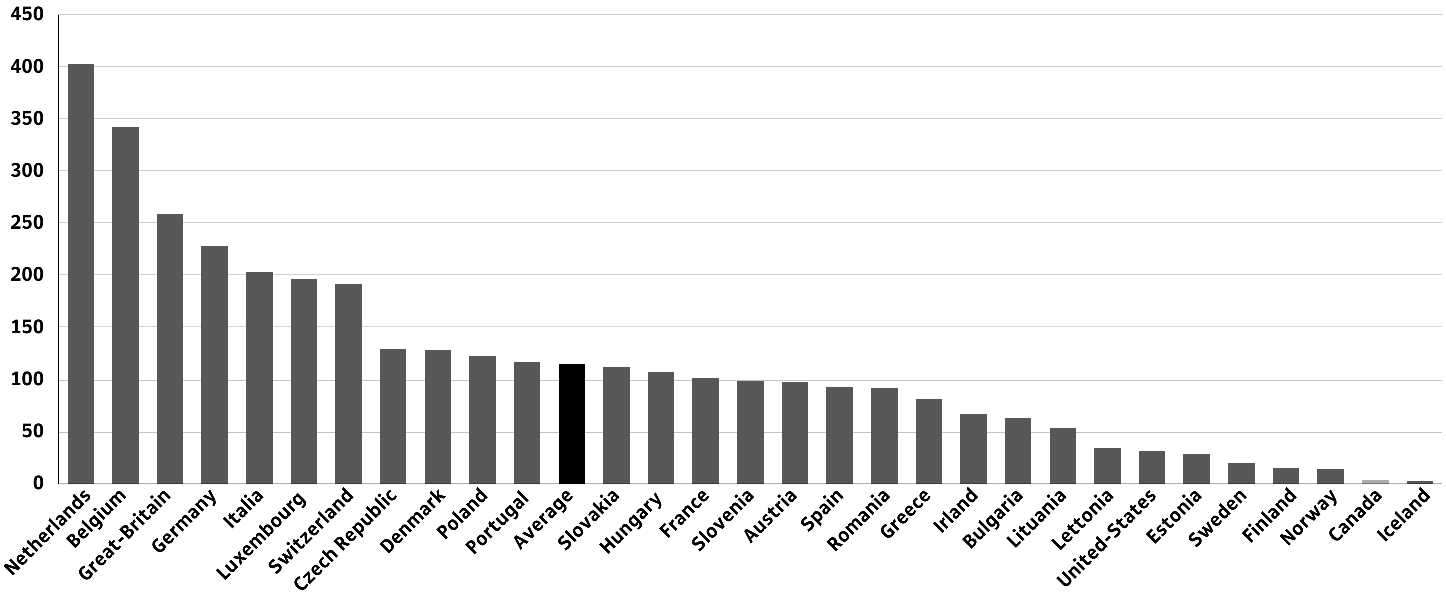
GOVERNMENT SUBSIDIES – NECESSARY TO ENSURE UNIVERSALITY

As mentioned above, the quest for profitability makes some regions (those that are more profitable) more attractive than others. A question immediately comes to mind: What about those sectors where postal services are not profitable? Different options have been implemented or contemplated to provide service to these less desirable areas: service reductions (fewer deliveries per week, flexible hours), rate increases, or government funding to compensate private delivery companies for lost revenues incurred while servicing these unprofitable areas.

England provides a good example of a postal service that depends on state subsidies to maintain its universality. The success of the recent privatization of the network of post offices in England (which followed the privatization of mail delivery) depends on "public subsidy".[42] In Germany, Poland, Belgium and Sweden as well, private postal businesses don't hesitate to say that the universality of postal services is dependent on state subsidies.[43] In Germany, the city of Berlin is even paying subsidies directly to postal workers to supplement the very low salaries they've been earning since privatization.[44] In many cases, following major rate increases or salary reductions, governments have set up agencies, control boards or administrative tribunals to regulate practices in the postal industry and to intervene directly on some issues regarding postal services.[45]

As illustrated in Chart 6, Canada has a smaller population, and one that is more widely dispersed than the population of most other countries mentioned therein. In fact, the population

CHART 6 Population density per country, 2012 (people per km^2)



Source: CIA World Factbook, 2012, IRIS calculations..

density of Canada is 38 times smaller than the average for the countries that appear on the chart.[46] Canada's population density is comparable to that of Iceland, i.e. four times smaller than that of Norway, the country that immediately follows Canada with the second lowest population density. Canada's situation is unique in that regard.[47] It would therefore be perfectly reasonable for the Canadian government to finance parts of postal operations to maintain a universal mail delivery service. It is still difficult to estimate the cost of such measures (since Canada Post has managed to be rather profitable during the last decade), but we can safely conclude that the potential privatization of Canada Post would mean either the beginning of federal subsidy payments to postal businesses, or the end of universal postal services.

REDUCTION IN THE NUMBER AND QUALITY OF JOB OPPORTUNITIES

In all the countries examined, privatization and liberalization have been synonymous with the loss of a large number of jobs or with a major decline in the quality of working conditions for postal workers.[48] Casualization of labour, lower wages, massive layoffs, labour force reductions through attrition, etc. – there is no need for a detailed description of the negative impact of these cuts on workers. The disadvantages are obvious. However, there are two issues that tend to be forgotten and that truly should be pointed out.

A functional postal service that provides good jobs has a structuring effect on the economy. Indeed, it represents thousands of people working for a decent wage, in cities as well as in the most remote communities. In 2012, these workers' wages totalled $4 billion, or 0.2% of Canada's GDP.

Finally, the mail sometimes contains important, confidential or financially valuable documents. Trusting such documents to the care of untrained and very poorly paid subcontractors is probably not the best way of ensuring their security. For instance, in Germany, the emptying of letter boxes is done by 1,800 different subcontractors[49] who, very often, are simply taxi cab companies.[50] Also, due to attrition of the workforce, delivery routes are longer and there are fewer people to sort the mail.[51] This can lead to delivery delays or errors.[52]

Summary of advantages and disadvantages

What conclusions should be drawn regarding privatization/liberalization as an option for Canada Post? First, on the basis of our preliminary observations, we can assert that privatization or liberalization would be neither a panacea nor a disaster for the consumers, in spite of the promises or warnings to that effect. And in light of what has happened in other countries, we can assume that following privatization, the price of stamps for individual consumers would stay pretty much the same and that Canada Post would remain the country's main provider of postal services.

Beyond these first considerations, the advantages of privatization or liberalization would include potential cost reductions for large volume mailers and a potential source of business income for the few individuals who would become owners or shareholders of postal businesses. Also, as mentioned earlier, it is far from certain that privatization would free the government of its obligations to provide subsidies, to rescue postal businesses in financial trouble or to regulate labour issues.

On the other hand, the disadvantages of privatization/liberalization would include a probable decline in the quality of postal services – fewer post offices and mailboxes, more unwanted mail, – the development of regional disparities or government intervention to compensate for these disparities, as well as job losses or major pay cuts that would have an impact on the economy.

In light of these observations, it seems obvious that for the majority of Canadians, the disadvantages of privatization/liberalization outweigh its possible advantages.

Other options for the future of Canada Post

In a study published by the Canadian Centre for Policy Alternatives (CCPA), John Anderson proposes the implementation of a postal banking system in Canada to increase Canada Post's revenues.[53] This is a very interesting option that has already been tested elsewhere. Several countries (including France, Switzerland, New Zealand and Italy) have put in place postal banking systems that help balance the finances of their respective postal service.

It would be interesting if Canada Post seriously considered this option. However, postal banking would not be as relevant in Quebec. While Anderson's study reveals an insufficient number of bank branches to serve Canada's population, especially in remote areas, the situation is far less problematic in Quebec, due to the strong network of the Caisses Desjardins branches in the province (and similarly in Saskatchewan with its widespread network of credit unions). With 1,240 branches and points of service, Desjardins is present in most municipalities, even the smallest ones.[54] Consequently, the implementation of a federal banking service would probably prove more difficult in Quebec, both in terms of market penetration and branding.

However, the situation with banking services in Quebec is far from ideal. From 2006 to 2012, the number of bank branches has been stagnant, hovering between 1,092 and 1,097; the number of Desjardins branches and points of service has dropped from 1,459 to 1,310 during the same period.[55] Today, Desjardins has an estimated 1,240 locations in Quebec.[56] This 15% decline certainly doesn't improve Quebeckers' access to banking services. Hence, in some small towns, we find two institutions with declining customer traffic – the post office and the *caisse populaire* – both of which have to maintain a physical presence to offer basic service. It is not unreasonable to think that these two institutions could combine their respective services in order to reduce their operating costs. To do so, there would need to be negotiations between a potential postal banking division of Canada Post and the Caisses Desjardins.

But postal banking is not necessarily the only option that should be considered.

First, with respect to the most pressing problems, it seems obvious that the federal government could come to an agreement with Canada Post over the solvency of its pension plan. Considering the long-term sustainability of the plan, its solvency deficit is more a virtual problem than a real one. The situation is far from dire, especially considering the recent increases in stock market returns. What matters most is to focus on the long-term sustainability of the plan, and not just its balance sheet. A three-party agreement between the workers' representatives, Canada Post and the federal government, if made in good faith, could easily ensure the plan's long term sustainability without harming the Corporation's finances.

Second, the parcel business is clearly the most promising avenue for Canada Post. Thanks to its formidable infrastructure, the Corporation has some significant advantages over its private sector competitors in the parcel delivery business. Why not capitalize further on these advantages? Instead of considering the privatization of Canada Post, why not look at expanding its operations into profitable sectors, and attempt to reduce the market share of some private sector competitors by offering better services?[57]

Finally, we should keep in mind that at the heart of the postal service, there is a public servant who goes to the home of all Canadians almost every day. For the government, this daily contact could probably prove useful in unforeseen ways. The Belgian post office, for instance, has chosen the path of diversification. It produces vehicle registrations and license plates and delivers them the same day. It also takes care of medical prescriptions and even delivers groceries to seniors.[58]

Conclusion

Canada Post's situation is not an easy one, but this is not to say that the Corporation is on the brink of disaster, as some allude to a little too quickly. The Corporation is facing some major challenges, but it has already initiated changes to meet them.

The privatization or the liberalization of the postal sector would primarily benefit a few large corporations as well as individuals with the capital to invest in privatized postal businesses. For the vast majority of people, there wouldn't be much of a cost difference regardless of who the favoured service provider might be. However, privatization/liberalization would probably lead to a reduction in the quality of service, regional disparities in the provision of postal services, and major job losses or pay cuts for postal workers. In short, Canada Post's customers have nothing to gain from privatization or liberalization, while its employees have a lot to lose.

This doesn't mean that changes should not be made to transform the postal service – we have mentioned a few possible avenues in that regard. But one thing is certain, it would hardly be advisable to collectively give up assets as important as those of Canada Post for the sake of a change that would only benefit a handful of large Canadian or foreign corporations and investors.

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Notes

1 Post Office, Library and Archives Canada, http://www.collectionscanada.gc.ca/canadian-state/023012-1602-e.html, page accessed on December 10, 2013.

2 *Canada Post Group of Companies, Canada P*ost, http://www.canadapost.ca/cpo/mc/aboutus/corporate/groupcompanies.jsf?LOCALE=en, page accessed on December 11, 2013.

3 Geloso, Vincent and Youri Chassin, *Canada Post: Opening Up to Competition*, Economic Note, Montreal Economic Institute, May 2011, p.1.

4 Canada Post, *Annual Report 2011*, p. 5.

5 Agence QMI, "Le colis, véritable aubaine pour Postes Canada," TVA nouvelles, December 9, 2013.

6 Canada Post, *Annual Report 2011*, p. 5.

7 Canada Post, *Annual Report 2012: Redefining our role in the new economy, The Year in Review: 2012*, p. 4.

8 Canada Post, *Annual Report 2012: Redefining our role in the new economy*, 2012, p. 30.

9 This was the case between 2003 and 2006, where special solvency payments totalling $716 million were made. Canada Post recovered 52% of this amount in 2007-2008. However, it was prevented from recovering further amounts due to the economic crisis.

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