

**Report of the Industrial Inquiry Commission**  
**Appointed Under Section 108 of the *Canada Labour Code***

**William Kaplan**

**Commissioner**

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# EXECUTIVE SUMMARY AND RECOMMENDATIONS

## The Immediate Background

On November 15, 2024, two Canadian Union of Postal Workers (CUPW) bargaining units went on strike against Canada Post: the Urban Postal Operations (Urban) and the Rural and Suburban Mail Carriers (RSMC). Some weeks later, the Minister of Labour intervened. I was appointed an Industrial Inquiry Commissioner on December 16, 2024, and given a mandate, set out in the Terms of Reference.

The Minister also invoked section 107 of the *Canada Labour Code*, which led to the Canada Industrial Relations Board (CIRB) ordering both bargaining units back to work on December 17, 2024. The CIRB extended both collective agreements until May 22, 2025, one week following the May 15, 2025, deadline for submission of this Report. At that time, Canada Post and CUPW (the parties) may resume their collective bargaining and reach new collective agreements, the union may strike, and/or the company may lock out the postal workers, subject to the *Canada Labour Code*. The Minister or Parliament may also direct or legislate binding interest arbitration, or the parties may agree to refer the outstanding issues to interest arbitration.

## Terms of Reference

I was tasked with examining the current collective-bargaining dispute and the positions of the parties, with special attention to the underlying causes of the dispute and more specifically:

The financial situation of Canada Post;

Canada Post's expressed need to diversify and/or alter its delivery models in the face of current business demands;

The viability of the business as it is currently configured;

The union's negotiated commitments to job security and full-time employment;  
The need to protect the health and safety of employees.

The Terms of Reference provided a very short time frame to hold hearings, consider matters, make recommendations, and report. The future of Canada Post is the responsibility of its Board of Directors and its sole shareholder, the Government of Canada. The Canadian public and CUPW have an obvious interest as well.

## The Immediate Challenge

On January 24, 2025, two days before the first scheduled public hearings of the Inquiry, the Government of Canada announced:

- Canada Post can access up to \$1.034 billion in the 2025–26 fiscal year to maintain solvency and to ensure it can continue operations.
- The cash injection was a temporary measure that Canada Post will be required to repay.
- Without this loan or line of credit, at some time in 2025 Canada Post would have been unable to meet payroll and its other current obligations, including redeeming \$500 million of its Series 2 bonds that are due in July of this year.

## The Process

After the Commission was established, I consulted with the parties and invited them to make suggestions about how the Commission should go about its work. I also met with them on January 16 and 17, 2025, in Ottawa to assist them in resolving the outstanding collective-bargaining dispute. While some progress was made, discussions quickly reached an impasse. Public hearings were held on January 27 and 28 and February 19 and 20, 2025. Before the first hearing, I asked the parties to provide an overview of the current situation through an examination of the *Canada Post Corporation Act (Act)* and the Canadian Postal Service Charter

(Postal Charter) and to set out short-, medium-, and long-term prescriptive visions for the financially sustainable delivery of letter mail and parcels in Canada. The second hearing focused on the Terms of Reference and the specific collective agreement proposals that would be required to achieve the visions presented at the first hearing.

At the conclusion of the February hearings, the parties expressed interest in resuming their negotiations and, again, asked for my assistance in doing so. Further mediation sessions were held on March 1 and 2, 2025. The discussions quickly reached an impasse.

## The Parties

### Canada Post

Canada Post, which became a Crown corporation in 1981, has a long and important nation-building history that predates Confederation. For more than 200 years, it has connected Canadians from coast to coast to coast, and Canadians continue to rely on its services. It delivers mail to more than 17 million different addresses across the second-largest country in the world. As a national postal service, Canada Post is obliged to fulfill Canada's responsibilities under the *Universal Postal Convention*, an international treaty signed by nearly 200 countries belonging to the Universal Postal Union. It requires signatories to maintain a basic customary postal service, known as the Universal Service Obligation (USO), and it has five core components:

- universal service regardless of location
- affordability, with a uniform letter mail price, regardless of location or distance
- timely, regular service
- accessible service to everyone, regardless of location
- maintenance of the quality of service

Canada Post enjoys a statutory monopoly on the delivery of letter mail – an exclusive privilege set out in the *Canada Post Corporation Act*. The *Act* stipulates that Canada Post has responsibilities including

- to establish and operate a postal service for the collection, transmission and delivery of messages, information, funds and goods both within Canada and between Canada and places outside Canada;
- to conduct its operations on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada and that is similar with respect to communities of the same size.

The Postal Charter, implemented in 2009, sets out the service standards expectations of the shareholder, the Government of Canada. Canada Post must be transparent in the way it “provides quality postal services to all Canadians, rural and urban, individuals and businesses, in a secure and financially self-sustaining manner.”<sup>1</sup>

## Canadian Union of Postal Workers

The Canadian Union of Postal Workers (CUPW) is a proud union. The strike it launched on June 30, 1981, introduced widespread paid maternity leave and changed Canadian society and workplaces for the better, as has its advocacy for job security, pay equity, occupational health and safety, and the right to strike.

CUPW has 44,000 members who work at Canada Post. Urban employees are primarily responsible for mail processing, collection, and delivery, and retail operations in urban areas. The Urban bargaining unit also represents employees who maintain the mail-processing equipment, among other duties and responsibilities. RSMC bargaining unit members are responsible for the transportation and delivery of mail in rural and some suburban areas. All told, there are 22,500 routes, 462 depots, 22 processing plants, and 5,800 corporate and franchise retail post offices.

## The Problem

Canada Post is facing an existential crisis: It is effectively insolvent, or bankrupt. Without thoughtful, measured, staged, but immediate changes, its fiscal situation will continue to deteriorate. It has three lines of business: letter mail, which in 2023 accounted for \$2.3 billion (or 33%) of Canada Post's operating revenue (\$2.3 billion of \$6.9 billion); direct-marketing mail (14%); and parcel mail (50%). The first is in rapid decline because of electronic substitution; the second because of the shift toward digital marketing; the third, though overall volumes are rapidly increasing, because Canada Post faces fierce competition from the private sector and is losing market share.

Until recently, Canada Post was able to operate in a financially sustainable manner through cross-subsidization: Low-cost urban and suburban mail delivery subsidized high-cost delivery to rural, remote, and Indigenous communities. This model no longer works because the traditional core business – mail delivery – has fundamentally changed: fewer letters must now be delivered to more addresses.

In 2006, Canada Post delivered 5.5 billion letters annually; in 2023, that number dropped to 2.2 billion – and projections indicate a continuing decline. Also in 2006, a smaller number of Canadian addresses were receiving an average of seven letters per week; in 2024, that average had declined to two letters per week – and the number of addresses had increased by more than 3 million to the current 17 million-plus. Similar declines in letter mail delivery are happening in the United Kingdom, the United States, and most other countries.

Conventional parcel delivery has expanded exponentially, especially since the onset of the Covid-19 pandemic. It created an immediate increase in demand for e-commerce delivery 7 days a week, from early morning to late at night, and consumers now demand same-day or next-day delivery. In 2019, Canada Post delivered 62% of Canada's parcel market; in 2023, that number dropped to 29%, notwithstanding Canada Post efforts to increase capacity and improve service.

Private sector competitors have almost completely taken over the market, which is deregulated and has no real barriers to entry. In addition to the international courier companies – FedEx, UPS, DHL, to name three – there are major Canadian ones as well, including Purolator (owned by Canada Post) and Intelcom. There are literally thousands of local courier companies offering easy-to-access, quick, inexpensive, and reliable daily or overnight courier service. These nimble companies have certain advantages over Canada Post, which must operate within its obligations under the collective agreements and the USO, the statutory requirements set out in the *Act*, and the service standards required by the Postal Charter.

- They can charge what they want – subject to fiercely competitive market forces – and deliver where they choose (the most profitable high-density urban and suburban parts of the business).
- They have virtually unrestricted access to capital and are committed to continuous delivery innovation and modernization – for example, in their projected use of drones, autonomous vehicles, and robotics.
- They have lower labour costs. Moreover, they do not have collective agreements restricting the exercise of management rights, especially the ability to hire part-time employees and to schedule them depending on volume.

## Positions of the Parties

Both Canada Post and CUPW agree that the market has fundamentally changed: The decline in letter mail is irreversible, and Canada Post must focus on parcel delivery in the future. The parties fundamentally disagree, however, about what should be done for Canada Post to effectively compete and grow its business. The positions of the parties are summarized below, along with their alternative visions for the future of the corporation.

### CUPW

In CUPW's view, Canada Post must remain public: It is not a private sector corporation but a public service with a larger mission set out in the *Act* and the Postal Charter. Its mission is to deliver to every Canadian address, but to do so as a public service, not as a for-profit corporation. That means meeting the needs of the Canadian people while safeguarding the rights, working conditions, and invaluable contributions of CUPW members, and not by attempting to compete with existing and new courier competitors with their gigified jobs and substandard wages and working conditions. Even with market challenges, Canada Post should be a model employer – delivering mail and parcels but also setting the standard for good, sustainable, and, whenever possible, full-time jobs. Accordingly, in the recent collective-bargaining round, as in previous ones, CUPW made clear it would not engage in negotiating away hard-fought-for job security and other collective agreement provisions but, rather, sought improvements to them. It was imperative that any benefits arising from productivity increases be equitably shared with employees.

CUPW argued that the government-imposed moratoriums on closure of rural post offices and community mailbox conversions should be continued. Rural post offices played a role in

prompting national unity and provided good jobs in high-unemployment regions, and any closures would result in environmental costs as people would have to drive some distance to access postal services. Door-to-door delivery was a long-standing feature that met the needs of the Canadian people, particularly the elderly and disabled, while community mailboxes presented accessibility and other challenges.

In its submission, CUPW rejected Canada Post's claims of fiscal distress as overblown and opportunistic – a pretext for unjustified concessionary bargaining. It also objected to the timing of the government bailout, coming days before the Commission began its first set of public hearings. It said it was prepared to work with Canada Post to roll out weekend, evening, and same-day parcel delivery services, but only if existing collective agreement provisions were respected and improved. CUPW questioned Canada Post's reluctance to work within the four corners of the collective agreement.

CUPW observed that it had put forward a detailed and thoughtful plan to provide for weekend delivery using a full-time workforce – and this was a major union concession – but that Canada Post refused to engage in negotiating it or studying it through a pilot project. Canada Post's preference for flexibility, by relying on part-time employees for weekend delivery, should, it stated, give way to the union's commitment to full-time employment and job security especially, since the union had demonstrated that its plan for hiring more full-time employees to perform weekend work was more cost effective and efficient than relying on part-time employees.

CUPW's submission also stressed that postal workers suffered the second-highest frequency of disabling injuries among federal workers – from exposure to inclement weather, slip and falls, carrying heavy loads, and dog attacks. The union sought responsive revisions to the Short-Term Disability Plan (STDP).

## Canada Post

Canada Post was categorical: Without the Government of Canada loan or line of credit, it would not at some time in 2025 have been able to meet its obligations – payroll, for one, as well as redeeming the \$500 million in bonds coming due in the summer of that year. The crisis was not manufactured: It had long been apparent for all to see and could no longer be ignored. Yet CUPW would not adjust its bargaining demands to address the problem, making it impossible to reach a collective agreement setting out a financially sustainable forward path.

Canada Post still had to operate within the obligations set out in the USO, the *Act*, and the Postal Charter, but its business environment had fundamentally changed. The demand for letter mail delivery was rapidly and irreversibly declining while the demand for parcel delivery had soared. Courier company competition was expected to grow. Canada Post wanted to maintain and expand its parcel delivery share, but to do that, it needed to make immediate changes. These changes would be modest and incremental to start – weekend parcel delivery by part-time employees; capacity to make effective use of part-time, flexible employees during the week; and the ability to avoid trapped time (when employees completed their allotted work before their shift ended but could not be readily and economically reassigned to other work). Canada Post needed operational flexibility to respond in real time to changing volumes, including dynamic (flexible) routing and load levelling.

Also required, in Canada Post's submission, were changes to the Postal Charter to provide for realistic and sustainable delivery standards, an updated process for setting postage rates, and the end of the moratoriums on rural post office closures and community mailbox conversions. The moratorium on rural post office closures made no sense: Because of the growth and expansion of Canadian cities, many rural post offices were now located in urban areas but were still subject to the moratorium. Daily door-to-door letter carrier delivery, to a minority of Canadian addresses, could no longer be justified, given its high cost, based on an average delivery per household of two letters a week.

### Alternative Visions for the Future of Canada Post

In its submission to the Commission, CUPW made many suggestions for expanding Canada Post's business, thereby improving its financial situation. It adopted some of these ideas from other countries where they have been successful. The suggestions include capitalizing on cross-border e-commerce and fostering a Buy Local, Ship Local movement; expanding into banking, financial, and insurance services, especially in remote and rural areas; reintroducing the Food Mail Program in the north and grocery delivery more generally; turning post offices into community hubs, especially in more isolated regions, in addition to their traditional roles; using letter carriers as a check-in service on Canada's aging and disabled population; and expanding into providing passport and other government services.

In contrast to CUPW's vision for the future, Canada Post focused on its current dire financial situation and stated that Canada Post required prompt adjustments to existing and restrictive collective agreement work rules, ending the government-imposed moratoriums on rural post office closures and community mailbox conversions, as well as changing the process for setting

postage rates. Over the longer term, it would need in-depth transformative change, possibly including to the pension and retirement benefit plans. Without immediate adjustments allowing it to affordably and efficiently focus on seven-day-a-week parcel delivery, its market share and its losses would continue to grow and it would not return to financial sustainability in the short, medium, or long term.

## In a Nutshell

If Canada Post is to continue, without ongoing and increasing subsidies from the Government of Canada, the situation calls for hard-headed, practical thinking. The corporation's share of the parcel delivery market is declining, and the recent labour dispute resulted in a further, measurable, and almost certain permanent desertion of long-standing customers – letter mail and parcels – who moved their business elsewhere.

Fulfilling the statutory requirement set out in the *Act* that Canada Post conduct its operations on a self-sustaining financial basis will remain challenging, although it may happen over time, particularly if there are changes to the *Act*, the Postal Charter, and some of the current restrictions in the collective agreement relating to changing the modes of delivery along with an end to the government-imposed moratoriums on rural post office closures and community mailbox conversions.

In its written submissions and at the hearings, CUPW made clear its view that the union and its members should not be forced to pay for the consequences of what it described as Canada Post's ineptitude, incompetence, and mismanagement, especially when the employer had all the tools it needed in terms of provisions in existing collective agreements to introduce what it said it

urgently required – weekend parcel delivery and the ability to effectively use part-timers on overload periods during the week. CUPW insisted that if Canada Post made use of those negotiated provisions, took seriously CUPW’s detailed proposal to hire full-time employees for weekend work, and accepted its visionary suggestions for growing the business – such as postal banking – it could soon return to financial sustainability.

No doubt Canada Post has made some bad business decisions in the past, partly in response to pressures to avoid a labour dispute during previous collective-bargaining rounds. Perhaps the cost of first-class postage should have been increased sooner, though it requires a time-consuming regulatory process not in Canada Post’s complete control. The government-imposed moratoriums on closing rural post offices and on community mailbox conversions deprived Canada Post of the ability to make appropriate business decisions that would have substantially reduced operating losses. One mitigating factor is Canada Post’s pension plan, which, being solvent, has allowed the corporation a sustained pension contribution holiday. If that changes in the future, it will result in increased financial pressures on Canada Post.

## Studied to Death

The fact that Canada Post has been in severe financial difficulty has been public knowledge for years and the subject of many studies:

- The Strategic Review of the Canada Post Corporation (2008), commissioned by the federal government, reported that Canada Post’s financial sustainability was uncertain at best.

- The Conference Board Report, *The Future of Postal Service in Canada* (2013), predicted significant volume declines and losses from operations, growing to an annual amount of \$1 billion by 2020.
- The Canada Post Review Task Force (2016), commissioned by the Minister of Public Services and Procurement Canada (*Canada in the Digital Age*), concluded that the corporation's business model was no longer sustainable and projected annual losses of almost \$800 million by 2026.
- In 2016, the House of Commons Standing Committee on Government Operations and Estimates reviewed the Task Force results and issued a report, *The Way Forward for Canada Post*. It concluded that the corporation must make significant changes in the way it operates if it is to honour its mandate and provide quality services for Canadians at both a reasonable price and on a self-sustaining financial basis.
- The Standing Committee on Government Operations and Estimates issued its latest report, *Canada's Postal Service: A Lifeline for Rural and Remote Communities*, in 2024. While focused on maintaining service to remote, rural, and Indigenous communities, it noted that Canada must adapt to changes to survive the deep disruptions in the now competitive business landscape.
- Canada Post's most recent annual report – 2023 – pulled no punches: There were losses of \$548 million in 2022 and \$748 million in 2023. Without an infusion of funds, the corporation would not be able to meet its financial obligations early in 2025.

All these studies and reports concluded that Canada Post was headed for a fiscal cliff.

## Why Collective Bargaining Failed

The parties spent more than 200 days in bilateral collective bargaining but could not agree on terms to renew their collective agreements. They could not even agree with the assistance of the expert, experienced, and effective mediators from Labour Canada. Instead of resolving their differences, there was a five-week labour dispute that ended only after the intervention of the Minister of Labour. The parties have diametrically opposed views and assessments of the challenges to be faced and the solutions to them.

## Basic Agreements and Disagreements Between the Parties

CUPW acknowledges that Canada Post has a revenue-generating problem, that letter mail volume has irreversibly declined, and that offering weekend parcel delivery is the immediate priority. Without weekend parcel delivery, Canada Post's market share will continue to decline. In the January and March Commission-facilitated mediation sessions, significant progress was made on several outstanding items, in particular on large parts of the RSMC collective agreement and on revisions to the Short-Term Disability Plan.

But agreement stops there. Canada Post insists that a process leading to transformative change must begin. Business as usual cannot continue if it is to adjust to the new business reality. CUPW, in contrast, is intent on defending gains made over decades of collective bargaining, which is completely understandable. Between these opposites, a common ground must be found – one that recognizes that both parties have legitimate interests.

## A Financial Crisis?

CUPW rejects Canada Post's claim that the financial crisis is an existential one and, but for the January 2025 Government of Canada bailout, it would have been unable to meet its current financial obligations. It calls for an independent financial review to get to the truth.

Given the conclusions reached in the various studies and reports listed above, I reject CUPW's assertion that Canada Post's financial situation has been manufactured for tactical reasons or that the Government of Canada announcement of the \$1 billion-plus lifeline loan in January 2025 was strategically timed and not a real necessity. The corporation's financial statements have been audited, reviewed by officials at the Department of Finance, and approved by the Auditor General of Canada.

I am also not persuaded by CUPW's assertion that Canada Post's mismanagement and incompetence are the reasons for the current financial situation. Even assuming that the corporation made both good and bad business decisions, the principal reasons for the financial losses are easy to identify.

- The decline in letter mail caused by electronic substitution and the increase in parcel mail, now mostly delivered by competitors.
- Collective agreement work rules that restrict Canada Post from exercising basic management rights, such as assigning existing employees additional work when they have finished their assigned tasks (trapped time) and hiring part-time employees for weekend and other high-volume periods.
- Government-imposed fetters, namely the moratoriums on closing rural post offices and ending community mailbox conversions, need to be reversed if Canada Post is to have any kind of financially sustainable future.

The proposals CUPW made to grow Canada Post's business are also unrealistic or duplicate services already provided by others – introducing postal banking, seniors check-ins, establishing artisanal markets at postal stations, and transforming postal stations into community social hubs.

In my view, given the financial crisis, Canada Post must focus on saving its core business, not on providing new services.

### How Best to Respond to the Crisis

CUPW insists that existing collective agreement provisions allow for necessary change such as the introduction of weekend parcel delivery and flex arrangements during the week. No objective analysis of current collective agreement provisions supports this submission. For example, the reason why employers rely on part-time and casual employees is to give them flexibility to adjust staffing to meet evolving needs – and that is currently impossible.

Canada Post argues that, while transformative change is the long-term goal, unless the cash hemorrhage is staunched and weekend parcel delivery and other staffing flexibility measures introduced, together with the end of the moratoriums on rural post office closures and community mailbox conversions, it has no future.

### Next Steps

The Commission received almost one thousand submissions from individuals and organizations. They overwhelmingly agreed that Canada Post was a vital national institution with a continuing nation-building role to play. I agree that Canada Post should continue to exist as a public service, including letter mail and parcel delivery.

But preserving this public service will require significant capital expenditures in the coming years. The Government of Canada needs to decide how much of a subsidy it is prepared to allocate to the corporation annually, and for how long. It will also require hard conversations about what Canadians want and what Canada can afford. Part of those conversations must

include reaching agreement about what exactly is meant by Canada Post operating on a self-sustaining basis (as is required by the *Act*). Does that mean full cost recovery or just some?

As of May 22, 2025, subject to the provisions of the *Canada Labour Code*, the union will be free to strike, and Canada Post will be able to lockout (strike/lockout). Alternatively, the union and the employer can negotiate a new collective agreement. Given what has occurred to date, it seems unlikely that free collective bargaining will be successful in bridging the divide (although experience in these matters indicates that this dynamic can rapidly change and may indeed do so between date of submission and release of this Report). That leaves three possible options.

- The employer can put a final offer to a vote by the employees in the bargaining unit. If a majority of the employees accept the offer, the terms of the offer become the collective agreement. If they reject the offer, a strike/lockout can occur or continue.
- The Minister or Parliament may direct or impose interest arbitration. In this case, a board would determine the content of the collective agreement. The parties may also agree to interest arbitration. I am not confident that interest arbitration will, or can, successfully address the issues set out in this Report.
- A strike/lockout may be the only way in which the structural changes and tradeoffs necessary for the survival of Canada Post can be reached. CUPW insists that its constitutional right to strike should not be infringed and that, when the Government of Canada does not interfere in the collective-bargaining process, it is able to achieve freely negotiated collective agreements with Canada Post. This option could, however, have unintended consequences: acceleration of letter mail erosion and further loss of parcel share leading to a completely unsustainable Canada Post. However, if this option

becomes the route chosen going forward, the government should make clear at the outset that it will not be intervening and that it is the responsibility of Canada Post and CUPW to mutually agree on the changes that must be made for Canada Post to keep operating.

In my view – universally shared among labour relations practitioners – the best possible collective agreement, whether before a work stoppage or after it has commenced, is the one that the parties themselves have fashioned rather than one imposed by a third party through interest arbitration.

The parties will have another opportunity to reach a collective agreement on or after May 22, 2025. CUPW has an immediate choice: Continue to adhere to objectively debunked claims about Canada Post's financial state – and the challenges facing letter mail and parcel delivery – or acknowledge that Canada Post's financial situation requires an immediate pivot to its overall bargaining approach. It must also accept that Canada Post does not exist to provide CUPW members with employment. It exists for one reason: to deliver letter mail and parcels to the people of Canada.

## **Recommendations**

My recommendations are based on my conclusion that there is a way to preserve Canada Post as a vital national institution. I have designed them to respond to the present problem: to arrest and then reverse the growing financial losses by putting into place the necessary structural changes both within and outside the collective agreements. The parties need to make changes to their collective agreements: They must allow for the flexible use of part-time employees during the week and on weekends. These jobs should not be gigified jobs, but good jobs, attractive jobs, with employees who come under the umbrella of the applicable collective agreement with

normative terms and conditions of employment. The Government of Canada should also end the moratoriums on rural post office closures and community mailbox conversions.

If implemented, these changes may return Canada Post to some degree of financial sustainability so it can continue the Universal Service Obligation – for both letter mail and parcels – but in a manner that reflects the 2025 realities of disappearing letter mail and a highly competitive parcel delivery environment. The world has changed, and both Canada Post and CUPW must evolve and adapt. Merely tinkering with the status quo is not an option.

## **RECOMMENDATIONS**

- 1.** Amend the Postal Charter. It cannot continue to require impossible-to-meet delivery standards. Daily door-to-door letter mail delivery for individual addresses should be phased out and community mailboxes established wherever practicable. Daily delivery to businesses should be maintained.
- 2.** The moratoriums on rural post office closures and community mailbox conversions should be lifted. There is no persuasive case for a moratorium on closure of once rural, now urban, post offices. Canada Post already has the Delivery Accommodation Program in place for Canadians who cannot access community mailboxes. It should be reviewed and, if need be, enhanced, and it should continue.
- 3.** Include in the two collective agreements all items agreed to in collective bargaining prior to the labour dispute. Parties should attempt to narrow differences in all partially agreed-upon items. New collective agreements should include and reflect tentative agreements

(subject to agreement as a whole) reached in Commission-facilitated mediation (RSMC and STDP).

4. Negotiate changes to the collective agreements. Canada Post must have the flexibility to hire part-time employees working part-time hours to deliver parcels on the weekend and to assist with volume during the week. These employees should be paid the same rates and be subject to the same terms and conditions as regular employees, including access to pro rata benefits, or payments in lieu, and pension. Priority for these positions should be given to existing employees.
5. Negotiate changes to the Urban collective agreement. There is no justification for collective agreement provisions that preclude an employer from assigning work for hours already paid (except by voluntary overtime).
6. Negotiate changes to the collective agreements. Pilot and then introduce dynamic routing. Canada Post must also be able to change routes daily to reflect volumes to avoid trapped time and overtime.
7. Amend the time-consuming approval process for postage increases.

# REPORT OF THE INDUSTRIAL INQUIRY COMMISSION

## 1. Overview

### 1.1 The Immediate Background

On November 15, 2024, two Canadian Union of Postal Workers (CUPW) bargaining units went on strike against Canada Post: Urban Postal Operations (Urban) and the Rural and Suburban Mail Carriers (RSMC). Some weeks later the Minister of Labour intervened. I was appointed an Industrial Inquiry Commissioner on December 16, 2024, and given a mandate set out in Terms of Reference. The Minister also invoked section 107 of the *Canada Labour Code*, leading to the Canada Industrial Relations Board (CIRB) ordering both bargaining units back to work on December 17, 2024. The CIRB also extended both collective agreements until May 22, 2025, one week following the May 15, 2025 deadline for submission of this Report. At that time, Canada Post and CUPW (the parties) may resume their collective bargaining and reach new collective agreements, or the union may strike, and/or the company may lock out, subject to the *Canada Labour Code*. The Minister or Parliament may also direct or legislate binding interest arbitration, or the parties may agree to refer the outstanding issues to interest arbitration. (It is most unlikely that Parliament would legislate a collective agreement.)

### 1.2 The Immediate Challenge

On January 24, 2025, two days before the first scheduled public hearings, the Government of Canada made the following announcement:

Today, the Government of Canada is announcing its intention to exercise provisions under the Canada Post Corporation Act that will allow Canada Post access of up to

\$1.034 billion in the 2025–26 fiscal year to maintain its solvency and ensure it can continue its operations as it faces ongoing financial challenges. Any cash provided will be on an as-needed basis to pay non-discretionary obligations. Canada Post is a critical service that connects Canadians from coast to coast to coast. It is often a lifeline for Canadians in rural, remote, and northern communities, and is vital to ensuring that these communities, that often have limited access to alternative mail and parcel delivery services, are not left behind. In addition, many small and medium-sized enterprises rely on Canada Post for parcel and letter delivery, which are important to maintaining and growing their businesses.

The cash injection, which is a temporary measure and which Canada Post will be required to repay, will provide a much-needed financial bridge to ensure Canada Post can continue to serve Canadians while working with the Government on the changes required to ensure the long-term viability of Canada's postal system. The cash injection remains subject to further approvals.

Despite a recent stamp price increase, Canada Post will fall below its necessary operating cash requirements in 2025. Providing this cash injection will prevent insolvency and ensure the continuity of postal services. As well, Canada Post's more than 68,000 workers depend on its continued stability to receive their pay and benefits.

This cash injection will ensure the continuity of Canada Post operations, however, it is clear that the corporation must be put on a path to viability. We look forward to working with Canada Post management on this as we go forward.

The government announcement is categorical. But for this loan/line of credit, at some time in 2025, Canada Post would have been unable to meet payroll and its other current obligations. It would also have been unable to repay \$500 million of its Series 2 bonds that are due in July 2025. CUPW asserts that the timing of this announcement is suspect (as is Canada Post's financial reporting more generally, as discussed in section 6 below) – coming as it did on the eve of the first Industrial Inquiry Commission hearings – but that submission, along with its assertion that this is an entirely manufactured financial crisis designed to wrest collective-bargaining concessions from the union and its members, is, for reasons that follow later, categorically rejected.

Notably, in its written submissions, and at the hearings, CUPW acknowledged that there were some financial challenges brought about by the decline in letter mail and parcel volumes, but, again as discussed below, the union was of the view that these were the result of Canada Post having made many bad business decisions (Tab D, at D.1.2), combined with its refusal to consider union suggestions on how best to confront these challenges by taking advantage of existing collective agreement provisions and by growing the business through pursuing CUPW's proposals setting out numerous suggested ways of doing so. All these submissions are canvassed later in this Report (Tab D at D.1.4).

Nevertheless, and subject to further elaboration, the objective evidence establishes with clear, cogent, and compelling evidence that Canada Post's fiscal challenges are long-standing and have been well known for years – certainly by Canada Post, CUPW, and the Government of Canada, to name just three – and that insolvency – to the extent that a Crown corporation can ever be insolvent – was a matter of when, not if. Canada Post, as currently configured, is not financially sustainable. While CUPW has its suspicions, they are just that. The books are not “fixed”; they are audited by an independent external auditor, reviewed by the Department of Finance and the Auditor General of Canada. There is full and transparent quarterly and annual reporting that meets all applicable generally accepted accounting principles. Canada Post is effectively insolvent and would likely have run out of money if it were a private sector business. What to do about this situation is another matter.

## 1.3 Process

After the Commission was established, preliminary meetings were scheduled; the parties were consulted and provided with the opportunity to make suggestions about how the Commission should go about its work.

With their express agreement, I met with them on January 16 and 17, 2025, in Ottawa in an attempt – ultimately unsuccessful – to assist them in resolving the outstanding collective-bargaining dispute. While some progress was made, discussions quickly reached an impasse. Public hearings were held on January 27 and 28, and February 19 and 20, 2025. In advance of the first hearing dates, the parties were asked to provide an overview of the current situation through an examination of the *Canada Post Act (Act)* and the Canadian Postal Charter (Postal Charter), and to set out short-, medium-, and long-term prescriptive visions for the financially sustainable delivery of letter mail and parcels in Canada. The second set of hearings were focused on the Terms of Reference and the specific collective agreement (and other) proposals that would be required to achieve the plan presented at the first set of hearings. There was some understandable overlap in submissions made at the January and February hearings. Further written submissions followed the February hearings.

At the conclusion of the February hearings, the parties expressed interest in resuming their negotiations and, again, asked for my assistance in doing so. Further mediation sessions were held on March 1 and 2, 2025. Those discussions also quickly reached an impasse.

### 1.3.1 Submissions from Stakeholders

The parties were also invited to identify organizations and individuals who might be interested in commenting on the Terms of Reference, many of whom asked for the opportunity to appear and/or make written submissions. A list of interested parties who made submissions is found at Tab A. A summary of these submissions is found at Tab B. As well, numerous individuals contacted me directly. A representative sample of their submissions is found at Tab C.

### 1.3.2 What This Industrial Inquiry Commission Is Not

In the past, the House of Commons has established a committee to review Canada Post – a mandate review, in other words – conducted by a fully resourced committee of parliamentarians aided by Library of Parliament staff and other experts that commissions research and public opinion polls and conducts hearings across the country, a time-consuming process eventually leading to publication of a report (in 2016, it was with dissents from committee members representing the opposition parties). This is not that. This is a one-person Commission with ambitious Terms of Reference and a very short time frame to hold hearings, consider matters, and report. The future of Canada Post is, obviously, a matter for its board of directors and its sole shareholder: the Government of Canada. The Canadian public and CUPW have an obvious interest as well. If there are to be changes, some of them – for example, to existing government-imposed moratoriums on rural post office closures and community mailbox conversions – can be made by the Government of Canada. If there are to be changes to the applicable collective agreements, they will have to be negotiated by the parties: Canada Post and the bargaining agent, CUPW (or imposed through interest arbitration).

Taking time for further review, rumination, and reflection – for example, another parliamentary study – is an option, but one conclusion is inescapable: Canada Post is effectively insolvent in its current configuration. Although there is no magic bullet, and no easy path to achieving financial sustainability – it is likely impossible, at least in the near term – the conclusion is readily reached that, absent thoughtful, measured, staged, and immediate changes, the fiscal situation will continue to deteriorate with year-over-year increasing losses resulting from both the continuing and almost certainly irreversible decline in Canada Post’s letter mail business, and severe competitive challenges in parcel delivery.

The Government of Canada has many options. It could again ask a committee of the House of Commons to review the *Act* and to consult widely. It did that in 2016. For whatever this observation is worth, the House of Commons Committee that investigated Canada Post – it held hearings across the country and heard from countless witnesses – produced a report that canvassed many of the issues that were brought before this Commission and then published its report: *The Way Forward for Canada Post*.<sup>2</sup>

The House of Commons Committee knew that the status quo was unsustainable. However, even though the Committee accepted an earlier Task Force finding that Canada Post faced, by 2026, annual losses of almost \$800 million – the iceberg was in plain sight – a majority of the Committee recommended continuing the moratorium on community mailbox conversion. Indeed, it recommended reinstating some home mail delivery services (Recommendation 23). In its Recommendation 36, the Committee recommended continuing the moratorium on the closure of rural post offices, “even in areas where there are franchise postal outlets.” Many of the other

43 recommendations were either platitudinous and/or aspirational. Taken together, the recommendations, if implemented, would have likely aggravated the very fiscal challenges that were identified, not addressed them.<sup>3</sup>

The Government of Canada could decide to examine and review the *Act* and the Postal Charter. The delivery landscape has changed since 2016 and the required Postal Charter review is now several years past due. The government can, and should, review the Postal Charter. It can also ask a House of Commons Committee to study the situation (some more). The government can drop a green paper. It can drop a white paper. It has various other public policy options that it can consider. But some facts are immutable. Letter mail is on its way out; parcels are subject to fierce competition. Without Government of Canada financial support, Canada Post has no prospect of covering its increasing losses. Financial sustainability, absent changes in the way that Canada Post goes about its work, is a pipe dream.

## 2. Some Necessary Background

### 2.1 Canada Post

Canada Post has a long and important nation-building history that predates Confederation. (Once a government department, it became a Crown Corporation in 1981.) For more than 200 years, Canada Post has connected Canadians no matter where they lived: by canoe, horse, steamship, railway, airplane, and always by foot, with letter carriers delivering letter mail door to door (to some but not all addresses). Canadians, from coast to coast to coast, continue to rely on Canada Post. Some important public activities – such as federal and provincial elections – would, currently, be almost impossible to run without Canada Post.

However, Canada Post is facing an existential crisis: It is effectively insolvent.

## 2.2 CUPW

CUPW has a long and proud history. One CUPW contribution stands out (but there are many others). In the 1960s and 1970s, the very idea of paid maternity leave was a distant dream for almost all Canadian workers. At midnight on June 30, 1981, more than 20,000 postal workers walked off their jobs – striking for better pay and job security to be sure – but also for the right of women to have children without losing their income. It took resilience, courage, and solidarity, and the strike lasted 42 days, but CUPW won: securing 17 weeks of paid maternity leave, setting a precedent that cascaded throughout Canadian society forever changing Canada – and for the better.

CUPW has 44,000 members who work at Canada Post. Urban employees are primarily responsible for mail processing, collection and delivery, and retail operations in urban areas. The Urban bargaining unit also represents employees who are responsible for maintaining the mail-processing equipment and Canada Post vehicles. RSMC bargaining unit members are responsible for the transportation and delivery of mail in rural and some suburban areas. All told, there are 22,500 routes, 462 depots, 22 processing plants and 5,800 corporate and franchise retail post offices. Canada Post serves Canadians from coast to coast to coast: It delivers to more than 17 million addresses.

There are three lines of business.

## 2.3 Three Lines of Business

### 2.3.1 Transaction Mail

Historically, transaction mail has been Canada Post's core business. Transaction mail includes the portfolio of services for the processing and delivery of letters, bills, statements, invoices and other physical forms of communication. Transaction mail includes three product categories: domestic letter mail (letter mail), outbound letter-post, and inbound letter-post. Letter mail – accounts for 95% of transaction mail. In 2023, transaction mail accounted for \$2.3 billion (or 33%) of Canada Post's operating revenue (\$2.3 billion of \$6.9 billion). As discussed below (section 3.1), the volume of transaction mail – meaning letter mail – has been on a steady decline (mostly the result of electronic substitution, analogue to digital).

### 2.3.2 Direct-Marketing Mail

This line of business (14% of revenue) includes personalized mail, which consists of personalized direct-marketing materials; neighbourhood mail, allowing customers to reach specific neighbourhoods or regions, and publication mail, which is the distribution of periodicals such as newspapers, magazines, and newsletters. Direct marketing mail is also in decline as the result of a shift toward digital marketing. Anyone can deliver unaddressed direct-marketing materials. It is entirely subject to competitive forces.

### 2.3.3 Parcels

Finally, parcels account for 50% of Canada Post's business. However, it is the market segment that faces the greatest competition (see 3.2).

## 2.4 Obligations

As a national postal service, Canada Post is obligated to fulfill Canada's responsibilities under the *Universal Postal Convention* – an international treaty – signed by nearly 200 countries belonging to the Universal Postal Union. The treaty requires signatories to maintain basic customary postal service. This standard, known as the Universal Service Obligation (USO), has five core components:

1. universal service, regardless of location
2. affordability, with a uniform letter mail price, regardless of location/distance
3. timely, regular service
4. accessible service to everyone, regardless of location
5. a quality of service to be maintained

Canada Post enjoys a statutory monopoly on the delivery of letter mail. This monopoly, which is referred to as the exclusive privilege, is set out in the *Canada Post Corporation Act (Act)*.

## 2.5 Relevant Provisions of the *Canada Post Corporation Act*

The *Act* sets out the purpose of Canada Post:

**5(1)** The objects of the Corporation are

- (a) to establish and operate a postal service for the collection, transmission and delivery of messages, information, funds and goods both within Canada and between Canada and places outside Canada

...

(2) While maintaining basic customary postal service, the Corporation, in carrying out its objects, shall have regard to

...

**(b)** the need to conduct its operations on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada and that is similar with respect to communities of the same size;

...

**14(1)** Subject to section 15, the Corporation has the sole and exclusive privilege of collecting, transmitting and delivering letters to the addressee thereof within Canada.

## 2.6 Relevant Provisions of the Canadian Postal Service Charter

The Postal Charter sets out the government's service standard expectations: "The Government of Canada is committed to ensuring transparency in how Canada Post provides quality postal services to all Canadians, rural and urban, individuals and businesses, in a secure and financially self-sustaining manner."<sup>4</sup> Simplistically stated, the Postal Charter is how the Government of Canada – the shareholder – sets Canada Post's service standards.<sup>5</sup>

The Postal Charter, and the service standards it sets out, was implemented in 2009.<sup>6</sup> It is subject to government review every five years. The last review was in 2018. The quinquennial review is, therefore, overdue.

## 3. The Problem in a Nutshell

Once upon a time, the Universal Service Obligation worked hand in hand with the exclusive privilege. The exclusive privilege – the monopoly on letter mail delivery and ability (albeit subject to regulatory review and oversight) to set pricing – allowed Canada Post to meet its USO in a financially sustainable manner as required by the *Act* through cross-subsidization: Low-cost urban and suburban mail delivery subsidized high-cost mail delivery to rural and remote areas

and Indigenous communities. This model, discussed in the following section (3.1), no longer works, for reasons well known to the parties, to government and to the public. The business has fundamentally changed.

### 3.1 First-Class Letter Mail Decline

It has been a slow but steady burn: Starting with the telegraph, followed by the telephone, and then fax machines, technology has introduced new forms of competition that have corroded Canada Post's exclusive privilege by giving customers greater choice. But digital communications, particularly email, messenger apps, and social media, completely upset the apple cart: Electronic substitution is now ubiquitous for both letter mail and, increasingly, marketing materials. Canada Post is losing market share year over year, particularly in tandem with labour disruptions, including the labour dispute that led to the appointment of this Commission. The volume of letter mail is down, and declining, as has been consistently the case for almost two decades.<sup>7</sup>

In 2006, Canada Post delivered 5.5 billion letters annually. In 2023, that number dropped to 2.2 billion, and projections indicate a continuing decline. Canada Post's infrastructure is impressive: It delivers to more than 17 million addresses across the second-largest country in the world, but the physical plant was designed and built to deliver 5.5 billion letters a year and cannot be sustained with a volume of less than half that. In 2006, a smaller number of Canadian addresses were receiving an average of seven letters per week. In 2024, that average had declined to two letters per week, but the number of addresses had increased by more than 3 million between 2006 and 2023 to the current 17 million-plus. Put another way, fewer letters must now be

delivered to more addresses. There is every reason to believe – and no reason not to – that the letter mail decline will continue and that this trend is irreversible: not a levelling off, but almost certain and eventual extinction.

This phenomenon is not unique to Canada. Letter mail volumes around the world are in decline. The Universal Postal Union – the United Nations agency for the postal sector – has reported that the volume of domestic letters worldwide fell from 432 billion in 2000 to 196 billion in 2024. In the United States, according to the United States Postal Service, first-class mail volumes fell from 103 billion in 2000 to 46 billion in 2023 (accompanied by almost as large a drop of advertising mail, also replaced by digital alternatives). The same story has been repeated in Europe, with the European Union reporting that letter volumes have decreased by 45% from 2012 to 2022. The situation is similar across the industrialized world.<sup>8</sup> The conclusion is inescapable that the exclusive privilege is now close to, if not entirely, irrelevant,<sup>9</sup> while the USO and the service obligations under the Postal Charter continue.

Financially sustainable letter mail delivery requires volume and population density. Sustainability is not possible with low and annually decreasing volumes accompanied by a growth in the number of addresses spread across our large country. Financial sustainability is problematic when low-cost urban letter mail delivery is evaporating and the volumes are no longer available to cross-subsidize the much more expensive lower-density deliveries to rural, remote, and Indigenous communities. Any return to sustainability must reflect this market reality. Candour and realism require recognition that daily door-to-door letter mail delivery is a historical anachronism with no (fiscally sustainable) future; more likely than not, no future at all.

### 3.2 Parcel Mail Decline

There is no mystery about what happened: events. The pandemic created an immediate increase in demand for e-commerce delivery from early in the morning to late at night, satisfying an insatiable consumer demand – it is now actually an expectation – for daily/same- or next-day delivery.

In 2019, Canada Post delivered 62% of Canada's parcel market. In 2023, that number dropped to 29%, notwithstanding Canada Post's efforts to increase capacity and improve service.<sup>10</sup> Between 2016 and 2020, the Royal Mail in the United Kingdom saw its share of the parcel market decline from 55% to 38%, followed by further declines of 12.5% and 21.2% in 2021–2022 and 2022–2023 (along with corresponding declines in revenue), leading to a total 2023 market share of 25%. The United States Postal Service's market share is also down.<sup>11</sup>

Private sector competitors have almost completely taken over in Canada – especially its more profitable part, the extremely lucrative high-density urban and suburban areas – a market that was once dominated by Canada Post. The parcel market is completely deregulated with no real barriers to entry.

There are the international courier companies – FedEx, UPS, DHL, to name three – but there are major Canadian ones as well, for example, Purolator (owned by Canada Post) and Intelcom.

There are literally thousands of local courier companies offering easy-to-access, quick, inexpensive, and reliable daily/overnight courier service.

FedEx in Canada employs 13,000 “team members” and has 1,200 authorized shipping centres, 285 drop boxes, 5,000 vehicles, 35 aircraft, and 331 intra-Canada flights. UPS has 13,000 employees working in and out of 63 facilities and a 3,000-vehicle delivery fleet. DHL is one of the largest international courier companies in the world, with 2,700 employees in Canada and an equity stake in Cargojet. Intelcom was founded in Quebec in 1986. It has 2,500 employees and hundreds of independent delivery “partners.” It offers delivery from 8 am to 9 pm, 7 days a week. Its drop-off locations never close. It annually delivers over 120 million parcels in Canada. Other companies are entering the market every year.<sup>12</sup> None of these companies subscribe to, or are bound by, the USO (although some of them claim to offer delivery to every Canadian address): They can charge what they want – subject to fiercely competitive market forces – and deliver where they choose (the most expensive, most profitable parts of the business). If the last mile is too expensive – although more and more courier companies are extending their reach farther and farther – they can leave that service to someone else, generally Canada Post. However, even these unprofitable and difficult-to-reach addresses cannot be taken for granted by Canada Post.<sup>13</sup>

Canada Post’s competitors want it all, and they are not standing still. Drones, autonomous vehicles and robotics are sure to soon play a part (or, at least, the prospect of them doing so cannot be dismissed as the underlying technologies rapidly advance).<sup>14</sup> For example, Amazon and Walmart are aggressively moving into the drone delivery space. Amazon has large ambitions. It aims to deliver 500 million packages a year by the end of the decade, with more than 50,000 items now available for drone delivery in markets in four American states. Shopify projects drone delivery to reach \$10 billion by 2030. Drone technology is advancing rapidly: in

capacity, flexibility, and ability to fly in inclement weather. This is not *The Jetsons*. This is tomorrow, or the day after. Predicting the future is usually a mug's game, but Zipline and Wing will soon be household names.

Conventional parcel delivery is Canada Post's mainstay. Projections indicate that the overall market will continue to grow, but delivering parcels competitively poses current and ongoing challenges. Parcels are heavy. They are bulky. They take up more space (than letter mail) in processing plants and on trucks. They require different purpose-driven sorting machinery and distribution facilities. The technology will also continue to evolve, requiring ongoing and substantial commitments for research, development, and capital costs. It is not a matter of build it and they will come. For example, in September 2023, Canada Post opened the Albert Jackson Processing Centre in Scarborough.

Covering some six CFL football fields, costing almost \$500 million, this state-of-the-art facility has the capacity to sort more than 60,000 parcels an hour. Despite the investment and other improvements to parcel-sorting infrastructure, Canada Post's share of the parcel market nevertheless continued to decline. Canada Post's competitors are in a process of continual innovation, modernization and expansion. They have virtually unrestricted access to capital and are self-evidently committed to continual upgrading:

For example, UPS introduced a \$500 million modernization and expansion plan in 2018. This included a 180,000 square foot expansion to its Montreal hub, a new facility in Kanata, and expanded package centres in Brampton, London and Edmonton. Last year, it opened a new \$200 million facility in Caledon outside of Toronto. It claims this to be the largest and most technologically advanced facility in Canada. It is an 850,000 square foot facility, which is spread over 102.5 acres and is capable of sorting 35,000 packages an hour.

FedEx invested US\$ 6.2 billion internationally in 2023. Its new bulky item facility in Memphis comprises 121,000 square metres, 17.7 kilometres of conveyor belts, and can process 56,000 items per hour. A new Canadian small-package sorting facility in Toronto was established in 2020, which is capable of sorting 20,000 items an hour, 7 days a week.

DHL invested 3.4 billion euros in property, plants and equipment in 2023. It opened its new \$100 million Gateway facility in 2023. This expanded the facility from 50,000 square feet to 238,000 square feet, and increased its sort pace from 15,000 parcels an hour to 28,000 parcels per hour.<sup>15</sup>

Certain facts that must be acknowledged. The competing courier companies have the resources to invest in new technologies. They also have other competitive advantages, starting with lower labour costs. The non-unionized competitors have an even greater edge. Many of them rely on their drivers to supply their own vehicles. They do not have collective agreements restricting the exercise of management rights, especially the ability to hire part-time employees and to schedule them depending on volume. There are also structural changes to the parcel delivery business under way.

Increasingly, large-volume merchants stock inventory closer to customers, thereby allowing for an asset-light physical plants in contrast to Canada Post's bulky national infrastructure and delivery model. As well, e-commerce delivery businesses, together with third-party platforms, have contracts with multiple carriers and select the best price – and dynamic pricing is often a feature of these arrangements – for each parcel shipped from carriers competing at the individual parcel level. (Canada Post does not participate in these parcel auctions.) Amazon is actively working to reduce reliance on third-party delivery services, including Canada Post, by opening its own last-mile delivery stations across the country (five in 2024). Amazon offers a 6-hour delivery promise on more than 3 million items. Drop shipping may disrupt the business even further. Under this model – no retailer, no store, no employees, no warehouse, and no need for

technical processing – a business sells products without ever even having them in stock. The customer orders the product; and the business forwards the order to the manufacturer, who ships the product directly to the customer.<sup>16</sup>

### 3.3 Takeaway

The market has fundamentally changed; decline in letter mail is irreversible (and continuing).

The eventual extinction of the letter mail market is close to a given – volumes will be so low that offering daily letter mail delivery door-to-door would be commercially ridiculous – and it is Pollyannaish to think otherwise. Expansion of parcel delivery, however, provides an opportunity – although it is very far from a sure thing – for Canada Post to continue its USO and move toward sustainability. As discussed below, both Canada Post and CUPW agree that a parcel-centric Canada Post is its future (see D.14.2). They fundamentally disagree, however, about what should be done for Canada Post to effectively compete (and grow the business). The parties' competing visions for the future of Canada Post, and their views on why bargaining failed, is set out in detail at Tab D.

## 4. Positions of the Parties in Summary

### 4.1 CUPW

In CUPW's view, Canada Post was not a private sector corporation. It was and remains a public service with a larger mission set out in the *Act* – including the exclusive privilege – and in the Postal Charter. Canada Post's mission was to deliver to every Canadian address – the USO – but to do so as a public service, not as a for-profit corporation. That meant meeting the needs of the Canadian people while safeguarding the rights, working conditions, and invaluable contributions of CUPW members, and not by racing to the bottom by attempting to compete with existing and

new courier competitors and their gigified jobs and substandard wages and working conditions. CUPW was not unaware of the challenges ahead: “The services provided and the nature of postal work have changed and continue to change,” it stated in its submission to the Industrial Inquiry. “We know that Canada Post is facing significant challenges – letter mail is declining, parcel shipping is more competitive and, as a result, revenues are down.”<sup>17</sup>

Even with market challenges, Canada Post must not, CUPW submitted, lose sight of its core responsibility: It should be a model employer, meaning delivering mail and parcels but also setting the standard for good, sustainable, and whenever possible, full-time jobs. Accordingly, in the recent collective-bargaining round, just like in previous ones, CUPW sought improvements to job security and to the other terms and conditions in the collective agreements. It was imperative that any benefits arising from productivity increases be equitably shared with employees.

CUPW strongly supported continuation of the moratoriums on closure of rural post offices and community mailbox conversions. Rural post offices played a role in prompting national unity and provided good jobs in high-unemployment regions, while the continuation of door-to-door delivery, in CUPW’s view, was a long-standing and well-worth-preserving feature of Canada Post, something that should be expanded – not contracted through an ill-advised and problematical expansion of a community mailbox regime that manifestly failed to meet the needs of the Canadian people.

CUPW did not accept Canada Post's costings on savings arising out of eliminating either of these moratoriums. But the question was not strictly a financial one, and the impact of ending these moratoriums required much more than a superficial analysis of profit and loss. Any closure of post offices had to consider the mileage and environmental costs sure to follow as people had to drive long distances to obtain access to postal services. Canada Post and the Government of Canada could expect "massive public opposition" to ending these moratoriums if past history was any guide.<sup>18</sup> Likewise, any assessment of ending the moratorium on community mailbox conversions had to consider improvements to the Delivery Accommodation Program for the elderly and disabled, municipal charges (including for snow clearing, access ramps, and lighting), possibilities of slip and falls, break ins, and greater greenhouse gas emissions (as people drove to get their mail).

In its submissions, CUPW made clear that it would not engage in negotiating away hard-fought victories for job security and other collective agreement provisions; and, while it acknowledged that Canada Post faced some fiscal challenges, and that there was a market need for 7-day-a-week parcel delivery, Canada Post's claims of fiscal distress as anything other than opportunistic; a pretext for unjustified concessionary bargaining: "The Union is prepared to work with the Corporation to roll out weekend, evening, and same-day parcel delivery services."<sup>19</sup> But there was a condition on doing so: Existing collective agreement provisions had to be respected and improved. CUPW would never agree to the gigification of the workplace, or to gutting collective agreement provisions that were freely bargained. CUPW questioned Canada Post's reluctance to work within the four corners of the collective agreement.

There was, CUPW insisted, an existing collective agreement architecture for Canada Post to introduce all the changes it said that it required. That was, CUPW suggested, the beginning and end of the matter: The parties should use pre-existing negotiated collective agreement provisions and/or negotiate changes as part of free collective bargaining. Instead, Canada Post was seeking changes that went well beyond what had been agreed to.

Making matters even worse, in CUPW's submission, was that it had put forward a detailed and thoughtful plan to provide for weekend delivery using a full-time workforce. It even provided a "proof of concept and costing,"<sup>20</sup> yet Canada Post refused to engage, an inexplicable position since CUPW could prove that using part-timers would cost more than its full-time weekend workforce plan.<sup>21</sup> It was not just a question of savings, however. CUPW expressed the view that "preference should always be given to full-time jobs, wherever possible" as they "were central to Canada Post's success."<sup>22</sup> In fact, CUPW expressed the view "that the Corporation's preference for flexibility should give way to the Union's commitment to full-time employment and job security in that the Union's proposal already makes a major concession in that it has agreed to the Corporation's demand for weekend parcel delivery, including both Saturday and Sunday."<sup>23</sup>

Furthermore, the fact that Canada Post was unwilling to pilot or study even one of its proposals on how to grow the business illustrated, to CUPW, that Canada Post was attempting to take advantage of overblown insolvency claims to secure transformative changes to the collective agreements – changes that it could never hope to successfully negotiate – and to do so in a process – this Commission – that CUPW fundamentally objected to as unconstitutional and

unfair. (CUPW challenged the constitutionality of the CIRB referral and back-to-work direction but not – directly – the constitutionality of the appointment of the Commission.)

## 4.2 Canada Post

Canada Post was categorical. The financial situation was dire: It was insolvent and, but for the Government of Canada loan/line of credit, would have been unable to meet its obligations sometime in 2025. There was no ambiguity about its financial state, current and projected. The crisis was not manufactured; it had been long apparent for all to see, and it could no longer be ignored. Yet, in Canada Post's view, CUPW would not adjust its bargaining demands to address the current and established situation, making it impossible to reach a collective agreement setting out a forward path.

Everything had changed but, in other ways, everything had stayed the same, in Canada Post's submission. There was the USO, and, while there was the exclusive privilege, that could not be relied upon to provide the volume and revenue Canada Post once enjoyed to underwrite operations and even, in some earlier years, to generate profits. Courier company competition would not disappear; it was expected to grow, and the only plus to the equation was that overall parcel delivery volume was also expected to increase. Canada Post wanted to maintain and grow its parcel delivery share, but to do that, it needed to make changes. They would be modest and incremental changes, to start – weekend parcel delivery by part-time employees, capacity to make effective use of part-time, flexible, employees during the week, the ability to avoid trapped time and overtime, dynamic routing, and load levelling – with more transformative changes

coming later: “Canada Post does not seek to accomplish everything at once. Rather, Canada Post’s focus is on the most effective solutions to its pressing challenges.”<sup>24</sup>

Also immediately required, in Canada Post’s submission, were changes to the Postal Charter to provide for realistic and sustainable delivery standards, an updated process for setting postage rates, and the end of the moratoriums on rural post office closures and community mailbox conversions. Ending the moratoriums would make a substantial dent to the growing annual deficits. In any event, whatever the reasons for their imposition, they could no longer be justified when the company was effectively insolvent. Canada Post elaborated.

In Canada Post’s view, the moratorium on rural post office closures made no sense. Because of the growth and expansion of Canadian cities, many rural post offices were now located in urban areas. The post office closure moratorium had long outlived any of its usefulness (assuming it was ever well-advised). Daily door-to-door letter carrier delivery – to a minority of Canadians – could not, Canada Post submitted, be justified given its high cost when Canada Post was teetering on the verge of collapse. It certainly could not be justified based on an average delivery per household of two letters a week.

## 5. Terms of Reference

When I was appointed by the Minister of Labour, I was tasked with examining the current collective-bargaining dispute and the positions of the parties, with special attention to the underlying causes of the dispute, and more specifically:

The financial situation of Canada Post;

Canada Post's expressed need to diversify and/or alter its delivery models in the face of current business demands;

The viability of the business as it is currently configured;

The union's negotiated commitments to job security and full-time employment;

The need to protect the health and safety of employees.

The terms of reference called for recommendations at the conclusion of the process that could include suggested amendments to the collective agreement (among other matters).

## 6. Discussion

The problem is that Canada Post, as currently configured, is now a bad business. Technology has always impacted operations, but electronic substitution has changed everything, leading to an almost certain irreversible decline in letter mail leading to inevitable and eventual extinction. More recently, the parcel market exploded. Canada Post's competitors are faster, nimble, and not required to operate under the constraints of the USO, the Postal Charter, and the collective agreements.

No industry or occupation group is immune from the disruptive effects of technological change, or from market forces. Whole industries are now gone, and many professions have entirely disappeared. If Canada Post is to continue – absent continuing and increasing Government of Canada subsidies – the situation calls for hard-headed, not wishful, thinking.

The decline in letter mail eliminated the cross-subsidy that it provided, and since letter mail is likely never coming back, neither is the cross-subsidy. Letter mail will almost certainly soon be extinct (when, is the only real question). This observation is not alarmist. In March 2025, the Government of Denmark announced the end of letter mail deliveries by its post office (which also serves Sweden):

Denmark's state-run postal service, PostNord, is to end all letter deliveries at the end of 2025, citing a 90% decline in letter volumes since the start of the century.

The decision brings to an end 400 years of the company's letter service. Denmark's 1,500 post boxes will start to disappear from the start of June.

...

Denmark had a universal postal service for 400 years until the end of 2023, but as digital mail services have taken hold, the use of letters has fallen dramatically.

...

Letter numbers have fallen since the start of the century from 1.4 billion to 110 million last year.<sup>25</sup>

Obviously, Canada is not Denmark. Geographically, we are one of the largest countries in the world; Denmark is among the smallest. We have a (relatively) large population, Denmark has a small one. Denmark has extensive, affordable, competitive, and reliable internet. We do not. However, and this is simply an assessment of the evidence, as in Denmark, there is no apparent future for letter mail in Canada. Letter mail delivery volumes from across the industrialized world are consistently heading in one direction: down.

Canada Post's share of the parcel business has also declined. The competition is ferocious. The recent labour dispute resulted in a further, measurable, and almost certain permanent desertion of long-standing customers who moved their business elsewhere and who have advised Canada

Post that they are never coming back (especially absent long-term collective agreements and the certainty they provide against further labour disruptions, particularly in peak season). Canada Post's share may level, and some market share may be gained as the overall market is expected to continue to grow. The notion that the January 2025 \$1 billion-plus loan/lifeline will be repaid requires the complete suspension of disbelief. Fulfilling the statutory requirement set out in the *Act* that Canada Post conduct its operations on a self-sustaining financial basis will remain challenging (although it may happen over time, particularly if there are changes to the *Act*, to the Postal Charter, and to some of the current collective agreement restrictions – changing the modes of delivery – along with an end to the moratoriums on rural post office closures and community mailbox conversions). Absent these changes, the numbers – which are heading in one direction – speak for themselves. To pretend otherwise is to ignore the fiscal facts. What are these facts?

But for its status as a Crown Corporation, Canada Post could not likely continue as an operating business. Without the January 2025 loan/lifeline from the Government of Canada, sometime in 2025, Canada would not have been able to meet its current obligations, including payroll, much less redeeming the \$500 million in bonds coming due in the summer (2025). As stated by the Government of Canada: “Providing this cash injection will prevent insolvency....” This was not hyperbole. This was the result of a process in which Canada Post sought government assistance to keep the doors open and the lights on. The true state of Canada Post's finances has been – for years – on public display.

CUPW objected to the timing of the government bailout, coming days before the Commission began its first set of public hearings, as it also objected to earlier assertions of financial

constraints, advanced, in the union's view, to support unjustified concessionary collective-bargaining demands based on possibly bogus and certainly unreliable financial reporting, albeit independently audited. At the same time, however, CUPW acknowledged, in its briefs and at the hearings, the existence of financial challenges, although it attributed them to bad business decisions by Canada Post. However, as CUPW National President Jan Simpson put it at the February 2025 Commission hearings: "We know that Canada Post is in a less-than-ideal situation."

In its written submissions and at the hearings, CUPW made clear its view that the union and its members should not be forced to pay for the consequences of what it described as Canada Post's ineptitude, incompetence, and mismanagement, especially when the employer had all the tools it needed – existing collective agreement provisions – to introduce what it said it immediately required – weekend parcel delivery and the ability to use part-timers on overload periods during the week. CUPW insisted that if Canada Post made use of those negotiated provisions, took seriously CUPW's detailed and carefully considered proposal to hire full-time employees for weekend work (and it could even save money by doing so, in CUPW's costings), and accepted what it described as visionary suggestions for growing the business (some of which, for example, postal banking, were tried and true), it could return to financial sustainability. Not immediately, but soon.

No doubt Canada Post has made bad business decisions. Part of the problem, of course, are some of the outcomes of previous collective-bargaining rounds where labour relations decisions were made, and work rule restrictions voluntarily agreed to, for reasons that are not immediately

apparent looking at the results through a normative lens. Obviously, they must have made sense at the time – and some were made at the direction of the shareholder to avoid a labour dispute – but they have not worn well. Perhaps the cost of first-class postage should have been increased sooner than it was (a time-consuming regulatory process not in Canada Post’s complete control). But it is hard to imagine that raising the cost of stamps would have had anything other than a short-term impact on the bottom line, with a longer-term result of accelerating electronic substitution and letter mail volume decline. The government-imposed moratoriums on closing rural post offices and on community mailbox conversions deprived Canada Post of the ability to make appropriate business decisions that would have substantially reduced operating losses. At the same time, the situation would be much worse but for the fact that Canada Post has enjoyed a sustained pension contribution holiday. The pension plan is solvent – allowing for the contribution holiday – but should that change in the future, it will result in increased financial pressures as Canada Post is the pension plan administrator and is responsible for any shortfalls.

Ultimately, it really does not matter how we got to the current situation of large and projected-to-increase annual deficits. The suggestion, however, that the financial situation is manufactured for tactical reasons, or that the Government of Canada announcement was strategic and not real, is rejected. Everyone who has looked at Canada Post and its operations readily concluded that Canada Post was headed for a fiscal cliff. That is no longer true. Canada Post is effectively insolvent. It has arrived at this destination.

## 7. Studied to Death

There has been no shortage of comprehensive, multifaceted, and thoughtful reviews of the structural challenges facing Canada Post, and they bear reading in full (and they canvass issues inter-related to but beyond the specific focus of the Terms of Reference considered in this Report). What they all share is an appreciation of the tectonic shifts brought about by electronic substitution and the decline of letter mail, accompanied by the growth of parcel delivery and the arrival of competitors vying for – and succeeding in obtaining – that business, thus threatening the financial sustainability of Canada Post and its ability to meet its obligations under the *Act* and the Postal Charter. The following section does not intend to be comprehensive – it would require time and resources beyond the scope of this Commission – but is curated to demonstrate that Canada Post’s financial unsustainability has been on the public policy radar for years.

### 7.1 The 2008 Advisory Panel

Commissioned by the federal government, the Strategic Review of the Canada Post Corporation reported to the Minister in December 2008, concluding that Canada Post’s “financial sustainability is uncertain at best.”<sup>26</sup> The panel observed that the postal market was in the throes of far-reaching change. The traditional letter mail market was a mature industry that had almost certainly peaked, with a likely slow but steady decline as electronic substitution and electronic communications gathered steam. E-commerce presented growth opportunities, however (eventually exploited by others). The panel reported many concerns about the future of Canada Post.

## 7.2 The 2013 Conference Board Report: *The Future of Postal Service in Canada*

This report, commissioned by Canada Post, correctly predicted significant volume declines and losses from operations, growing to an annual amount of \$1 billion by 2020.<sup>27</sup>

## 7.3 The 2016 Task Force Review: *Canada Post in the Digital Age*

On May 5, 2016, the Minister of Public Services and Procurement Canada announced a review of Canada Post by the Task Force for the Canada Post Corporation Review (Task Force).<sup>28</sup> The mandate of the independent Task Force was to deliver a discussion paper – following consultations with stakeholders – outlining viable options for the future of Canada Post and to have this report serve as the basis for an informed public dialogue led by a committee of the House of Commons. The Task Force reported in September 2016, and among the issues it addressed was the sustainability of Canada Post.

Given that Canada Post, at the time, had reported profits in 17 of the previous 20 years, CUPW had argued in its submissions to the Task Force that Canada Post was not facing financial challenges. The Task Force disagreed. It pointed to an ongoing decline in letter mail volumes and other business pressures, such as growth in the number of addresses to which Canada Post was required to deliver. The exclusive privilege was no longer generating sufficient revenues to finance USO postal services.

The business model, the Task Force concluded, was no longer sustainable over the medium and long terms with projected annual losses of almost \$800 million by 2026.<sup>29</sup> The exact projected number – \$784 million – was, the Task Force concluded, “most likely at the low end of the

reasonable range....”<sup>30</sup> Numerous factors contributed to the negative financial outlook – spelled out by the Task Force in its report – but, as noted, declining letter mail volume was at, or close to, the top of the list.

## 7.4 House of Commons Standing Committee on Government Operations and Estimates

The House of Commons Standing Committee on Government Operations and Estimates

(Committee) reviewed the Task Force results and consulted Canadians on the future of Canada Post. It then issued its report: *The Way Forward for Canada Post*.<sup>31</sup>

Ernst & Young, the accounting firm hired by the Task Force to assess Canada Post’s current and future financial situation, testified before the Committee:

Looking ahead, the financial position’s projection to 2026 paints an unsustainable future, with over \$700 million per year of ground-rate losses. Drivers for these negative results are multiple, but include the continuing mail erosion driven by electronic communication; inflationary cost pressures; the network growth linked to the Canadian population increase; competition, including new service providers, lower cost service providers, and disruptive technologies; and the funding requirements of the pension plan. **Our analysis leads us to believe that Canada Post’s projected loss is at the optimistic end of the acceptable range of estimates; it could be higher** (emphasis added in the citation).<sup>32</sup>

The Committee concluded:

... that the Corporation must make significant changes to honour its mandate and provide quality services that meet the needs of Canadians at a reasonable price and on a self-sustaining financial basis.<sup>33</sup>

## 7.5 Canada's Postal Service: A Lifeline for Rural and Remote Communities

In December 2024, the Standing Committee on Government Operations and Estimates issued its latest report. While focused on maintaining service to remote, rural, and Indigenous communities, the report noted: “The competitive landscape has been deeply disrupted in recent years, and Canada Post must adapt to these changes.”<sup>34</sup>

## 7.6 Canada Post – Annual Reports

Canada Post's most recent annual report – 2023 – pulled no punches. There were the losses, of course, \$548 million in 2022 and \$748 million in 2023:

Without changes to address the structural challenges with our operating model, we forecast larger, unsustainable losses in future years.

Even with Canada Post's recently proposed stamp price increase, the Corporation projects that without additional borrowing and refinancing, **it will fall below its required operating and reserve cash requirements by early 2025**<sup>35</sup> (emphasis mine).

...

Canada Post's financial situation is unsustainable. The Corporation has recorded significant annual losses since 2018, fuelled by rapid changes in the postal and parcel delivery sectors and legacy regulatory measures that impede the company's ability to evolve and compete...Without changes and new operating parameters to address our challenges, we forecast larger and increasingly unsustainable losses in future years.<sup>36</sup>

...

Without additional borrowing and refinancing, we expect to fall below our required operating and reserve cash requirements by early 2025. The Corporation has current loans and borrowings of \$1 billion, of which \$500 million is due for repayment in July 2025. At least \$1 billion in new borrowings or other liquidity measures are required for 2025, including refinancing \$500 million in existing debt. In the current financial situation, at least \$1 billion will also be needed in 2026 and each year afterward to maintain operations and meet our employee obligations.<sup>37</sup>

But for the health of the pension plan – and the contribution holiday – effective insolvency would have come earlier.

Notably, in its 2023 third-quarter update (before the 2023 annual report), Canada Post reported, “We are actively collaborating with our sole shareholder (the Government of Canada) to develop solutions aimed at addressing and alleviating liquidity pressures.”<sup>38</sup> There was no mystery about the existence of these publicly announced ongoing consultations between Canada Post and the Government of Canada leading to the January 2025 loan/line of credit announcement.

The only conclusion that can be drawn is that Canada Post’s financial circumstances – and the main causes of them – have been known for years. Impending insolvency was forecast in 2023, leading to solvency relief discussions in 2024 leading to the Government of Canada’s announcement in January 2025. It was based on the government’s determination that without the cash infusion, Canada Post could not continue to operate: “Providing this cash injection will prevent insolvency and ensure the continuity of postal services,” is what the Government of Canada said when it announced the loan/line of credit. Skepticism is one thing. But there is no basis to request independent third-party review. The financial statements are audited. They have been reviewed by officials at the Department of Finance and approved by the Auditor General of Canada. They have been prepared in accordance with generally accepted accounting principles. The notion that the crisis was manufactured is at odds with the objective evidence, all of which is open and transparent. Every single one of CUPW’s enumerated concerns about the financial statements were addressed and convincingly rebutted during the Commission hearings. At the end of the day, CUPW was left with its suspicions, but nothing to show for them.

A few other observations are necessary. This situation is far from the case of an employer pleading poverty to justify collective-bargaining concessions, and then not providing access to the books. I am not persuaded by CUPW's assertion that Canada Post's mismanagement and incompetence are the reasons for the current financial situation. Even assuming that the company made both good and bad business decisions,<sup>39</sup> the principal reasons for the financial losses are easy to identify: There was the decline of letter mail caused by electronic substitution and the rise of parcel mail, now mostly delivered by competitors; collective agreement work rules that restrict Canada Post from exercising basic management rights such as assigning existing employees additional work when they have finished their assigned tasks (trapped time) and hiring part-time employees for weekend and other high-volume periods; and government-imposed fetters, namely the moratoriums on closing rural post offices and ending community mailbox conversions (which need to be reversed if Canada Post is to have any kind of financially sustainable future).

There was once a balance achieved by the marriage of the exclusive privilege and the USO that allowed Canada Post over a very long time to achieve a modicum of financial sustainability; indeed, profits in many years. The exclusive privilege is now almost completely meaningless and will soon be completely irrelevant because the decline in letter mail is almost certainly irreversible. A financially sustainable future will be challenging, but the current trajectory, absent change, leads in only one direction: continuing and increasing annual deficits. There is, however, a possible forward path. Yes, to the continuation of the USO: continued delivery of letter mail, albeit declining, and parcels, to every single Canadian address; but in a way that makes sense for

today and tomorrow, not yesterday. That is in the national interest. The Government of Canada, Canada Post, and CUPW must blaze a new trail.

This will not be easy.

## 8. A Vital National Institution Worth Preserving

Organizations and individuals who made submissions, just like Canada Post and CUPW, overwhelmingly agreed: Canada Post was a vital national institution with a continuing nation-building role to play. There is a strong case to be made that Canada Post should not – and, for practical purposes, cannot – have a mandate that is profit based. It is a public service and should continue to exist because it provides a valuable service: one that is important because of the size of our country and because of our commitment to each other, which includes the need to ensure letter mail – in a delivery mode that makes sense – and parcel delivery to everyone including those in rural, remote, and Indigenous communities. Canada is much more than a customer base.

Of the almost one thousand submissions made to the Commission there were, at best, a handful suggesting privatization. But framing Canada Post as a business and then continuing to impose on it a legislative mandate to achieve financial sustainability is not productive. Business principles – profit and loss – cannot apply in a world where the *Act* and the Postal Charter set the governing rules, one where letter mail is on its way out but is still relied on by many Canadians. As broadband extends and becomes close to universal – driven by markets, government policies, and subsidies – and as the “analogue elderly” pass away, so too will the limited, and rapidly decreasing, letter mail volume. Increasingly, letter carriers are going through the motions of

delivering letters. The fact is that things change: In the 1950s there was twice-daily letter mail delivery in many places in Canada, but it was eliminated. Daily door-to-door delivery of a minuscule and declining amount of letter mail (to approximately 25% of individual, not business, addresses) needs to go next if Canada Post is to survive. Letter mail delivery can, and should, continue, but the mode of delivery must change.

On the parcel delivery side, the private sector courier competitors are hungry, well financed, constantly introducing new technologies, and succeeding in taking over that growing market. One statistic speaks volumes: In 2019, Canada Post delivered 62% of Canada's parcel market. In 2023, that number dropped to 29%, notwithstanding Canada Post's efforts to increase capacity and improve service.<sup>40</sup> In CUPW's view, this statistic is "misleading" as it accounts only for parcels in the e-commerce business to residential addresses and does not reflect the entire parcel market, where Canada Post's market share expressed as a percentage of revenue has remained steady.<sup>41</sup> Canada Post disagrees, pointing, for example, to its 2023 annual report.<sup>42</sup> A fundamental fact, nevertheless, remains: Canada Post's immediate challenge is to hold on to that part of the market it currently services and, by making itself more responsive and efficient, growing the business in future years.

In the meantime, Canada Post has the USO, the statutory requirements set out in the *Act* and the service standards in the Postal Charter, is responsible for deliveries to all 17 million-plus Canadian addresses and is still depended upon by Canadians everywhere to greater and lesser extents. Canada Post is a public service, not a business in any conventional sense, and the question that the Government of Canada needs to answer – sooner rather than later – is how

much of a subsidy is it prepared to annually allocate, and for how long? The *Act's* twinned requirements that Canada Post conduct its operations on a self-sustaining basis *while* providing a standard of service that will meet the needs of the people of Canada that is similar with respect to communities of the same size, are not easily reconcilable. There is little prospect of Canada Post not depending on government appropriations for years to come (even with the changes recommended in this Report).

The conclusion is readily reached that the promise to deliver to every Canadian address – this commitment to our far-flung population – is worth preserving. It is in the national interest. But the corollary is recognizing that Canada Post is a public service with a public policy purpose, not a business, and it is one with little hope – in the foreseeable future – of breaking even now that the delivery landscape has so radically changed (an ongoing process with drone and robot cars making deliveries right around the corner). There is no doubt that to begin to effectively compete, Canada Post will require significant capital expenditures in the years to come. Many of its competitors have deep pockets, and delivery innovation is a constant.

The stakes are high for the people of Canada, Canada Post, and CUPW and its members. The real and immediate issue is not whether Canada Post can return to financial sustainability – that would be welcome (perhaps miraculous) – but what to do today and tomorrow, and how to do it so that Canada Post can continue to provide core services to the people of Canada as efficiently and as cost effectively as possible. That must be the first order of business. Before turning to that, it is worthwhile to review why collective bargaining failed.

## 8.1 Why Collective Bargaining Failed

The parties spent hundreds of days in bilateral collective bargaining but could not agree on terms to renew their collective agreements. They could not even agree with the assistance of the expert, experienced, and extremely effective mediators from Labour Canada. Instead of resolving their differences there was a five-week labour dispute that ended only with the intervention of the Minister of Labour. The reasons for stalemate are both simple and complicated. The parties have diametrically opposed world views and assessments of the challenges to be faced and the solutions to them.

The parties will have another opportunity to reach a collective agreement on or after May 22, 2025. CUPW has an immediate choice: continue to adhere to objectively debunked claims about Canada Post's financial state – and the challenges facing letter mail and parcel delivery – or acknowledge that Canada Post's financial situation requires an immediate pivot to its overall bargaining approach. It must also accept that Canada Post does not exist to provide CUPW members with employment. It exists for one reason: to deliver letter mail and parcels to the people of Canada.

There are several areas of agreement, however.

The parties agree that letter mail volume has declined and will continue to do so. CUPW begrudgingly admits that the decline in letter mail and parcel volumes has had an impact on Canada Post's fiscal situation: CUPW also acknowledges that Canada Post has “a revenue generating problem....”<sup>43</sup> The parties agree that offering weekend parcel delivery is the immediate priority; without it, Canada Post's market share will continue to decline.

In their collective bargaining leading up to the labour dispute, the parties were able to agree, or partially agree, on many items both substantive and housekeeping. In the January and March Commission-facilitated mediation sessions, significant progress was made on other items – albeit subject to agreement on a whole – in particular, large parts of the Rural and Suburban Mail Carriers (RSMC) collective agreement and revisions to the Short-Term Disability Plan (STDP).

Agreement ends here. There is a polarization in positions and there is an impasse, reflected by the 200 days of bargaining that did not lead to an agreement. This is not normative even for complicated collective-bargaining disputes where significant change is sought by either or both parties. The impasse led to the labour dispute. That same impasse led to a failure to reach agreement in two days of mediation before the Commission began hearings, and another two days after. All this bargaining took place in the shadow of a financial crisis, but the parties could not find a way to focus on fixing it. One would have thought that doing so should have been their number one shared priority.

Canada Post is insistent that a process eventually leading to transformative change must begin. For Canada Post, the situation is existential. Unless it can reorient and adjust to the new business reality brought about by electronic substitution and competition in the parcel market, it will be challenged in meeting its USO and the requirements of the Postal Charter without continuing and growing deficits. Business as usual cannot, in its view, be the outcome if Canada Post is to have a future. For its part, CUPW is intent on defending gains made over decades of collective bargaining, which is completely understandable. Between these opposites, a common ground must eventually be found: one that recognizes that both parties have legitimate interests. Reality

must nevertheless be acknowledged and addressed, beginning with acceptance of financial reality.

CUPW rejects Canada Post's claim that the financial crisis is an existential one and, but for the January 2025 Government of Canada bailout, that it would have been unable to meet its current financial obligations. Without ever actually persuasively pointing to anything offside in the audited – and heavily scrutinized – books, CUPW asserts that it has well-founded reasons to greet Canada Post's fiscal reports with genuine skepticism. CUPW's view is reinforced by Canada Post not answering some of its detailed collective-bargaining costing questions or providing any transparency into the discussions leading to the Government of Canada's \$1 billion-plus loan. In these circumstances, CUPW calls for an independent financial review to get to the truth. CUPW's view is summed up by its reference to Canada Post's financial crisis as a “financial crisis” – the quotation marks indicating its rejection of this established fact.<sup>44</sup> As well, in CUPW's view, if there are problems, addressing them is up to Canada Post, and the cost of doing so should not be borne by its membership (although any savings achieved by the introduction of technological change should be shared with them). For the reasons already given, the financial situation has been accurately described and insolvency is real. Focusing on the past and apportioning blame would not be productive. All that matters is fixing the problem or making best efforts to try to do so. That should be a shared interest of the parties.

## 8.2 Existing Provisions of the Collective Agreement Not the Answer

CUPW adheres to the notion that the current collective agreements provide Canada Post with the tools it needs to introduce weekend parcel delivery (and achieve flexibility at other times). This

is untenable. The parties do not have an established track record of using existing collective agreement provisions to pilot and introduce needed changes. There is no reason for any confidence whatsoever that going forward the existing fractious and litigious environment will improve.

The route restructure process – employing hundreds of Canada Post employees to study and implement route changes in a process that can take years to complete – is not suited for the current situation, which requires daily adjustments as volumes change. Appendix S – the Parcel Delivery Model (see section D.2.2.9) – mandates consultation and agreement and is subject to so many conditions and guardrails to make it unsatisfactory as an answer to the flexibility/parcel delivery problem (especially as it limits Canada Post from delivering all its products at the same time in one truck during the week). Appendix T – the Service Expansion and Innovation and Change Committee (D.1.8.1) – might have its uses, but addressing the immediate situation is not one of them. Appendix AA – the Collection and Delivery Operating Model (D.1.9.1) – is a proven failure with both parties pointing their fingers at each other for the demise of the Champlain Depot pilot project (D.1.9)). Appendix JJ – the Pickup and Parcel Delivery Outside the Regular Daily Delivery Network (D.2.2.8) – is of almost no value whatsoever; its use confined to “new product and/or service offerings.” There is no practical way for Canada Post to segregate new products and/or service offerings to be delivered on weekends. It is hard to believe that anyone would ever design and then agree on this kind of delivery model. Even if that segregation task could be accomplished – which it probably cannot – it would still leave Canada Post unable to offer 7-day-a-week parcel delivery in any commercially sensible fashion.

Appendix QQ – Letter Carrier Route Volume Updates – allows for route modifications, but not in a manner reflecting that volumes can go both up and down.

In these circumstances, insisting – as CUPW does – that existing collective agreement provisions allow for necessary changes such as introduction of weekend parcel delivery and flex arrangements during the week is untrue and unproductive. At a minimum, existing provisions, as outlined above, are so time consuming, and have so many conditions, fetters, and guardrails, to make them manifestly unsuitable and, more importantly, unworkable in addressing current challenges. CUPW's proposal, made at the February Commission hearings, to introduce weekend parcel delivery with full-time employees, missed the mark. Instead of providing Canada Post with the flexibility it needs to adjust the workforce to reflect volumes, if adopted, it would have almost certainly introduced expensive inefficiencies, the least of which would have been more trapped time. The reason why employers generally rely on part-time and casual employees is to provide them with the opportunity to adjust staffing to meet evolving needs, something which is impossible with a full-time workforce with a guaranteed workweek. This should go without saying: Using a staffing mix – full-time, part-time, and casual – to avoid overtime is a normative feature of every single business where volumes and staffing needs fluctuate. Overtime is not normally an employee right; it is an employer last resort.

Accordingly, CUPW's claim that the tools are already there, along with its complicated and counterintuitive proposal to hire more full-time employees to work full-time on weekends, leads to a finding that CUPW is defending the status quo – which would be understandable if Canada Post were not effectively insolvent – and sidestepping the key issues, which are the urgent need

to appropriately address financial sustainability by finding some common ground on how to introduce 7-day-a-week parcel delivery and other necessary delivery-flexibility provisions. Note must, unfortunately, be made of CUPW's submission that it had made a "major concession in that it has agreed to the Corporation's demand for weekend parcel delivery, including both Saturday and Sunday."<sup>45</sup> This "major concession" is a linchpin to the survival of Canada Post, not to mention the jobs of the men and women – the CUPW members – who work there.

### 8.3 "Growing" the Business Is Not the Answer

CUPW's proposals to grow the business – and all its suggestions for one reason or another and to a greater and lesser extent – have a close to complete air of unreality (even if some dated polling results indicate varying degrees of public support when some of them were presented in the abstract). CUPW proposed a buffet of potential projects, described by CUPW National President Jan Simpson as visionary, but all of which require further study, costings, review and pilot projects.

Even assuming, for the sake of argument, that some of CUPW's proposals had promise, there is an immediate need to reorient the core business to facilitate 7-day-a-week parcel delivery and to make best use of its employees, starting by having the ability to reassign work so that employees work the hours for which they are paid. CUPW's views about trapped time and the practical inabilities of Canada Post to reassign work are not tenable – loads can be levelled in the morning before letter carriers begin their routes – nor is its proposal to hire more full-time employees to deliver in a volume-variable environment. Dynamic routing is a thing that all courier companies do, except Canada Post.

The timing may never be right, but now is not the time to squander scarce resources on studying and piloting, to give three extreme examples of CUPW proposals: (1) introducing seniors check-ins (where provincial homecare is already in place), (2) establishing artisanal markets at postal stations, or (3) transforming postal stations into community social hubs. Launching an e-commerce platform marketplace to support small- and medium-sized business in Canada is not a credible proposition in a marketplace already dominated by existing providers – one, in particular – of this very service. The same observation is made about grocery delivery. The market is saturated.

In other countries, postal banking is well established, and profitable. Canadians, however, increasingly bank on their phones. More importantly, it is hard to imagine thinking that it is a good idea for an effectively insolvent business to expand into non-core unproven activities with no market and revenue projections, especially something like banking and insurance, where Canadians are more than well served. (And to the extent that some Canadians do not have access to banking and other financial services, that issue will not likely be resolved by making them available at the local post office). Canadian banks and trust companies are closing branches. What possible reason could there be to turn thousands of post office stations into financial institutions, even if the many other challenges of entering this heavily regulated mature moated business could somehow be surmounted? (Canada Post's limited foray into offering financial services is perplexing when it is struggling financially; and initial reports about these efforts hardly inspire confidence.<sup>46</sup>) Many of CUPW's proposals are not new; they were canvassed, and some even adopted as recommendations, in the 2016 Committee review.

Bargaining largely failed because one party – CUPW – is defending business as usual, and wants to improve on the status quo with, for example, further job security enhancements and even better than best in class total compensation and terms and conditions of employment. It insists that Canada Post should be a model employer and sets out in detail what that would look like (See D.1 at Tab D). The other party, Canada Post, says that while transformative change is the long-term goal, unless the cash hemorrhage is staunched, and weekend parcel delivery and other staffing flexibility measures are introduced, together with the end of the moratoriums on rural post office closures and community mailbox conversions, there will be no long term (assuming, of course, that there are limits to government support) (D.2). Often parties to a collective agreement can find a meeting place somewhere between their bargaining positions. Not this time. These parties are at an impasse.

## 9. Conclusions

### 9.1 The Financial Situation of Canada Post

The first matter that needs to be addressed is the financial situation of Canada Post. The only conclusion that can be drawn is that Canada Post is, for practical purposes, insolvent, and a return to Canada Post operating on a self-sustaining basis – while desirable – is, at best, a long-term project. In the meantime, Canada Post cannot be viewed as a business, at least not a viable one.

The *Act* requires that Canada Post “conduct its operations on a self-sustaining basis while providing a standard of service that will meet the needs of the people of Canada and that is similar with respect to communities of the same size.” As noted above, the statutory twinning of

these two objectives, even if it once made sense, no longer does so leading to the conclusion that the prospect of compliance with the *Act* is remote. Letter mail is going, if not gone, and the competitors for the parcel business are here to stay. The operating assumption must be that a goal of financial sustainability is currently aspirational. Although Canada Post was once a business and a public service, it is now only a public service. It is one worth preserving because many businesses and individuals rely on it including Canadians in rural, remote, and Indigenous communities. But preserving it – if the Government of Canada does not have a continuing appetite to indefinitely maintain the status quo and to fund the inevitably increasing deficits that would accompany doing so – require hard conversations about what Canadians want and what Canada can afford. Part of that conversation must include reaching agreement, or at least setting a goalpost, about what exactly is meant by Canada Post operating on a self-sustaining basis. Does that mean full cost recovery, or just some?

These conversations cannot be based on nostalgia for a bygone day of Eaton's catalogues, Christmas cards displayed on the fireplace mantel, and mailboxes brimming with welcome personal letters and unwelcome bills (wistful remembrances living on in the hearts and minds of a diminishing number of Canadians), but on objective reality about what needs to be done in the short, medium, and long term to make Canada Post as efficient as possible so that it can continue to serve its national purpose of delivering to every Canadian address consistent with a continuing USO and a revamped Postal Charter.

While CUPW framed its submissions more broadly, I agree with – and endorse – the following CUPW conclusions:

“[T]he best form of job security comes with offering valuable services to the public.”<sup>47</sup>

Although innovation and diversification have helped some postal operators, the core of the postal business remains rooted in mail and parcels. For Canada Post, managing this core effectively while adapting to changing market demands (weekend, evening, and same-day delivery) can unlock substantial value.<sup>48</sup>

## 9.2 Canada Post’s Expressed Need to Diversify and/or Alter Its Delivery Models in the Face of Current Business Demands

### 9.2.1 Diversification

Canada Post has not expressed a need to diversify. The opposite is true: Canada Post has expressed a need to focus on core services, meaning 7-day-a-week parcel delivery (and not expand into new business lines that are inconsistent with its mandate in the *Act* and the Postal Charter, when there is an urgent crisis that needed to be addressed). The introduction of a part-time weekend workforce and other workweek efficiencies are the immediate priority, but those are just the first steps. Canada Post must catch up to its competitors. This is in the shared interest of the people of Canada, Canada Post, and CUPW and its members. Seven-day-a-week parcel delivery, must be followed by continual technological innovation just to keep what part of the parcel market Canada Post currently retains, much less to grow the business.

### 9.2.2 Alteration of Delivery Models

To compete, Canada Post must offer 7-day-a-week parcel delivery. The parties disagree about whether the existing collective agreement architecture allows it to do so. Canada Post says no; CUPW says yes.

For the reasons set out above, the conclusion is readily reached that existing collective agreement provisions do not provide the necessary flexibility to economically and intelligently introduce part-time workers and alter routes in real time to address fluctuating volume and eliminate trapped time and overtime. There is no persuasive case to be made that any business – especially an effectively insolvent business – should be put in a situation where it must pay people for 8 hours a day and not be able to reassign them to other work should they finish early (or where it is anticipated they will do so). There is no persuasive case that any business – especially an effectively insolvent business – should not be able to rely on full-time, part-time, and casual employees to meet fluctuating volume needs – customer needs – and avoid overtime. There is no persuasive case to be made that route ownership should preclude Canada Post from adjusting routes in real time based on volume. Yes, it is normative for employees to exercise their seniority to bid on routes. But no, those routes cannot be chiselled in granite precluding adjustment to ensure that employees work the hours they are paid for and overtime avoided. Load levelling makes sense. Dynamic routing should be extensively piloted. (CUPW agrees that dynamic routing, and other measures, may result in significant cost savings.<sup>49</sup>) These parties must do everything they reasonably can – hopefully, collaboratively with a common mission – to introduce efficiencies so that Canada Post can continue to fulfill its only purpose: delivering to every address in Canada.

### 9.3 The Viability of the Business as It Is Currently Configured

The business is not viable as currently configured. The business is effectively insolvent. The work rules are one part of it. The moratoriums on rural post office closures and community mailbox conversions are another. These two moratoriums reflect continuing fidelity to a 19th-

and 20th-century vision of Canada Post, not one grounded in the realities of the 21st century. The moratorium on community mailbox conversions came in 2015: Canada Post was “advised” by the Government of Canada to suspend its conversion program. This direction from the shareholder was formalized in a mandate letter from the Minister of Public Services and Procurement to the incoming chair of the Canada Post Board of Directors on January 24, 2018:

### **Ending the Program of Converting Door-to-door Delivery to Community Mailboxes**

First and foremost, as we committed to Canadians, the Government is ending the program to convert door-to-door delivery to community mailboxes. Door to door delivery will continue for households continuing to receive it.<sup>50</sup>

Whatever the reasons underlying the imposition of the two moratoriums, the fact remains that they are now completely inconsistent with achieving financial sustainability (nor are they justified on any objective analysis, given the decline in letter mail and the savings opportunities that ending the moratoriums will provide). The Government of Canada decided to impose the moratoriums. They are not the result of collective bargaining. The Government of Canada can decide to remove them.

Closing some rural post offices would obviously be politically fraught. Even with public consultation, it is more likely than not that local communities will strenuously object, as will the union: “CUPW, with its labour allies, the support of rural organizations, pensioners, students and our political allies will fight any attempt to close offices.”<sup>51</sup> Inevitably, there will be a human cost that can, and should be, ameliorated by fair and appropriate arrangements as negotiated by the parties. Some of these decisions will be easier: There are many locations once classified as rural that are now urban.

There is no case to be made – other than CUPW’s model public employer case – that franchising these services – that is, closing once rural, now suburban post offices – to drug stores and other places where Canadians shop – is not a smart and practical business decision. (Political costs are, however, another matter.) Some years ago, it was decided otherwise (and CUPW was, and remains, in complete agreement).

The case for community mailbox conversion is even stronger. As Canada Post noted in its submissions, for the past 40 years, homes built in new developments have received delivery to community mailboxes; there have been no new addresses added to door-to-door delivery. Meanwhile, some 40% of delivery costs go to serving fewer than 25% of Canadian addresses. Delivery to the door costs 75% more than delivery to a community mailbox (\$284 per address vs. \$162).<sup>52</sup>

Urban Canadians walk or drive or take public transit to corner mail boxes and to post offices – usually in drug stores – to purchase stamps and arrange for parcel delivery. Many suburban citizens walk to their community mailbox. CUPW objects to this – it disputes the potential savings and points to access concerns (seniors and disabled persons), security concerns (theft and vandalism), environmental concerns (more greenhouse gas), and other downsides (which it outlined in its submissions).

CUPW prefers delivery methods “that do not require a risky trip down icy sidewalks to obtain the mail.”<sup>53</sup> To be sure, slip and falls are a problem faced disproportionately by the elderly, but that risk exists whether travelling to a community mailbox or anywhere else. In another example,

CUPW asserts that community mailboxes have “resulted in reduced property values and depressed the price of houses located near them.”<sup>54</sup> CUPW has a long list of other reasons for its opposition to ending the moratorium on community mailbox conversions but never addresses one fundamental fact: Letter mail is declining year over year to a current level per address of two letters a week. No one can seriously believe that it is a wise expenditure of public funds to incur a deficit to support this volume or, even worse, to support the door-to-door delivery of mass-marketing materials.

The overall context also matters, and that is the magnitude of the problem that needs to be addressed if Canada Post is to have a future. Obviously, placement/location of community mailboxes will have to be done in conjunction with municipal officials after considering the views of residents, accessibility, impact on traffic, parking, clearing of snow, lighting, security, et cetera. These planning challenges are not insurmountable (as their ongoing placement in new suburban developments makes perfectly clear). The existing Delivery Accommodation Program for seniors, the disabled, and other vulnerable persons requires review and will need to be maintained and possibly enhanced (and temporary measures made available, as appropriate). But there is no reason why urban Canadians, like those who live in suburban areas, cannot make their way to a community mailbox to pick up their (increasingly fewer) letters and their packages. There is a Canada Post App that notifies recipients when a parcel has been delivered to a community mailbox. Convenient as home delivery? No. Normative for most Canadians? Yes. Politically popular? Yes, and no. It depends on who you ask.

Had there been different decisions and these moratoriums not imposed, the current situation would almost certainly be different (and so would Canada Post). The potential rewards of ending both moratoriums? Making a major contribution toward preserving a vital Canadian institution. The numbers speak for themselves.

## 9.4 The Moratoriums

### 9.4.1 Ending Moratorium on Rural Post Office Closures

The moratorium on rural post office closures was adopted by the federal government in 1994 and incorporated into the Postal Charter in 2009. It prevents Canada Post from closing or franchising nearly 3600 post offices that were identified as being in rural areas in 1994. In CUPW's view, the more appropriate question to be asked and answered is not how much could be saved by ending this moratorium, but how much could be gained by using postal facilities and retail offices more effectively rather than "closing offices, destroying good jobs, and eliminating the potential for CPC to transform its rural offices into revenue generators and through the provision of new services."<sup>55</sup> For the reasons already given, it is my view that Canada Post must focus on saving its core business, not on providing new services.

There is an opportunity – if this moratorium were rescinded – to close rural post offices that are no longer in rural areas, and otherwise judiciously make operations more efficient and save money while maintaining appropriate service levels to Canadians everywhere including in rural, remote, and Indigenous communities. Unfortunately, Canada Post's estimates of cost savings are not satisfactorily particularized and, accordingly, require further review.

### 9.4.2 Ending Moratorium on Community Mailbox Conversion

In 2014, Canada Post began a five-year project to convert the then one-third of Canadian addresses (roughly 5 million addresses) that still had delivery to the door to community mailboxes. By October 2015, Canada Post had converted approximately 830,000 households (~100,000 in 2014 and ~730,000 in 2015) in 78 municipalities across Canada to community mailbox delivery, generating approximately \$80 million in annualized cost savings. In October 2015, however, the moratorium on community mailbox conversion was imposed.

If the moratorium were rescinded (i.e., with respect to the ~4 million remaining addresses that continue to receive door-to-door delivery service), Canada Post estimates the annualized costs savings from these new conversions (with delivery accommodation programs to preserve accessibility) to be approximately \$350 million per year (assuming a steady state).

### 9.4.3 Conclusion on Moratoriums

The Government of Canada can decide to subsidize Canada Post's growing deficits indefinitely. Or necessary changes can be made to modernize the way Canada Post goes about its business so that it can continue to provide its services to all Canadian addresses, beginning with ending the moratoriums (alongside collective-bargaining negotiations making the immediate and necessary consequent changes to the collective agreements). The moratoriums no longer make sense – even assuming, for the sake of argument, that there was once a persuasive business or other case in their favour – when letter mail is down, and will likely soon disappear, and when the future of Canada Post is hanging in the balance.

## 9.5 The Union's Negotiated Commitments to Job Security and Full-Time Employment

For CUPW, job security is sacrosanct. It was hard fought over many years. In 1975, CUPW members negotiated – with Canada Post – protections against technological change. Article 53 of the Urban Collective Agreement, negotiated later, provides CUPW members with close to complete protection against layoff:

53.01 There shall be no lay-off of any regular employee who was employed in the bargaining unit as of June 1, 2020 provided the employee agrees to be displaced to another position in accordance with the procedure set forth hereinafter. The same shall apply to any other employee who becomes a regular employee after June 1, 2020 and who has five (5) years or more of continuous employment.

53.02 A regular employee not covered by clause 53.01 will not be laid off provided the employee agrees to be displaced to another position in accordance with the procedure set forth hereinafter.

Canada Post agreed to this language. It is a contractual term. CUPW is fully entitled to rely on it and enforce it. Canada Post might no longer like this provision, but it agreed to it. It is a legal obligation. Agreements made in collective bargaining must be given effect. That is a cardinal principle of Canadian labour law. Canada Post wants the ability to adjust its workforce, but it must negotiate this (or find workarounds such as agreements with CUPW about voluntary exit and early retirement incentives including pension bridging).

## 9.6 The Need to Protect the Health and Safety of Employees

It quickly became apparent over the course of the Commission that the workplace culture at Canada Post is challenging. This point was certainly reflected in many hundreds of individual submissions. CUPW insists that management is indifferent to legitimate health and safety concerns and actively attempts to suppress workplace injury claims. To describe the workplace

culture as toxic may be an overstatement. But there are clearly issues that require attention, including examination of CUPW's concerns – and claims – about workplace health and safety. Although part of the terms of reference, the need to protect health and safety was not put into focus in the parties' submissions or at the hearings.

To the extent that my recommendation – below – is accepted to rescind the moratorium on community mailbox conversions, that will inevitably decrease injuries, many of which are sustained on letter carrier routes. Likewise, load levelling and dynamic routing will limit overtime (meaning reducing delivery of letter mail at night, when there is a greater prospect of injury).

## 10. Next Steps

Before turning to the Recommendations, some brief comments need to be made about next steps. As of May 22, 2025, subject to the provisions of the *Canada Labour Code*, the union will be free to strike and Canada Post to lockout (strike/lockout). Or the union and employer can negotiate a new collective agreement. Given what has occurred to date, it seems rather unlikely that free collective bargaining will be successful in bridging the divide. That leaves three possible options: putting an employer final offer to a vote, interest arbitration (whether agreed to or imposed), or strike/lockout.

Before turning to those options, it is my view – and this view is universally shared among all labour relations practitioners – that the best possible collective agreement, whether before a work

stoppage or after one has commenced, is the one that the parties themselves have fashioned rather than one imposed by a third party.

## 10.1 Final Offer Vote

This is the option under the *Canada Labour Code*: where the Minister may direct that Canada Post's final offer be put to employees in the bargaining unit, and, if a majority accept the offer, the terms of the offer become the collective agreement and any strike/lockout activity must end. Of course, if the offer is rejected, the strike/lockout would continue. The parties (or Minister, if he or she were to intervene) would have to find some other way to resolve the dispute.

## 10.2 Interest Arbitration

The parties can at any time voluntarily agree to interest arbitration: before a strike/lockout, or after a strike/lockout has commenced. Under interest arbitration, a board – either consensually selected by the parties or appointed by government – would determine the content of the collective agreement.

If the parties were unwilling to agree to interest arbitration, the Minister may decide under the *Canada Labour Code* to direct interest arbitration. I note that whether the Minister has this authority is currently subject to legal challenge. Alternatively, and as has been done in the past, Parliament could impose interest arbitration. This, too, would likely be subject to legal challenge.

The interest arbitration option would ensure labour stability. Interest arbitration – and this is well known – is often a conservative process, one that generally shies away from imposing structural

change. It is received wisdom that major change is best freely negotiated in the give-and-take of free collective bargaining (which may be aspirational for these parties). To pass constitutional muster, and meet the test of fairness and neutrality, any imposed interest arbitration process must preserve the independence of the arbitration board, and terms of reference must be carefully drawn to balance rights and interests. Having said all this, it is not apparent to me that interest arbitration will, or can, successfully address the issues in this Report. (And some of them, such as the recommendations to remove the moratoriums on rural post office closures and community mailbox conversions, are beyond the scope of collective bargaining and interest arbitration, although their impacts would need to be addressed at the bargaining table.)

## 10.3 Strike/Lockout

The third option is strike/lockout. For its part, CUPW is insistent that its constitutional right to strike should not be infringed. It also insists that when the Government of Canada does not interfere in the collective-bargaining process, it is able to achieve freely negotiated collective agreements with Canada Post.

Given the nature of the issues, and the analysis of them set out in this Report, it may well be that strike/lockout is the only way in which the structural changes and trade-offs necessary for the survival of Canada Post can be reached. There is no doubt that if a strike/lockout were allowed to run its course, it could very well lead to the permanent desertion of many more letter mail and parcel customers, making it impossible – absent continuing and increasing government support – for Canada Post to continue operations (without incurring massive and growing deficits). It could very well mean the end of Canada Post – there is a tipping point – even if collective agreements

are eventually reached. At present, the parties are unable to agree on what must obviously be done. However, it is the nature of collective bargaining that this dynamic can change (and may indeed do so between date of submission and release of this Report). For this reason, if strike/lockout is to be the route going forward, in my view government should make clear at the outset that it will not be interfering and that it is the responsibility of Canada Post and CUPW to mutually agree on the changes that must be made for Canada Post to keep operating (knowing what hangs in the balance if they fail to do so). One final point: Government intervention – by outright engagement, or by the behind-the-scenes direction from the shareholder, to prevent or preclude labour disputes – has, to some degree, contributed to the current situation.

## RECOMMENDATIONS

Under the Terms of Reference, recommendations may include amendments to the collective agreements and any other changes to be implemented.

The recommendations set out in this Report have been carefully considered and reflect my view that there is a way to preserve Canada Post as a vital national institution. The Universal Service Obligation (USO) can and should continue, but the Postal Charter must be updated to reflect current realities: that letter mail volume is down and likely disappearing (over time and quite possibly sooner rather than later) and parcel delivery is Canada Post's only long-term future. Once-affordable, daily door-to-door delivery for a minority of Canadians is now – because of declining volumes – completely inconsistent with financial sustainability and should be phased out (while, as the submissions to the Commission made clear, Canadian businesses continue to rely on daily delivery, which should be maintained). Consideration might usefully be given to

charging distance-based pricing – tied to the cost of delivery – for letter mail. At worst, this will hasten the inevitable. The moratorium on post office closures – especially as it applies to once rural, now suburban post offices – and on community mailbox conversions – whatever the reasons for its initial imposition – cannot continue if the objective is to put Canada Post on a more stable financial footing.

There is no future for Canada Post if it cannot make use of part-time employees to meet its needs during the week and on weekends based on volume. CUPW is correct that many workers prefer full-time jobs and their associated benefits. But that is not a universal rule. Employment is not one size fits all. Employers need to hire part-time employees as well, and some people are interested in only part-time employment. In any event, introduction of a part-time weekend workforce, together with the flexibility to deploy part-timers during the week as needed, and based on volume, will not impact existing employees and their negotiated entitlements. Attempting to achieve this objective using existing collective agreement provisions would, for the reasons explained above (section 8.2), be futile.

## Why These Recommendations

My recommendations have been designed to respond to the present problem: Arrest and then reverse the growing financial losses by putting into place the necessary structural changes – within the collective agreement and in the direct control of the parties – and outside the collective agreement – and in direct control of the Government of Canada. The parties need to make changes to their collective agreements: They must allow for the flexible use of part-time employees during the week and on weekends. Not gigified jobs, but good jobs, attractive jobs,

with employees who come under the umbrella of the applicable collective agreement with normative terms and conditions of employment. Existing collective agreement provisions do not provide for this. Management must have the ability to load level and introduce dynamic routing so that employees are most efficiently deployed, while trapped time must be addressed so that the employer can ensure that employees work the hours that they are paid.

The Government of Canada introduced the moratoriums on rural post office closures and on community mailbox conversions. These two decisions, if reversed, will make an immediate contribution to improving Canada Post's bottom line and can be designed to provide Canadians with appropriate access to postal stations (including franchised outlets), and continuing letter mail and parcel delivery. Many of the formerly rural post offices are now urban, making that part of the rural post office closure moratorium completely inexplicable. As for door-to-door mail delivery for a quarter of the population at an enhanced cost, it is a no longer affordable luxury when letter mail volumes have declined on average to two letters a week per address. Residential letter mail delivery should continue, but the frequency and mode of delivery must change. Given the current crisis – which it is – growing the business does not seem timely or opportune.

If implemented, the Report's recommendations that follow may return Canada Post to some degree of financial sustainability so that it can continue the USO – both letter mail and parcels – but in a manner that reflects 2025 realities of disappearing letter mail and a highly competitive parcel delivery courier environment. The world has changed, and both parties must evolve and adapt. Tinkering with the status quo is not an option.

Canada Post must accept that the turnaround cannot occur overnight. It must proclaim its place as a vital Canadian not-for-profit public service, one that will continue to deliver letter mail, and one that will offer 7-day-a-week parcel delivery, all to meet the continuing needs of the population. As it works with its main union partner, it must proceed respectfully and deliberately, and always cognizant that CUPW members have bargaining rights and have bargained rights – there are contractual commitments – that are best modernized through free collective bargaining.

CUPW is a proud union. The strike that CUPW launched on June 30, 1981, introduced widespread paid maternity leave and changed the Canadian workplace landscape – and Canadian society – for the better. Looking back, all Canadians owe CUPW a debt of gratitude. The same could be said for CUPW's advocacy on pay equity, occupational health and safety, and the right to strike. CUPW is very capable of adapting in a way that ensures the survival of the postal service in Canada, and its membership. It must not rigidly cling to a model that is effectively insolvent, without contemplation of alternatives that safeguard the continuation of letter mail and parcel delivery in the hands of CUPW members. Many of the individual emails I received from CUPW members showed me that the pride they take in their work is deep and genuine (see Tab C). It is time for CUPW to embrace a collaborative approach to retaining delivery in public hands by bargaining changes to their collective agreements that permit Canada Post to survive (and the jobs of CUPW members that go along with it).

I accept CUPW does not see itself as having a mandate to negotiate what it has so far very narrowly construed as concessions. I would urge the union to consider the moment we are in.

The public service CUPW's members proudly deliver is on the brink of collapse. The union has recognized the incontrovertible decline in letter mail delivery, and the fierce competition from the private sector in parcel delivery. There is a generational opportunity for re-invention here, and it is firmly in the hands of a union that has in the past broken new ground and shown great courage.

To ensure continuation of the Post Office, and the jobs of union members, CUPW must wrestle with the critical issues identified in this Report. It will be very difficult for CUPW to accept the flexibility measures that Canada Post needs to continue. Ending the moratoriums on rural post office closures and on community mailbox conversions – and the jobs that will inevitably be lost in the result – is a bitter pill, assuming this recommendation is accepted and implemented. It will be hard to swallow. CUPW can fight these inevitable changes if it wishes; or it can negotiate the best possible terms to safeguard the rights and interests of its members. It is not an exaggeration to say that without an efficiency overhaul, letter mail delivery in Canada is marching toward extinction. The situation in Denmark – notwithstanding the differences between Denmark and Canada – is a cautionary tale that one ignores at their peril. Without an efficiency overhaul, Canada Post will be unable to retain, much less grow, its share of the parcel delivery market. CUPW should bring to bear all the skill and smarts it has repeatedly demonstrated through its storied history in working to evolve the Post Office. The payoff for that is preserving this vital Canadian institution.

## The Recommendations

1. Amend the Postal Charter. It cannot continue to require impossible-to-meet delivery standards. Daily door-to-door letter mail delivery for individual addresses should be phased out and community mailboxes established wherever practicable. Daily delivery to businesses should be maintained.
2. The moratoriums on rural post office closures and community mailbox conversions should be lifted. There is no persuasive case for a moratorium on closure of once rural, now urban, post offices. Canada Post already has the Delivery Accommodation Program in place for Canadians who cannot access community mailboxes. It should be reviewed and, if need be, enhanced, and it should continue.
3. Include in the two collective agreements all items agreed to in collective bargaining prior to the labour dispute. Parties should attempt to narrow differences in all partially agreed-upon items. New collective agreements should include and reflect tentative agreements (subject to agreement as a whole) reached in Commission-facilitated mediation (RSMC and STDP).
4. Negotiate changes to the collective agreements. Canada Post must have the flexibility to hire part-time employees working part-time hours to deliver parcels on the weekend and to assist with volume during the week. These employees should be paid the same rates and be subject to the same terms and conditions as regular employees, including access to pro rata benefits, or payments in lieu, and pension. Priority for these positions should be given to existing employees.

5. Negotiate changes to the Urban collective agreement. There is no justification for collective agreement provisions that preclude an employer from assigning work for hours already paid (except by voluntary overtime).
6. Negotiate changes to the collective agreements. Pilot and then introduce dynamic routing. Canada Post must also be able to change routes daily to reflect volumes to avoid trapped time and overtime.
7. Amend the time-consuming approval process for postage increases.

All of which are respectfully submitted.

DATED at Toronto this 15th day of May 2025.

*“William Kaplan”*

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William Kaplan, Commissioner

## Counsel Appearances

*For Canada Post:*

Jackie VanDerMeulen, Dominique L'Heureux

**Fasken Martineau DuMoulin LLP**

*For CUPW:*

Paul Cavalluzzo, Adrienne Telford

**Cavalluzzo LLP**

Representatives of Canada Post and CUPW also appeared at Commission hearings and made submissions.

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The assistance of officials at Labour Canada is gratefully acknowledged.

## Tab A:

Organizations / Institutions, Government / Advocacy Groups / Indigenous Communities
AATRAC
Alternate Union Representative – Atlantic Region
Anglophone School District West – New Brunswick
Ashfield Auto Repair
Atkinson Foundation
Atlantic News
Bamfield Marine Sciences Centre
Bean North Coffee Roasting Co. Ltd.
Bermuda Industrial Union
Brantford & District Labour Council
Calgary and District Labour Council
Canadian Centre for Diversity and Inclusion
Canadian Centre for Policy Alternatives of Nova Scotia
Canadian Federation of Nurses Unions
Canadian Marketing Association
Canadian Union of Postal Workers
Canadian Union of Postal Workers – Atlantic
Canadian Union of Postal Workers – Local 117
Canadian Union of Postal Workers – Local 566
Canadian Union of Postal Workers – Local 578
Canadian Union of Postal Workers – Local 716
Canadian Union of Postal Workers – Local 808
Canadian Union of Postal Workers – Local 856
Canadian Union of Postal Workers – Lower Mainland Retirees Organization
Canadian Union of Postal Workers – Pacific Region
Canadian Union of Postal Workers – Prairies Region
Canadian Union of Postal Workers – Oshawa Local 579
Canadian Union of Postal Workers – Scarborough
Canadian Union of Public Employees
Cape Breton Regional Municipality
Carpet Ranch
Cavalluzzo LLP
Chalice Canada
City of Nelson, BC
City of Prince George
CNIB Foundation
Communication Workers Union of Kenya
Confederation of Canadian Unions

Confederation of Disabled People's Organizations of Quebec
Congrégation de Notre-Dame
Conrad McIntyre Garage
The Corporation of the Town of Ganonoque
Council of Senior Citizen's Organizations of British Columbia
County of Renfrew
Cree Nation of Wemindji
CUPE Staff Retirees Association
Department of Opportunities and Social Development of Nova Scotia
District of Port Hardy
Dixie Lee (Maritimes) Ltd.
Downs Garage Inc.
D&L Electric Ltd.
Etsy
Evans Real Estate Team
Flagship Software Ltd.
Fort McKay First Nation
Front Porch Publicity
The Good News Broadcasting Association of Canada
Government of Newfoundland & Labrador
Greater Vancouver Board of Trade
Halifax Paper Hearts
Hamlet of Coral Harbour
Hamlet of Turnor Lake
Health Sciences Association of British Columbia
Hebdos Québec et Réseau Sélect
International Association of Heat & Frost Insulators
Japan Postal Group Union
Joint Trade Union Movement of Trinidad & Tobago
Judique Service Centre
Justice for Workers Nova Scotia
Key Physiotherapy & Rehabilitation Centre
Labour Community Services Toronto
Marie Clark Walker Consulting Inc.
Miramichi and District Labour Council
Municipalité de l'Ascension
Municipalité de l'Ascension-de-Patapédia
Municipalité de Barraute
Municipalité de Beaulac-Garthby
Municipalité de Biencourt
Municipalité de Lac-aux-Sables
Municipalité de Laurierville
Municipalité de Mandeville
Municipalité de Marston
Municipalité de Maskinongé

Municipalité de Nominique
Municipalité de Normétal
Municipalité de Port Cartier
Municipalité de Saint-Adelphe
Municipalité de Saint-Alexis-de-Matapédia
Municipalité de Saint-Benoît-Labre
Municipalité de Saint-Éloi
Municipalité de Saint-Étienne-de-Bolton
Municipalité de Saint-Fortunat
Municipalité de Saint-Hugues
Municipalité de Saint-Juste-du-Lac
Municipalité de Saint-Louis-du-Ha ! Ha!
Municipalité de Saint-Lucien
Municipalité de Saint-Ulric
Municipalité de Saint-Valérien
Municipalité de Saint-Victor
Municipalité de Sainte-Anne-de-la-Rochelle
Municipalité de Sainte-Geneviève-de-Batiscan
Municipalité de Sainte-Hénédine
Municipalité de Sainte-Marie-de-Blandford
Municipalité de Sainte-Perpétue
Municipalité de Venise-en-Québec
Municipalité du Village de Hemmingford
Municipalité régionale de Comté de Mékinac
Municipalité de Val-Racine
Municipality of Grey Highlands
Municipality of Hatley
Municipality of Huron East
Municipality of Lark Harbour
Municipality of Magnetawan
Municipality of Neebing
Municipality of Stuartburn
Municipality of West Grey
NAMMU
NASA Union
National Association of Letter Carriers
National Organization of Retired Postal Workers
National Pensioners Federation
National Union of Communication Workers-Zambia
New Brunswick Federation of Labour
New Brunswick Government
Newfoundland and Labrador Federation of Labour
Nova Scotia Federation of Labour
Ontario Public Service Employees Union
Ontario Secondary School Teachers' Federation

Pitney Bowes
Prince Edward Island Federation of Labour
The Princess Margaret Cancer Foundation
ProXsports Inc.
Public Service Alliance of Canada
Red Deer & District Labour Council
Retail Council of Canada
Rexall
Rural Municipality of Garden River
Rural Municipality of Grahamdale
Rural Municipality of Miry Creek & Village of Abbey
Rural Municipality of Mountain
Rural Municipality of Senlac
SIEMACO
Sierra Leone Union of Postal and Telecommunication Employees
Sindicato BCCR
SINTETEL – Brasil
SINTRAPULCAR
Skidegate Band Council
Soley Shoes
St. Jacques-Coombs Cove Town Council
Stewartdale Cemetery Company
Summer Village of Waiparous
Sunshine Coast Labour Council
Syndicat des travailleurs et travailleuses des postes
Syndicat des travailleurs et travailleuses des postes – Local de Québec
Syndicat des travailleurs et travailleuses des postes – Section locale 440
Syndicat des travailleurs et travailleuses des postes – St-Jérôme
TC Transcontinental
Travailleur de la poste du Burkina Faso
Toronto & York Region Labour Council
Town of Borden-Carleton
Town of Burstall
Town of Chance Cove
Town of Cut Knife
Town of Fortune
Town of Jackson's Arm
Town of Kerrobert
Town of L'Anse au Clair
Town of McLennan
Town of Mount Carmel-Mitchell's Brook-St. Catherine's
Town of Nobleford
Town of Norris Point
Town of Old Perlican
Town of Tofield

Town of Whitbourne
Township of Ewanturel
Township of Frontenac Islands
Township of North Kawartha
Township of O'Connor
Toyota Halifax
Trade Union Federation of Communications in Bulgaria
ULINE
UNI Americas
UNI Global Union
UNI Nepal
Village of Amisk
Village of Chipman
Village of Coleville
Village of Kaslo
Village of Neville
Village of Tracy
Ville de Bonaventure
Ville de Duparquet
Ville de Longueuil
Ville de Port-Cartier
Ville de Saint-Quentin
Wilfrid Laurier University Social Innovation Research Group
Workers' Action Centre
Zutphen Contractors
3C Wealth Partners

<b>Category</b>	<b>Total</b>
Businesses	46
Government	122
Indigenous Associations	1
Unions	71
Individual	637
<b>Grand Total</b>	<b>877</b>

## TAB B: STAKEHOLDER/PUBLIC SUBMISSIONS

There were almost one thousand submissions. What follows is a summary of key themes.

### B.1 From an Indigenous Band Council and Municipal Governments

A total of 94 submissions were received from an Indigenous band council and municipal governments (and one provincial government department, one MP, one from a member of the Legislative Assembly in New Brunswick and one from a member of the Legislative Assembly in Newfoundland and Labrador). In general, the submissions were supportive of CUPW's bargaining position and the importance of Canada Post as an employer and service provider to small businesses, to rural and remote communities, to older Canadians, and to those with physical disabilities.

Most of these submissions were resolutions based on a common template. These resolutions called for a comprehensive public inquiry into Canada Post before any changes were recommended to the *Act* or to the Postal Charter.

Numerous stakeholders made specific recommendations – aligned with CUPW – including advocating for the expansion of services to diversify and generate new streams of revenue through postal banking and other financial services, electric vehicle charging stations, grocery delivery services, senior check-ins, and related activities (including the repurposing of letter carriers for “community engagement and public safety”), and the creation of community hubs.

Related submissions – again aligned with CUPW – supported maintaining the moratoriums on rural post office closures and community mailbox conversions (and expressing opposition to existing community mailboxes) and continuing Canada Post as a public institution providing universal service at a uniform price. The value to communities of post office employment was repeatedly mentioned as desirable for “contributing to the economic vitality of the community.” Many submissions expressed concern about post office closures and the impact of any future closures on senior citizens, including on delivery to them of prescription drugs, medical equipment, important documents, and vital supplies. A common theme was that there should be no service cuts. There were suggestions that Canada Post prioritize the well-being of its workforce. One submission from one municipal government suggested service cuts and privatization: The current model was “untenable.”

## B.2 From Unions and Labour Organizations

Fifty-four submissions were received from organized labour from across Canada and internationally (mostly based on templates). These submissions endorsed CUPW’s submissions and expressed concern about the federal government’s intervention in free collective bargaining. Concern – mostly criticism – was expressed about Canada Post – its decision making and mismanagement – and its “disregard” for employees and their occupational health and safety. Numerous objections were raised to Canada Post’s failure to engage with CUPW’s suggestions on growing the business. Some proposals suggested expansion of the number of postal outlets and restoration/expansion of door-to-door delivery. Weekly mail delivery was “unacceptable.” Protecting good jobs was identified as a priority. An audit of executive compensation was recommended and opposition expressed to making structural changes without exhaustive prior

public consultation; a formal parliamentary mandate review was recommended in numerous submissions.

## B.3 From Advocacy, Not-for-Profit, Charitable, and Related Organizations

Thirteen submissions were received from advocacy, not-for-profit, charitable, and related organizations. The importance of Canada Post as a public institution providing access to all Canadians was emphasized. In general, these submissions supported continuing the moratoriums on rural post office closures and community mailbox conversions. The submissions also recommended diversifying Canada Post's business through postal banking and other (CUPW) suggested proposals. Charitable organizations pointed out that letter mail continued to be important for donation solicitation and communication with donors. Privatization was opposed.

## B.4 From Business

Forty-three submissions were received from large and small businesses and employer associations. In general, these stakeholders agreed that Canada Post provided an essential service. Concerns were expressed about the impact on operations of postal strikes and the lack of affordable postal delivery alternatives. Some submissions were in favour of privatization; others were opposed. Some submissions recommended that Canada Post focus on its core mission and on making Canada Post an essential service (to avoid labour disputes). Concerns were raised about Canada Post's labour costs, efficiency, and ability to appropriately meet customer service demands (including the need to make ongoing and necessary service and technological

improvements). Among the many varying recommendations was that the current labour dispute be resolved by interest arbitration to ensure no further labour dispute, given its impact on small business and more generally.

## B.5 Individual Submissions

A total of 663 individual submissions were received. The majority were from current and retired CUPW members. By and large, these submissions described Canada Post as a public institution providing invaluable services to the people of Canada, especially those living in rural, remote, and Indigenous communities, and they supported CUPW's bargaining position, and its recommendations for the future of Canada Post, including diversification as CUPW proposed. Most of these submissions were critical of Canada Post and objected to government intervention in the collective-bargaining process; some questioned the impartiality of the Commission process.

### B.5.1 From Current and Former CUPW Members and Other Interested Persons

These individual submissions identified and discussed a long list of concerns about the way the corporation was run and its (mis)treatment of employees (Canada Post was top heavy, management received unearned and undeserved bonuses, employee wages were unfair, there was a toxic work culture including management indifference to health and safety and workplace injuries along with an absence of work/life balance, etc.). There were many suggestions for improving the union-management relationship (for example, enhancing closer collaboration between the parties by involving the union and its members in decision making). Almost 200

individuals urged that Canada Post continue to be subsidized by government and expressed opposition to privatization. There were many calls for an independent audit into Canada Post's finances and suggestions made that Canada Post be declared an essential service. Many individuals urged increasing, not reducing, services to rural, remote, and Indigenous communities and establishing exclusive rights to last-mile delivery. It was recommended that resources be directed to improving employment practices (both on entry and departure, including the possibility of hiring retirees in peak periods and buying out employees close to retirement). There was a widespread consensus that the two moratoriums should be maintained (and where there were existing community mailboxes that door-to-door delivery be restored). Many of these submissions recommended that CUPW's proposals for growing the business be implemented (adding new suggestions such as offering currency exchange at post offices and Canada Post cryptocurrency). Environmental sustainability and electrification of the fleet was encouraged.

### B.5.2 From Others

A much smaller number of individual submissions urged Canada Post to focus on its core business, increase its hours of service and delivery frequency, create part-time positions to respond to volume, more efficiently organize delivery routes, and establish more community mailboxes.

## TAB C: DIRECT COMMUNICATIONS

In the direct communications that I received, I was struck by the pride many Canada Post employees take in their work and in the service they provide. The following – lightly edited email – from Paul is a good example:

The role we serve is vital for our communities. We're the first to know if something's not quite right – an open screen door, a broken window, graffiti, or even a garage fire – all have happened on my routes. We may be the first responder in an emergency, a senior has gotten lost on their walk, or a homeowner in crisis is unable to call for help.

We're the first to know if a homeowner has had a death in the family, is renovating a second house down the street, or if they're planning a move. We let people know about our relocation and hold services, to ensure they get their mail at their new house, and their personal information and parcels are kept safe while they're away.

We're the first ones to see if another delivery company has tossed a parcel on someone's sidewalk and driven away, while the homeowner is completely unaware. On a typical day, I come across eight to ten parcels that had been left in front of a house, and I am the one who rings and knocks to let the homeowner know. Most people are home at the time and appreciate me for letting them know.

We are not just labourers. We are grossly undervalued by our own management; yet, we are highly valued by the neighbourhoods we serve. Our daily actions in taking care of our communities have earned us the coveted reputation as Canada's most trusted workforce – putting us above firefighters and nurses! Warm and fuzzy Instagram posts do not build the Canada Post "brand." We do!

We are the only shipping company that delivers to every address across the country, every day. We can never take for granted our exclusive responsibility for your mail – it is a privilege to serve our neighbourhoods.

As I like to say to the business owners on my route, "I am your shipping department" – I am grateful for the trust placed in me and Canada Post for handling their incoming and outgoing shipments, while they serve their customers. It is a pleasure to know the homeowners on my route, and to help keep the neighbourhood safe.

Other emails to me (1) echoed the submissions of CUPW, and/or (2) denounced CUPW and its bargaining positions, and/or (3) denounced Canada Post (especially concerns about executive

bonuses characterized as unearned and excessive, claims about wasteful undisciplined capital spending, assertions about a burgeoning number of indifferent and abusive supervisors, and disability claims mismanagement among other matters), and/or (4) denounced the Government of Canada for interfering with free collective bargaining, and/or (5) were thoughtful, considered and made good suggestions (some communications had no obvious relevance to the Terms of Reference).

Letters from small- and medium-sized businesses across Canada expressed the view that service reductions would be extremely detrimental, for example, as set out in this email from Kayla, the operator of a small business located in Atlantic Canada: “We rely on Canada Post to deliver essentials for our business. We fear we cannot afford to ship or receive packages through other couriers. We cannot afford to take 30 minutes a day to drive to the post office for packages.”

In many of the emails that were sent directly to me, the hope was expressed that the parties would find a way forward to work collaboratively and in their shared interests to support what almost everyone agreed was a vital national institution: From Susan: “I hope both CPC and CUPW can work together to keep our valued Postal Service continuing for many years to come.” It was not clear to me that these mails – in contrast with those sent to the official Commission email address – were intended to be shared. Accordingly, these emails were not shared with the parties.

## TAB D: ALTERNATIVE VISIONS FOR THE FUTURE OF CANADA POST

The parties were invited to provide their assessment of the current situation, their visions for the future of Canada Post, and their perspective on why collective bargaining failed.

### D.1 CUPW Submissions

CUPW began with the observation that the Commission process was “skewed in favour of the interests of Canada Post management, which had been planning for this type of government intervention for over a year.”<sup>56</sup> CUPW and its members’ constitutional rights had been violated by the Minister of Labour invoking the *Canada Labour Code*, leading to the Canada Industrial Relations Board (CIRB) ordering both bargaining units back to work. While CUPW welcomed the opportunity to discuss the public post office, and the vital work its members performed, it was participating in the Commission process with “reluctance.”<sup>57</sup>

The difficulty for the Union is, if we do not participate in the Commission, the voices of Canada Post workers will be missing from the process. In choosing to participate, we do not accept that this is a just remedy to the removal of our right to free and fair collective bargaining. It remains our steadfast goal to achieve negotiated collective agreements. Therefore, we are participating in the section 108 process without prejudice or setting precedent. At the same time, we are in the midst of a legal challenge regarding the constitutionality of the section 107 order.<sup>58</sup>

CUPW also expressed the view that this unilaterally government-imposed undoubtedly unconstitutional Commission process was a poor and unacceptable substitute for balanced and fair interest arbitration. Moreover, in CUPW’s submission, the broader public policy issues set out in the Terms of Reference would be better addressed by a Canada Post mandate review. The last such review – in 2016 – required retention of experts in financial analysis and international

postal services, and public opinion polling. It included widespread consultation with diverse stakeholders, followed by written submissions, and public hearings across the country. CUPW argued that that process should have been followed, not this one.

CUPW also submitted that the matters raised in the Terms of Reference placed the union at a considerable disadvantage:

The questions that we have been asked to answer require considerable time, resources and access to information we simply do not have under this expedited process. With its far greater material and human resources, the Corporation is more able to quickly answer the Commission's questions thoroughly within the time frame imposed upon us by the Minister's order.<sup>59</sup>

### D.1.1 Why Did Bargaining Fail?

The answer to this question, in CUPW's opinion, was straightforward. Collective bargaining failed, and a 32-day strike ensued, notwithstanding more than 200 days of negotiations and the active assistance of federal mediators, because Canada Post was indifferent and unresponsive to its legitimate bargaining demands and its productive and workable ideas about how best to move forward:

CUPW's original proposals included improvements to wages to make up for the recent spike in inflation. The Union also sought improved staffing provisions to address staffing shortages and the Corporation's overreliance on temporary and part-time workers; improved protections against technological change; measures to protect the bargaining unit from the contracting out of its work; improved rights for temporary workers; and improvements to the group benefits plan, as well as service expansion ideas that would generate new revenue streams.<sup>60</sup>

In marked contrast, CUPW observed, Canada Post sought rollbacks, concessions, and multiple deep-seated transformative changes to the Urban and to the RSMC collective agreements, including work and staffing rules, all supposedly justified by its financial circumstances: "No

union or worker in Canada would accept such proposals.”<sup>61</sup> The concessions Canada Post sought included:

... a two-tier pension plan with future employees forced onto a defined contribution plan; a “flexible benefits” plan that would force our most vulnerable members to pay higher premiums to cover their medical needs; allowing management to use software installed in all vehicles to monitor and discipline workers for alleged health and safety violations; the elimination of night recovery leave for workers who work night shifts; the imposition of a vacation “blackout” period, preventing letter carriers and RSMCs from scheduling vacation during the Christmas period; the elimination of marriage leave; the elimination of the 5-minute wash-up period; less vacation leave entitlements for future employees; the “flexibility” to allow management to close corporate retail outlets staffed by unionized employees; and the elimination of a mechanism that gives the Union real influence to change letter carrier work rules.<sup>62</sup>

The current collective-bargaining round was contentious; but that was nothing new, according to CUPW. For years, and the union outlined this in some detail in its written submissions and at the hearing, collective bargaining at Canada Post had been disrupted by repeated government interventions distorting and undermining the bargaining process. Knowing that its shareholder – the Government of Canada – was likely to intervene and impose back-to-work legislation and interest arbitration, Canada Post had, and this was demonstrable, CUPW asserted, little incentive to engage in serious collective bargaining. On those handful of occasions when the government indicated it would not legislatively intervene, and free collective bargaining was allowed to run its course, the parties were able to reach a negotiated settlement. CUPW was not responsible for the failure of the bargaining process: It was pursuing its legitimate demands – demands that had been democratically determined following consultation with its membership – and then exercising its constitutionally protected right to strike. Canada Post and the Government of Canada, in CUPW’s view, bore the entire burden of responsibility for the labour dispute.

### D.1.2 Canada Post's Financial Situation

In CUPW's view, Canada Post's financial claims – a \$748 million loss in 2023, and more than \$3 billion lost between 2018 and 2023 – should “not be taken at face value and must be carefully scrutinized.”<sup>63</sup> Canada Post had, in CUPW's view, an established practice of making self-serving and inaccurate financial projections to the point, in some cases, of actual misrepresentation. CUPW, however, was not claiming that the 2023 reported financial loss was “false”; rather, it required scrutiny, ideally with the assistance of independent financial-auditing experts who had full access to the books.

A review of recent collective-bargaining history established, in CUPW's submission, that Canada Post's financial claims were invariably tactical – advanced to justify service cutbacks and to achieve its concessionary collective-bargaining demands. Invariably, Canada Post's financial projections proved inaccurate, with profits regularly being turned into losses, compensation for pay equity violations hidden and/or improperly booked, and contingent liabilities used to establish a loss. To the extent Canada Post faced financial challenges – the seriousness of which CUPW disputed – it was the result of various bad business decisions; for example, huge capital expense projects never brought on line; an explosion of non-capital investments (administrative and other category expenses); and a repeated failure to appropriately increase first-class postage rates in line with other postal services. That last decision was completely inexplicable since Canada had one of the largest geographies to deliver to in the world; and when rates were finally increased in January 2025, the value was not even accurately accounted for. CUPW and its members were not responsible for Canada Post's bad business decisions and should not be required to pay the price associated with them.

The entire situation, in CUPW's view, required a truly independent third-party review, also made necessary by Canada Post's complete lack of transparency about its financial situation. This was reflected in Canada Post's consistent failure to respond in collective bargaining, and during the Commission-facilitated mediation process, to objectively appropriate CUPW financial disclosure questions; instead, it responded with non-answers, incomprehensible answers, or no answers (for example, about the cost of pay equity settlements, but also otherwise). The Government of Canada provision of a financial lifeline – announced days before the Commission held its first public hearings – had to be viewed with a grain of salt. The timing was opportunistic, and the failure of Canada Post and the Government of Canada to provide CUPW with full transparency about the discussions that led to the decision made the entire exercise suspect, to say the least, in CUPW's view.

### D.1.3 CUPW's Roadmap

CUPW agreed: Letter mail volumes were declining while parcel mail was surging, fuelled by the steady growth of e-commerce. The delivery market was highly competitive and the core business was changing:

If these trends persist, Canada Post may struggle to stay competitive using the traditional mail-plus-parcel, five day-per-week delivery business model. Although innovation and diversification have helped some postal operators, the core of the postal business remains rooted in mail and parcels. For Canada Post, managing this core effectively while adapting to changing market demands (weekend, evening, and same-day delivery) can unlock substantial value.<sup>64</sup>

Achievement of this objective, in CUPW's submission, however, had to be placed in context, and part of that context required delineating the differences between private sector firms – driven by profit and focusing on the lucrative urban and suburban markets – and Canada Post's larger

national mission set out in the *Act* and the Postal Charter of providing delivery to Canadians everywhere on largely similar terms: the USO. The way forward was not by aping existing and new delivery competitors and their substandard wages and working conditions. Canada Post had a different mission: being a model employer – best in class providing good jobs that attract and retain employees – serving all Canadians equally, including those living in rural, remote, and Indigenous communities who rely heavily on its service. Accordingly, Canada Post had to forge a different two-fold path: adapting for the future – by identifying and then implementing new revenue sources for a reimagined and revitalized Canada Post – and safeguarding and improving the collective agreement.

## D.1.4 Adapting for the Future

### D.1.4.1 Increase Canadian Postage Rates

Why, CUPW asked, in the face of mounting financial losses, had Canada Post not raised postal rates, just as nearly every other major postal service in the world had done? Between 2018 and 2023, the average increase for major postal services was 55%; at Canada Post, it was 7%. Canada Post's rates were low by international standards. If rates had been increased in the past, and were increased in the future, financial sustainability issues could be significantly addressed.

### D.1.4.2 Transition to the Parcel-centric Market

In CUPW's view, Canada Post was at a crossroads: "It must consider shifting from a mail-led to a multi-service model to remain competitive."<sup>65</sup> Potential adjustments included joint parcel-mail delivery, and optimizing operations by strengthening the capacity of sorting hubs to handle increasing parcel volumes.

#### D.1.4.3 Capitalize on Cross-Border e-Commerce

When the Commission held its hearings, the possibility of US tariffs was real, and pronounced, posing a major threat to the Canadian economy and to Canadian workers. In CUPW's submission, this threat provided the Government of Canada with an opportunity: Position Canada Post to help ensure the growth and survival of Canadian businesses. Indeed, "Canada Post can be harnessed to deliver not just mail, but the future of Canadian businesses."<sup>66</sup> Small- and medium-sized enterprises played an important role in the Canadian economy and relied on Canada Post to ship parcels. Canada Post could help businesses by fostering a "Buy Local, Ship Local" movement combined with affordable shipping rates. Delivery of prescription drugs was a case in point. Canada Post "must proactively reclaim and manage sectors that should be exclusively handled by Canadian-owned companies – particularly the growing delivery market for drugs and medical devices."<sup>67</sup> Capturing this business should be "a national, provincial and local priority...."<sup>68</sup>

There was also untapped potential for e-commerce. This was, CUPW believed, a significant growth opportunity. Canada Post, in CUPW's view, should therefore focus on expanding its role within the cross-border e-commerce value chain, including by launching an e-commerce platform marketplace to support small- and medium-sized business in Canada. This support would increase parcel volumes and generate new business: "Digital innovations will be critical in unlocking new revenue streams...."<sup>69</sup>

#### D.1.4.4 Financial and Insurance Services for Long-Term Sustainability

The decline in traditional mail volumes called for product and sector diversification, and that meant expanding, just like many other postal services around the world were, into banking and

insurance, especially in “underbanked communities, particularly in remote and rural areas, where access to traditional banking is limited or which banks have abandoned all together.”<sup>70</sup> This was a real opportunity to exploit, since many small communities had a post office but no bank. In the result, “Many low- and middle-income individuals, rural, remote, and northern residents, and Indigenous communities, face systemic barriers to financial inclusion, making it clear that there is both a demand and a need for accessible financial services outside of the traditional banking system.”<sup>71</sup>

According to a 2023 Bank of Canada study that CUPW cited, approximately 13% of Canadians lacked access to payment methods necessary to participate in the digital economy (exacerbated by the decline of cash transactions). Banks and credit unions were closing branches at an alarming rate – a problem brought into vivid relief in Indigenous communities, where the median distance to the nearest financial institution was 25 km compared to just 1.9 km for the general Canadian population. Without access to conveniently located financial services, CUPW argued, many Canadians were driven to rely on predatory financial services such as payday lenders and cheque-cashing businesses, worsening existing social inequalities. There was a solution that CUPW spelled out in its submission:

Canada Post is thus well-placed to offer financial services at lower cost and higher quality, making it a compelling competitor across Canada’s diverse geographic and socioeconomic landscape. Suppose that even 10% of the 4.42 million financially excluded Canadians were to open an account with Canada Post. If each of them paid an average of \$5 per month in fees and service charges – far below the amounts charged by payday lenders, cheque-cashing businesses and big banks – this would generate \$26.52 million in annual revenue. Given the potential for expansion and the demonstrated success of postal banking in other jurisdictions, this revenue stream could grow substantially.

We do not suggest gouging underserved Canadians with service charges, but if even 442,000 of Canada’s 40 million citizens participating at a basic level (at a rate far below

what many of them already pay) could generate tens of millions of dollars in revenue, the market is clearly very lucrative.<sup>72</sup>

The conclusion was straightforward: There was an established need for, and public interest in, Canada Post entering the banking/financial services/insurance business.<sup>73</sup> Government of Canada polling results from 2016, CUPW observed, indicated that millions of Canadians were receptive to postal banking; 47% of those polled agreed that “financial services [was] a natural fit for Canada Post.”<sup>74</sup>

Notably, Canada Post already had a pilot project underway – MyMoney – a spending and savings account targeted at underserved Canadians (and had been marketing small business loans to customers in Alberta in partnership with the Business Development Bank since 2023). CUPW considered it “highly implausible that Canada Post would launch this service without a thorough market analysis and evaluation of the costs and revenues....”<sup>75</sup> Banking, CUPW suggested, was just the start: “Canada Post should [also] consider exploring insurance services ....By leveraging its vast network and trusted brand, Canada Post can introduce postal insurance services, offering both life and non-life insurance products to consumers across Canada.”<sup>76</sup> Other product offerings – and most post offices around the world offered a mixture of remittances, bill and government payments, savings and current accounts, credit cards, loans, and insurance – could likewise increase revenue and provide a stabilizing fiscal cushion as Canada Post continued to search “for creative and innovative solutions to adapt to the rapidly changing and increasingly competitive postal landscape.”<sup>77</sup>

CUPW's postal banking suggestion was, it asserted, win-win: There were the social benefits in providing a necessary service to underbanked Canadians, and there was potentially huge revenue generation. Two examples illustrated the extent of the opportunity. In 2023, France's, La Banque Postale, "reported a net profit of €2.3 billion (\$3.1 billion Canadian), enough to cover the amount of Canada Post's recent government loan three times over."<sup>78</sup> Potential Canada Post profits, in CUPW's view, were staggering: "Poste Italiane, which has leaned even further into its financial products, earned €5.2 billion (\$7.7 billion CAD) in net revenue from its financial services and €1.56 billion (\$2.3 billion CAD) from its insurance services in 2023."<sup>79</sup> From CUPW's written submission:

Based on Canada Post's currently announced plans, the Union envisions that within 2 years, Canada Post can proceed with and expand its offerings for its newly announced MyMoney account. We also believe they could revive their personal loan program, which would make Canada Post a strong competitor relative to predatory payday lenders, and market its small business loan program nationwide.

Within 5 years, Canada Post could begin offering other savings and investment products, as well as expand its services targeted at small and medium enterprises. Similar to its small business loans, business financing could provide valuable support to new and expanding Canadian businesses, growing the Canadian economy as a whole. Canada Post could also begin offering insurance products in this period, something successfully pursued by postal financial services in France, Switzerland and Italy, among many others.

Within 10 years, Canada Post could well become a full-fledged postal bank, like La Banque Postale and others.... However, pursuing more partnerships with financial institutions to offer Canadians access to Canada Post branded financial services also presents a profitable path forward.<sup>80</sup>

#### D.1.4.5 Reintroduce the Food Mail Program (FMP) and Grocery Delivery

Food used to be shipped by Canada Post to isolated northern communities under subsidy arrangements that were eliminated by the introduction of Nutrition North Canada (NNC), a program that shifted program subsidies to retailers. NNC was riddled with problems, including higher consumer costs. If FMP were reinstated, it would increase Canada Post's volume and

revenue, and provide a better service, at a lower cost, to Indigenous communities (and this would be consistent with and assist in fulfilling the Government of Canada's obligations under the Truth and Reconciliation Commission Calls to Action).

Grocery delivery could also, CUPW believed, be extremely profitable:

We would need to reassess the financial viability of this project given the change in market conditions, but we believe there is still potential in the sector. Besides that, it would provide an important public service, especially in underserved areas. It would also particularly benefit seniors or those with disabilities who may have difficulty accessing groceries themselves and affording the higher costs of existing delivery services.<sup>81</sup>

#### D.1.4.6 Expand on Community Hubs

In many places in Canada, especially rural and remote communities, the post office was an important gathering place where people went to collect their mail and parcels, and to socialize. Canada Post should, in these circumstances, expand on an already existing community hub concept with postal stations offering a range of services, tailored to each community, including government services and providing digital access points. In Italy, for example, some 7000 post offices in small communities have been transformed into digital service hubs operating 24 hours a day, offering access to a wide range of government documents and services.

#### D.1.4.7 Establish a Seniors Check-In Program

Canada Post had, CUPW suggested, an opportunity to do more to support Canada's aging and disabled population by having letter carriers keep "a watchful eye on customers on their delivery routes."<sup>82</sup> In some countries, CUPW pointed out, letter carriers provided formal check-in services: "Canada Post could work with CUPW to pilot and evaluate a check-in service in Canada."<sup>83</sup> Accordingly, CUPW proposed establishment of a new program: Seniors Check-Ins.

Under this proposal, postal workers could be hired by family members (and presumably social service agencies) and others to regularly check on senior citizens, people with mobility issues, and members of other vulnerable populations. Japan Post did it, and so did La Poste in France, which had a very robust program: Services offered by La Poste’s Health and Autonomy Division included home visits, meal and grocery delivery, and housekeeping and gardening services.

In CUPW’s view, the best model for Canada could be found on the Isle of Jersey, where postal workers ask citizens enrolled in their “Call & Check” program a simple list of five questions to ensure well-being. CUPW was not suggesting that its members become social workers or nurses; they could, however, provide a crucial service to a growing vulnerable population, especially if “complementary lines of business” such as prescription drug, medical device, food and grocery delivery, and document fulfillment and insurance were included among the services provided.<sup>84</sup> The fact was that too few people in Canada had access to homecare, and people in rural, remote, and Indigenous communities were particularly poorly served. Adding this activity to a letter carrier’s daily route could generate revenue for Canada Post through subscription fees. CUPW called for study and a pilot project: “Unfortunately, Canada Post has been unwilling to pursue this opportunity for service expansion.”<sup>85</sup>

#### **D.1.4.8 Revise the Short-Term Disability Plan (STDP)**

The current model using a third-party insurer was not working, Canada Post’s protestations to the contrary. Claims were regularly unjustly denied: “Being denied just means they have failed to provide what the provider wants in a timely manner.”<sup>86</sup> The burdensome paperwork demands – and the associated costs to the healthcare system – were unrelenting. There was no evidence of

fraud, and the cost of the denials and appeals that invariably followed was usually completely disproportionate to the size of the claim. “It would be cheaper for the Employer to pay employees that are sick, rather than fighting and paying for proof of the sickness.”<sup>87</sup> CUPW had a solution: Increase payments from 70% to 80% but introduce what is referred to as the Employment Insurance carveout, under which employees apply for Employment Insurance after a one-week qualifying period, reallocating the bulk of the cost to the Employment Insurance program. All claims would be paid subject to Employment Insurance criteria, but the savings to Canada Post would be substantial.

## D.1.5 Other Potential Revenue-Generating Initiatives

### D.1.5.1 Passport Services

Provision of this service at postal stations was previously offered. It could be reinstated.

### D.1.5.2 Rolling Retail

Postal services could be provided to underserved Canadians (targeting Indigenous communities) using mobile post office trucks.

## D.1.6 Safeguarding the Collective Agreement

### D.1.6.1 Building Workforce Flexibility

CUPW was “resolutely dedicated to exploring innovative changes to Canada Post’s delivery model, ensuring that it addresses the evolving needs of Canadians....” However, in doing so Canada Post “must not lose sight of its public service mandate... [and] must continue to serve as a foundational public institution, not as a commercially driven enterprise.”<sup>88</sup> Canada Post must

also safeguard “the rights, working conditions, and invaluable contributions of postal workers to this vital national service.”<sup>89</sup>

CUPW spelled out in more detail what flexibility should, and should not, mean. On the one hand, Canada Post sought the flexibility to create a second-class workforce with poor pay, unpredictable hours, and virtually no job security. To date, bringing “flexibility” to the delivery network had heightened labour-management conflict, led to job loss – about 8100 positions in Urban since 2006 – increased workloads, and was the cause of increasing workplace injuries and the erosion of work-life balance:

Nevertheless, the Union has recognized, and continues to recognize, the need to adapt the Corporation’s operations to changing market realities. From the Union’s perspective, operational changes must strike the proper balance between improving productivity, maintaining superior customer service standards, and promoting workers’ rights to safe working conditions, stable employment, and income security. As such, the Union insists that major transformation initiatives impacting delivery must involve all relevant stakeholders, including the government, the Corporation, the public and the Union. The benefits of productivity improvements must be equitably shared.<sup>90</sup>

CUPW would never accept a model of more part-time, low-wage, precarious jobs with the further “gigification” of its members.<sup>91</sup> CUPW vigorously opposed transforming Canada Post into a commercially driven business through privatization and deregulation.

#### **D.1.6.2 Job Security**

Article 53 of the Urban collective agreement – Employment Security – precluded the layoff of employees (subject to certain conditions). This provision, negotiated in 1985, was a singular achievement, the result of years of union effort and significant collective-bargaining trade-offs,

and it had caused no operational issues since there was generally adequate movement within the bargaining unit to allow for surplus employees to be deployed to vacant positions. Not only, CUPW argued, must this hard-fought-for negotiated entitlement be preserved, but the significantly more limited RSMC job security provisions must also be enhanced.

Contractual provisions were paramount, but CUPW acknowledged that “the best form of job security comes with offering valuable services to the public.”<sup>92</sup>

#### D.1.6.3 Full-Time Jobs

Full-time jobs ensured fair wages, benefits, and job security: “As a Crown corporation with a public service mandate, Canada Post should champion equitable and diverse employment practices, setting the standard for good, sustainable jobs in the postal sector.”<sup>93</sup> Canada Post should set an example for all employers. Full-time employment benefited individuals and society. That meant that Canada Post should begin prioritizing converting part-time and temporary positions into full-time ones (and CUPW believed that this conversion could be economically achieved); reduce subcontracting; invest in training postal workers for complementary positions such as electric vehicle maintenance and financial services; and continue to emphasize career opportunities for women, Indigenous workers, and other under-represented and marginalized groups.

#### D.1.6.4 Health and Safety

Despite Canada Post’s professed commitment to the health and safety of its workforce, CUPW submitted, the corporation demonstrated anything but. Postal workers suffered from the second-

highest frequency of disabling injury among workers in the federal sector. Letter carriers faced daily risks: from dogs, uneven surfaces, heavy loads, tripping and slipping, and often inclement weather, to identify just a handful of factors that made the letter carrier job physically demanding and leading directly to increased workplace injuries. The 2017 introduction of a new work method – Separate Sortation from Delivery (SSD) – dramatically increased the risk profile as it has meant longer workdays and more delivery at night, made even more problematic by the increased volume of neighbourhood mail, among other significant stressors.<sup>94</sup> CUPW proposed restricting Canada Post’s ability to implement SSD. The bottom line, in CUPW’s view, was that Canada Post was not providing a safe workplace – it was failing in its duty of care to its employees. Canada Post was not even forthcoming about the nature and extent of employee injuries (while also suppressing claims).

An immediate go-forward solution was required, beginning with improving injury investigation and reporting and stopping the suppression of work injury claims. There was an established imperative, in CUPW’s view, for a cultural shift: Canada Post had to stop blaming injured workers for their injuries.

#### D.1.6.5 Contracting-in Work

Whenever possible, Canada Post work should, CUPW argued, be performed by CUPW members. There were examples of successful contracting-in projects leading to the work being permanently performed by Canada Post employees (maintenance work at the Edmonton Sorting Plant, vehicle maintenance, and parcel delivery, to give three examples set out in the CUPW brief). In CUPW’s view, renewed attention and effort needed to be directed at similar initiatives.

#### D.1.6.6 Technology and Health and Safety

CUPW recognized that the development and introduction of technology was a continual and rapid process. “The introduction of innovative technology must, however, be vigorously consulted and supported – with training for example – to ensure fair and just outcomes ...[and] the benefits arising from increases in productivity be equitably shared between workers and the Corporation.”<sup>95</sup>

#### D.1.6.7 Moratorium on Rural Post Office Closures

CUPW strongly supported continuing – since 1994 – the moratorium on the closure of rural postal offices and the franchising of retail facilities. Rural post offices promoted national unity – they were, in many regions, the only public federal government presence. They provided stable employment, especially for women, and contributed to Canada’s social development.<sup>96</sup> If CUPW’s prescriptive plan (for example, postal banking and postal station hubs) were adopted, the importance and role of rural post office branches would be enhanced. In contrast, the franchise model, if expanded, would lead to substandard jobs as measured on virtually every metric. “Keeping good jobs in the communities,” CUPW submitted, “is a moral obligation and strategic decision that benefits Canada Post, its workers, and the country in general.”<sup>97</sup>

#### D.1.6.8 Climate Change

Canada Post owned more than 14,000 vehicles (and RSMC members used approximately 8000 personal vehicles). In these circumstances, Canada Post should play a pivotal role in the fight against climate change, and the way to do that would be by greening the Canada Post fleet with electric vehicles, retrofitting Canada Post buildings with solar panels, and expanding the use of Canada Post as the consolidated last-mile delivery provider. The time was long overdue, in

CUPW's estimation, for Canada Post to start paying more careful attention to these proposals (as outlined in its written submissions).<sup>98</sup> In another suggestion, CUPW observed that there were thousands of post offices across the country, providing Canada Post with a real opportunity to capitalize on that real estate through the creation of electrical charging networks: "This would not only give Canadians more access to charging stations, but it would also bring in much needed revenue to the Corporation and support nearby businesses."<sup>99</sup>

## D.1.7 CUPW's Vision of the Post Office of the Future

### D.1.7.1 The Post Office Must Remain Public

The Post Office must, CUPW argued, remain public. It was not a business but a public service, operating and serving Canadians everywhere, unlike the private sector (which cared only about profit and focused its commercial attention on routes where it could make money, not on providing services to everyone in Canada). CUPW was not ignoring the challenges: "The services provided and the nature of postal work have changed and continue to change. We know that Canada Post is facing significant challenges – letter mail is declining, parcel shipping is more competitive, and as a result, revenues are down."<sup>100</sup> It was true, CUPW acknowledged, that Canada Post has "a revenue-generating problem..."<sup>101</sup> The solution, however, was not privatization and deregulation but to restore and reimagine the Post Office not just as a vital national institution with a proud history of past service to Canadians, but also as a national institution with a bright promise for the future: delivering more parcels to be sure, but also expanding its core business, as CUPW outlined in its submissions.

### D.1.7.2 The Post Office Must Reinvent Itself

The time was right, in CUPW's submission, for Canada Post to reinvent itself to better serve

Canadians today and tomorrow:

...we envision a post office that maintains its strong public mandate. One that focuses on the wants and needs of the public that it serves and maintains its high level of trust. One that maintains its exclusive privilege over letters. One that maintains a uniform price to deliver letters no matter where you live, keeping the connections between all regions, cities, and towns – no matter how big or small. One that maintains its policy goals, even in the face of letter mail decline, because it is the only remaining fully public form of distanced-based communication in Canada, and some users will likely always rely on it. One that keeps its corporate retail offices open for longer hours to better serve the public. One that leverages its full, unparalleled potential as Canada's largest logistics, transportation and retail network.

We envision a post office that meets an ever-increasing parcel demand driven by online shopping and returns. One that can allow people to order something in the morning and get it that evening. One that can meet someone's delivery needs if they are only available on a Sunday afternoon. One that maintains its best-in-class parcel prices in the face of enormous competition in the parcel delivery market. One that can absorb its third-party courier because of its increased pickup and delivery options, driving all parcels through Canada Post.

We envision a post office that is more responsive to the needs of rural, remote, and northern communities. One that ensures good service is always available and keeps a federal public presence in communities where there is nothing else. One that reclaims its strong public role in food delivery and food security for Indigenous communities, making a meaningful contribution to reconciliation, instead of continuing to give money to for-profit retailers.

We envision a post office that diversifies its service offerings, as many other postal administrations around the world have done, to help fill important policy gaps or to offer public alternatives to private options. One that uses those revenues to help fulfil its self-sustaining mandate and universal service obligation in the face of declining letter mail.

One that provides financial services that are alternatives to the big banks. One that helps play a role in addressing social inequalities by meeting the needs of the underbanked and those reliant on payday lenders. One that lowers service fees and provides service in communities that have become banking deserts.

One that delivers not only mail and parcels, but peace of mind for our aging population and our families through check-ins on seniors and people with mobility issues, helping them live in their own homes for longer.

One that makes better use of its extensive retail network presence in the form of community hubs, where people can visit small business pop-up shops, access government services from all levels of government, charge their car, and rent space in larger buildings for local group meetings. One that uses adjacent outdoor spaces for artisan and farmers' markets, connecting community members to fresh food and local makers.

We envision a post office that closes the gap for the public, small businesses, and non-profits when compared to the discount rates given to the large volume mailers. One that increases its contact with small and medium sized businesses and uses a person instead of a phone number to help them meet their postal needs. One that actively seeks out how to improve service offerings for those businesses without it being tied to performance bonuses.

We envision a post office that is the federal leader on tackling climate change and embracing green technology and practices. One where both urban and rural workers are supplied with Canada Post electric vehicles. One where retrofits to buildings and adoption of solar energy are used to drive down emissions and help offset operational costs where possible. One where all last-mile delivery in Canada is consolidated through Canada Post, reducing traffic congestion in urban areas, saving energy, and maintaining the trust and security that is associated with our public post office.

We envision a post office that provides good paying, stable, long-term jobs, with benefits and a good pension for all of its employees. One that allows local businesses to flourish because postal workers and their families can afford to continue living in those communities. One that hires a diverse range of people that accurately reflects the make-up of Canadian society. One that provides safe working conditions so that postal workers can go home to their families, happy and healthy at the end of their workday. One where management adheres to and respects the negotiated terms of the collective agreements with postal workers. One where technological change is for the benefit of the public, the system, and postal workers, not at their expense.

In short, we want a public post office that offers many of the same quality services delivered by post offices around the world. Many postal administrations have had to expand their offerings and diversify their revenue streams to offset other declines. It is time that the government and Canada Post listen to what the public has said it wants in previous mandate reviews and public opinion surveys, and what CUPW's and others' research shows and take action to build the post office for the current generation of users and postal workers – and the next. In the meantime, for the workers who are the CUPW, the struggle continues.<sup>102</sup>

To summarize CUPW's view, the immediate solution was to deliver parcels 7 days a week, followed by the expansion of the business through study and then implementation of its suggestions for doing so and, in that way, create a post office for the future. CUPW agreed,

however, that focus on the core services must come first: “The Union is prepared to work with the Corporation to roll out weekend, evening, and same-day parcel delivery services.”<sup>103</sup> But there was a quid for this quo: Existing collective agreement provisions had to be both respected and enhanced. Gigification had to be rejected. There was a path forward, and it was hiding in plain sight.

### D.1.8 How CUPW Proposed to Get from Here to There

In CUPW’s view, the current collective agreement provided the parties with the tools needed to adapt to current challenges and grow the business. CUPW also made a detailed proposal to integrate weekend delivery into the regular schedule using full-time letter carriers, a proposal which would felicitously combine the dual objective of creating more full-time jobs and realizing significant cost savings.

#### D.1.8.1 Growing the Business

Outlined and summarized above (D.1.4, Adapting for the Future) are CUPW’s suggestions for growing Canada Post’s business (as presented in its written submissions and at the hearings in January, as supplemented in February, followed by further submissions in March). These suggestions were all credible, CUPW submitted, although they required study and detailed business plans. Fortunately, CUPW noted, there was a process in the Urban collective agreement to explore its proposals. It was found in Appendix T, and the Service Expansion and Innovation and Change Committee could be tasked to create pilot projects to test and refine these and other proposals in advance of a larger rollout. (Appendix T was negotiated in 1992. It is composed to two joint committees – a Steering Committee, and a Working Committee with the objective of

exploring service expansion and innovation and change initiatives. When the parties agree, temporary changes can be made to the collective agreement to allow for pilot projects, and if the pilots are successful, changes can be made permanent.)

Costing – and projected revenue generation – for these proposed initiatives would take place once these projects were assessed, and goals established, under Appendix T. However, as CUPW explained in its submission:

[G]iven that other postal administrations have successfully implemented similar initiatives without financial harm, it is reasonable and advisable to assess their feasibility within the Canadian context. The purpose of a pilot is to determine viability, and without testing, it is unreasonable to conclude that these initiatives would fail. It is fair to say that none of these initiatives will immediately rescue Canada Post from its current financial situation, but as other postal administrations around the world have shown, product diversification and innovation are necessary to remain sustainable in the long term.

Even if a specific proposal is revenue neutral, it will contribute to building trust in the Canada Post brand and create additional foot traffic at Canada Post locations. If consumers are visiting the post office (or its website) for financial services, government services, or to order groceries, then they may well decide to deliver parcels, purchase stamps, or do other business with Canada Post while they are there. The positive effect of a convenient one-stop location on consumers' willingness to purchase products is well-known in the business world; if consumers must go out of their way to access services, they are far less likely to do so. Thus, the more diversity in Canada Post's services, the more business Canada Post will generate as a whole.<sup>104</sup>

...

Therefore, the logical course of action is for Canada Post to work towards limited-scale pilots of these initiatives to gather concrete data. A reasonably cautious yet open-minded approach to innovation would serve both Canada Post and the Canadian public. Our Appendix T staff is fully committed to working with the Corporation to achieve this.<sup>105</sup>

## D.1.9 No Structural Barriers to Efficiency in the Collective Agreements

### D.1.9.1 Letter Carrier Route Measurement System (LCRMS)

Related to its proposals to grow the Canada Post business by studying and piloting CUPW's ideas on how to grow the business, CUPW took issue with Canada Post's claims (below) that the collective agreement imposed structural barriers to the efficient and cost-effective delivery of letter mail and parcels. For example, Canada Post's assertion that the LCRMS was obsolete and rigid was incorrect. Time taken to restructure was under the full control of Canada Post.

Appendix CC of the Urban collective agreement provided Canada Post with the right to propose changes to the LCRMS. There was a 30-day consultation period and, if no agreement was reached, arbitration. Canada Post might consider the LCRMS process as "archaic and time-consuming."<sup>106</sup> However, Canada Post had an option: It could work to change this process in consultation with CUPW, using existing mechanisms of the collective agreement. Notably, CUPW observed, the parties had the option of using Appendix AA.

Appendix AA provided the parties with the ability to create pilot projects to address collection and delivery issues. Working collaboratively, using this existing collective agreement provision, was the most appropriate way of investigating and then implementing mutually beneficial collective agreement work rules adjustments.

Between June 2022 and June 2023, a pilot project was initiated at the Champlain Depot in Montreal. Route ownership was maintained – which made sense since employees who know their routes are faster, more efficient, and less likely to injure themselves – but the system itself was dynamic, with daily route restructuring to reflect actual volumes. Or, stated somewhat

differently, mail was delivered only when there was mail to deliver—not daily visits, no matter what. The pilot failed, and that was entirely the fault of Canada Post, in CUPW’s submission:

One of the elements tested during the pilot project was the reassignment of overtime tasks. Because this was a dynamic system, supervisors could know in real time which letter carrier required overtime and could reassign their work to someone else. Local management found reassigning work on a daily basis to be too complicated and kept routes as they were. The Corporation was forced to terminate the project due to the lack of cooperation from local supervisors, who, among other things, found reassigning work daily to be too demanding, even though this had been agreed by the parties at the national level. CPC invested a great deal of money in this pilot project. It is still in the collective agreement, and the parties could agree to try it somewhere else.<sup>107</sup>

#### D.1.9.2 Route Ownership and Overtime

Canada Post built letter carrier routes. Some letter carriers finish early, while others take longer to complete their assigned route (based on predetermined time values and volume averages).

That has been a feature of the system dating back to the late 1960s. The truth was, CUPW submitted, that Canada Post had no idea when letter carriers started work – some began before their official start time – and had no way of determining actual hours worked. It was also beyond impractical to attempt to reassign additional work to letter carriers who finished early.

In a letter carrier depot, the letter carriers arrive in the morning, sort their mail and hit the road. If a letter carrier returns after working 6.30 hours, what kind of work could be assigned to them? There should be no work left since all letter carriers have left with their mail. They would have to go back on the street to assist a fellow letter carrier, but which one? Who decides what work needs to be done? In what way? The supervisor does not know how much work remains to be done by the letter carriers, nor where they are. In addition, if you have to drive to the delivery area, you are looking at a 30-to-40-minute round trip without having done any productive work. Although the idea of reassigning work to a letter carrier who has finished in less than 8 hours may look tempting, it is not realistic in the field.<sup>108</sup>

#### D.1.9.3 Weekend Delivery by Full-Time Employees

Whenever possible, in CUPW’s submission, Canada Post should give preference to full-time employment. With that – hopefully – shared objective in mind, CUPW made a detailed proposal

to implement weekend delivery but by using full-time, not part-time (gigified) employees and by integrating weekend work with regular full-time schedules. A case study – CUPW said it was scalable – was presented to establish that when wages, overtime, benefits, and pension contributions were properly accounted for, weekend work was best – and most cost-effectively – performed by full-time employees.

## D.2 Canada Post Submissions

The situation was, in a word, dire. Canada Post could not meet its obligations: to its creditors, to its employees, and to Canadians. The more than \$1 billion loan/line of credit from the Government of Canada in January 2025 established that. But for that loan/line of credit, Canada Post – sometime in the first half of 2025 – would not have been able to meet its current obligations, including payroll, or redeem \$500 million in bonds coming due in July 2025.

In 2022, Canada Post had a loss before tax of \$548 million; in 2023 it was \$748 million. In the third quarter of 2024 – before the labour dispute – Canada reported a year-to-date loss from operations of \$803 million.<sup>109</sup> Over the last six years, Canada Post had experienced cumulative losses before tax of approximately \$3 billion. A decline in revenue from operations tracked these losses,<sup>110</sup> while the cost of operations increased.<sup>111</sup> By Q3 of 2024, Canada Post's cash balance of approximately \$1 billion would have been nearly depleted but for certain divestitures and the pension contribution holiday (necessitating the \$1 billion loan/line of credit). None of these numbers, Canada Post observed, were imaginary or manufactured: They were real, and as importantly, audited (by Ernst & Young and subject to further review by the Department of Finance and the Auditor General of Canada). Canada Post's financial statements have always

received a clean opinion. CUPW's assertions about fiscal wrongdoing and financial shenanigans were categorically rejected. There was no need for "independent" financial review: That job had already been done by the auditors who had signed off.

In Canada Post's view, there were many root causes for its dismal financial state: Losses arose from letter mail erosion, increasing parcel competition, the USO, collective agreements with the highest hourly rates (and first-in-class total compensation including benefits, myriad leaves, the defined benefit pension plan, and generous post-retirement benefits) across the courier landscape, especially among the non-unionized competitors, and numerous rigid work rules (and not just with CUPW but with other Canada Post unions as well).

The future was, in another word, bleak. Canada Post predicted growing losses if the current model remained unchanged: Canada Post estimated annual losses of \$900 million in 2025, rising to \$1.7 billion in 2029. These predicted deficits might be even higher: "Early indications suggest that the [2024] labour disruption accelerated ongoing electronic substitution of both transaction mail and direct marketing, as customers looked to digital alternatives for their utility bills, letters and marketing initiatives, among other things."<sup>112</sup> Customers also looked to other courier companies, and success in winning back even some of this business remained to be seen. The government loan/line of credit was necessary because even with the recent letter mail stamp increase of 25%, Canada Post would have depleted its cash reserves, as it had repeatedly informed the Government of Canada and CUPW for years.

The message was always the same: letter mail volumes down, direct-marketing material volumes down, parcel volumes down, parcel competition expanding, digital substitution accelerating. No reader of successive annual reports could conclude otherwise.

Canada Post described itself as at a crossroads: Without structural change – to the operating model and to the CUPW collective agreements – it could not meet its mandate; it could not return to financial sustainability as required by the *Act*. The current, and expected to worsen, financial situation needed to be immediately addressed – not by another study – but by changing the way that Canada Post went about its business. All the necessary changes did not need to be implemented at once; but a significant pivot was required. It was, Canada Post argued, as simple and straightforward as that.

## D.2.1 The Canada Post Business

### D.2.1.1 The Universal Service Obligation

At one time, indeed for a long time, the letter mail monopoly – the exclusive privilege – provided Canada Post with a competitive advantage. Declining volumes had changed that, and the declines were continuing and irreversible. At the same time, the parcel business became hyper-competitive. Canada Post was losing the profitable part of the business – the high-density urban and suburban parcel deliveries – while maintaining the less profitable part of the business. Obviously, the USO was not part of the business model of the existing and new courier competitors. It was, in other words, the worst of both worlds. This phenomenon, while especially acute in Canada for reasons of geography, was not unique to Canada Post; all over the world national postal services were struggling with the challenges of their own USOs in the face of

declining letter mail and growth in demand for same-day/next-day parcel delivery with fully resourced, highly efficient private sector competitors in hot pursuit of market share.

#### D.2.1.2 Parcel Delivery

The business had to change, in Canada Post's view, starting by introducing 7-day-a-week parcel delivery. This was critical if Canada Post were to have any possibility of a financially sustainable future. Canadians expected same-day, next-day, and weekend delivery. Parcel delivery was the only area of possible revenue growth. To be sure, both Urban and RSMC collective agreements had weekend delivery provisions, but those provisions were of limited value. In its submissions, and at the January and February hearings, Canada Post explained why.

#### D.2.1.3 Urban

The collective agreement required a regular Monday–Friday delivery week. This requirement, and the Urban collective agreement rules underpinning it, was created when letter mail was a significant and profitable business. That was no longer the case. Weekend parcel deliveries had to be performed on the weekend (almost exclusively) by full-time Monday–Friday volunteer letter carriers paid overtime rates. Canada Post was not allowed, under the Urban collective agreement, to engage a dedicated but flexible part-time letter carrier workforce to work weekends – pre-scheduled, but also as required – at straight-time rates, which was needed in a delivery environment where volumes fluctuated from day to day, week to week, and month to month (making hiring more full-time employees as proposed by CUPW an immediately losing and completely untenable proposition). Having full-time employees sitting around because of insufficient volume to fill their shifts was not the solution to the problem. The last thing Canada

Post wanted was more trapped time (see D.2.2.1, below). What was required was flexibility to match (daily-changing) volume with part-time employees.

#### D.2.1.4 RSMC

The RSMC collective agreement did not allow for the establishment of weekend parcel delivery. Any expansion of service from Monday to Friday to include Saturday and/or Sunday delivery would be treated as excess work to the normal workweek. Simply put, there was no effective or efficient means of providing weekend work.

### D.2.2 Status Quo Collective Agreement Provisions No Longer Viable

Status quo collective agreement provisions were no longer viable, and they had not been for years. Collective agreement provisions designed for a time when letter mail delivery was the primary business hampered, Canada Post argued, its ability to deliver outside of Monday–Friday. Without a viable 7-day-a-week delivery model for both Urban and RSMC, and without the ability to effectively deploy part-time employees during the week, Canada Post submitted that it could not recover any part of the parcel market that it had lost and would be challenged to retain the diminished share it had retained.

There were specific collective agreement work rules that prevented Canada Post from running an efficient operation.

#### D.2.2.1 Urban

Letter carriers owned their routes. This ownership precluded Canada Post from reassigning work based on fluctuating volume and workforce availability. Letter carriers were paid 8 hours a day –

that was a collective agreement commitment – but there was a variability in volume and, thus, hours worked, leading to both trapped time and overtime. This requires some elaboration.

If the letter carrier took less than 8 hours to complete their route, they were still paid for 8 hours. The parties call this “trapped time.” A letter carrier who finishes early can go home. Canada Post has no ability to reassign work within the 8-hour window. A letter carrier who completes their route in less than 8 hours can be asked – strictly on a volunteer basis – to assist another letter carrier with a higher volume, but, assuming they volunteered to do so, they must be paid overtime even when that additional work took place within the initially scheduled, and paid for, 8-hour window. Likewise, if overtime were required on the letter carrier’s route, that letter carrier would receive the overtime (instead of Canada Post being able to redeploy a letter carrier on another route who had finished their deliveries). Canada Post rejected the notion that it would be impractical to assign work to a letter carrier returning early to the depot since there would not be enough time left at the end of the day. It had no intention of waiting until the end of the day if it could get relief from this collective agreement restriction: It would reassign before letter carriers left the depot in the morning by load levelling, to even out loads. In short, Canada Post was of the view that, like any other employer in the world, it was entitled to expect its employees to work for the hours they were paid.

#### **D.2.2.2 Adjusting for Volume Fluctuation Using the LCRMS**

Under the Urban collective agreement, Canada Post builds and adjusts letter carrier routes using the Letter Carrier Route Measurement System (LCRMS). It is a very complicated, time-consuming, and often contested process. Involving hundreds of Canada Post employees, the

LCRMS requires the collection of all sorts of granular data and references governing documents with hundreds of pages of detailed procedures. The goal of the system is to design routes that require 8 hours (480 minutes) of work. When parcel lockers were introduced, for example, it took the parties several years to reach agreement on the time standards (the different values associated with delivering mail to and clearing mail from a parcel locker) – down to fractions of a second. The process can go on for years, and when results are eventually reached, the new route is often immediately out of date. Moreover, the LCRMS model is based on a daily average. The routes were fixed, leaving Canada Post with no ability to adjust letter carrier schedules to match volume.<sup>113</sup>

There were other problems as well. When the parties could not agree on route restructures, these disputes were sent to a specialized arbitrator. Predictably, grievances, and then arbitrations, go on for years. This system was not suited to the modern delivery reality, where loads change daily; if anything, it was, in Canada Post's estimation, completely counterproductive.

Another related factor contributing to overall inefficiencies, Canada Post suggested, needed to be borne in mind. Almost all routes were serviced by full-time letter carriers – 94%. But part-time letter carriers can be used only where a route cannot be LCRMS-designed at 8 hours, not to assist with additional workload on other routes. Other fetters in the collective agreement restricted Canada Post's ability to use temporary employees to assist with workload fluctuations, meaning that it had to rely on overtime to meet its service obligations.

### D.2.2.3 RSMC Delivery Operations

Simply stated, rural and suburban carriers used to be independent contractors who bid for their routes in a tendering process and then individually negotiated their terms and conditions of employment. The current compensation system is complicated, but the problem, from Canada Post's perspective, was that under the RSMC collective agreement, the compensation system cannot be adjusted based on workload fluctuations. RSMC route holders are paid their full route value no matter how long the work takes and no matter what volume is assigned for delivery. According to Canada Post, there was often a disconnect between the time assigned to different routes and actual working time.

In 2021, as part of the renewal collective agreement, the parties agreed to establish a committee to transition RSMC employees to an hourly paid rate conditional on the development of a new workload measurement approach (the previous system being a legacy of the contractor era). (Progress was made in the Commission-facilitated mediation discussions in resolving outstanding RSMC issues.)

### D.2.2.4 Mail-Processing Staffing Constraints

Increasing parcel deliveries was Canada Post's first step toward financial sustainability. Canada Post's commercial customers were the target market as they made up most of the total volumes. And they made their expectations clear: delivery of their parcels to Canada Post as late as possible in the day, with their products processed and out for delivery the next day, including weekends. To meet these market demands, Canada Post required extra employees but typically for only a few hours each day. This was not possible, Canada Post submitted, under current

Urban collective agreement provisions (and would not be cost effective or practicable under CUPW's proposed plan to hire full-time weekend employees).

The normal workweek for full-time employees was 5 days; 8 hours a day, 40 hours a week. This did not allow Canada Post to flex up or down. Under the Urban collective agreement, there was no classification of employees who could be scheduled to work only on weekends. A ratio provision required a certain number of full-time to total hours, and if the ratio was not met, additional full-time positions had to be created. None of Canada Post's competitors had to operate under these restrictions; they all had significant part-time workforces.

#### **D.2.2.5 Limits on Canada Post's Ability to Contract Out**

Both the Urban and RSMC collective agreements imposed limits on contracting out work.

Neither introducing new restrictions nor agreeing to CUPW's new contracting-in proposals was consistent with a return to financial sustainability, in Canada Post's submission.

#### **D.2.2.6 Workforce Adjustment – Urban**

Under the Urban collective agreement, Canada Post did not have the right or ability to lay off surplus employees. Instead, surplus employees had the choice of accepting a different position or agreeing to a voluntary layoff. Where the employee elected to accept a different position, Canada Post must maintain the employee's salary even if there are no available positions until one becomes available. In Canada Post's view, paying employees when there was no work for them to perform was untenable. Relying on natural attrition was not an answer that Canada Post could accept as organizational changes were required immediately.

#### D.2.2.7 Workforce Adjustment – RSMC

RSMC employees also enjoyed significant job security protections: They were eligible for job security after five years of continuous employment. Surplus employees receive pay continuance and may be assigned to vacancies on comparable routes or position within a 75 km radius of their previous position (and if no such vacancies exist within 75 km, surplus employees may be eligible for other positions). Employees can remain classified as surplus for up to 12 months before being laid off and placed on the recall list, where they can remain for an additional 12 months.

The practical problem that Canada Post faced – and described – was that because of the remoteness of many RSMC postal installations, Canada Post had a limited range of reassignment options. In these circumstances, Canada Post could not agree to provide RSMC employees with increased job security protection. (It had, however, offered to prioritize, and to the extent possible, implement, 40-hour per week/8-hour per day schedules.)

#### D.2.2.8 Appendix JJ and Other Collective Agreement Provisions Cannot Be Relied Upon

Notwithstanding CUPW's assertion that the existing Urban collective agreement provided the tools required to implement an affordable weekend delivery solution, Canada Post said, and explained, why that was not true.

Appendix JJ, for example, pointed to by CUPW, was inapposite. Introduced into the Urban collective agreement in the 2016 round, this provision was limited in scope. It permitted only weekend delivery of new products and service offerings; it did not allow Canada Post to deliver

existing parcel products on weekends and could not be used to support fluctuating volumes during the week. Appendix JJ produced real and measurable burdens on Canada Post's commercial customers. More importantly, because it applied only to new products, Canada Post had to segregate new products from existing products: to silo those eligible for weekend delivery and those not, which was impractical, time consuming, costly, and labour intensive. Simply put, Appendix JJ, which expires at the end of the current collective agreement, was not, in Canada Post's view, a reliable or practical solution to providing 7-day-a-week parcel delivery.

#### D.2.2.9 Appendix S

Likewise, in Canada Post's submission, Appendix S – allowing Canada Post to create parcel-only routes using mail service couriers – was subject to strict rules in a structured system and had to be developed in consultation with CUPW. The mail service couriers, however, could deliver only parcels on their routes; they were not allowed to deliver letter mail. It was not efficient to have a letter carrier and a mail service courier make independent visits on the same day to the same address (among a much longer list of associated issues that Canada Post identified in its brief).

#### D.2.2.10 Voluntary Overtime – Urban

It was correct, Canada Post acknowledged, that it could use its full-time Monday–Friday workforce on the weekends, but it had to solicit volunteers and pay them overtime rates. Canada Post did so in peak periods, but it was cost prohibitive and its voluntary character meant that it could not count on sufficient volunteers. From a business perspective, it did not make sense to Canada Post to offer customers weekend delivery but then rely on (an uncertain supply of) volunteers paid overtime to staff it. It needed certainty, and reliability, and the ability to adjust

hours – inevitably, part-time hours – to match volume. Again, CUPW’s proposal to hire full-time weekend workers was not an option that Canada Post could responsibly consider.

#### **D.2.2.11 Voluntary Overtime – RSMC**

Saturday and Sunday delivery was considered excess work, meaning that it could not be assigned. RSMC employees had to volunteer, and when they did they were effectively paid double time. There was, in Canada Post’s submission, no efficient cost-effective means to offer weekend delivery within the RSMC collective agreement.

#### **D.2.2.12 The Pension Plan**

With \$30.9 billion in assets as of December 31, 2023, the Canada Post defined benefit pension plan was one of the largest single-employer sponsored plans in the country. There has been a contribution holiday as of December 31, 2022, as the plan was fully funded (going concern and solvency). The fact remained, however, that as the sole sponsor, Canada Post was entirely responsible for the funding and the sustainability of the plan. Other groups had agreed that new employees would join a defined contribution plan.

#### **D.2.2.13 Post-Retirement Benefits**

More than 26,000 CUPW retirees were in receipt of post-retirement extended health benefits.

The average age of the currently active employee population was approaching 50. In these circumstances, Canada Post was of the view that the cost of providing these benefits would increase in future years and noted that CUPW retirees paid the lowest share of the cost for post-retiree benefits among all Canada Post retirees.

### D.3 Why Collective Bargaining Failed

The explanation was straightforward: On the one hand, Canada Post was facing an established and existential fiscal crisis with only increased deficits in its future caused by continuing and accelerating declines in letter mail and parcel deliveries coupled with highly restrictive work rules. Canada Post needed to change direction from certain insolvency to a path with at least the promise of future sustainability. That meant reasonable and incremental changes to the operating model. The nearly 600 pages of the Urban collective agreement and the 190 pages of the RSMC collective agreement contained detailed and restrictive rules about how Canada Post must manage its business, operations, and workforce; rules and restrictions designed for a different era, one with large, stable letter mail volumes that supported the system. The collective agreements required modernization, in Canada Post's submission.

These collective agreements also contained best-in-class terms and conditions: total compensation and innumerable paid leaves, but also the defined benefit pension plan and job security provisions unknown in the private sector, much less among Canada Post's courier competitors. Those competitors, to repeat, were not obligated to deliver to every Canadian address – they had no USO – allowing them to focus on profitable high-volume routes and ignore the rest, and they did so at a productive hourly rate that was much lower than that found at Canada Post.

Canada Post had, it believed, established a case for change – it had established demonstrated need – but CUPW would not engage. That is why, in Canada Post's view, bargaining failed. Indeed, CUPW rejected audited financial results and denied without any basis the existence of the fiscal cliff made manifest by the Government of Canada's January 2025 emergency loan.

Bargaining could not succeed in an environment where CUPW would not accept minimum long overdue changes that Canada Post required to have any future, let alone a sustainable one. “To be able to achieve its long-term goals, Canada Post is seeking reasonable and appropriate incremental changes that would help it transition from traditional models to a more flexible, efficient and cost-effective workforce.”<sup>114</sup> Canada Post objected to CUPW’s characterization of its bargaining position and pointed instead to many of its proposals directed at addressing specific CUPW demands (along with its own proposed changes).<sup>115</sup> In Canada Post’s characterization of the bargaining – except for some limited progress at the RSMC table – CUPW’s bargaining stance completely ignored the fiscal reality and its legitimate and pressing bargaining needs: “Canada Post simply could not agree to CUPW’s offers without jeopardizing any chance it had of returning to financial sustainability.”<sup>116</sup>

As Canada Post saw it, and it reviewed the exchanges of offers over the many months of collective bargaining, with small exceptions, CUPW’s offers were characterized by reactive rejection of requests for flexibility, reflected in it advancing proposals to reinforce, indeed, expand on, the status quo (which itself was unacceptable). CUPW’s proposals, if entertained, would have taken Canada Post in a direction completely opposite to what was needed to return to financial sustainability. Canada Post costed CUPW’s proposals at approximately \$3 billion over the life of the proposed collective agreements.

Stated somewhat differently, from Canada Post’s perspective, instead of acknowledging legitimate and potentially existential fiscal concerns establishing a demonstrated need for change, CUPW robotically rejected any of Canada Post’s proposals directed at addressing current

and future financial sustainability (and made matters worse by pointing to provisions in the collective agreement that it said could be relied upon to achieve, for example, weekend delivery or route efficiency when it knew, or should have known, that was not the case). Not only that, CUPW proposed to make the situation even worse by advancing completely unaffordable and unjustified proposals that introduced new collective agreement restrictions that would make the terrible fiscal situation even worse. None of its so-called grow-the-business proposals presented in bargaining and at the Commission – whether for senior check-in, solar panels, turning post offices into solar vehicle charging stations or social hubs with artisanal markets, or contracting in more work – would address any of Canada’s Post’s immediate and pressing challenges.

Change was required, real change, but Canada Post acknowledged that it could not come overnight. Nor did Canada Post aspire to the gig model used by so many of its competitors. It asserted a commitment to providing desirable, fair, and safe terms and conditions of employment for all its employees. “With these factors in mind, Canada Post approached this round of bargaining with proposed changes that represent **first steps** toward strengthening a more customer-focused and financially sustainable organization, while continuing to provide competitive benefit packages to its employees” (emphasis in original).<sup>117</sup> Put another way, “Canada Post does not seek to accomplish everything at once. Rather, Canada Post’s focus is on the most effective solutions to its pressing challenges.”<sup>118</sup>

For Canada Post to have a sustainable future, it stated that it needed a bargaining partner that came to the table appreciating the real challenges that needed to be addressed. Denying the existence of a fiscal crisis was not a path forward; nor was advancing all sorts of proposals for a

vastly expanded post office of dubious and unproven desirability and years away, in any event, from proper evaluation and piloting, assuming there was interest by anyone other than CUPW (which there was not).

## D.4 Canada Post's Vision of the Post Office of the Future

To become a sustainable service provider, Canada Post could no longer count on letter mail to fund any part of its operations. That part of the business model was long gone and was never coming back. What Canada Post required was the ability to compete in a parcel-centric world. That meant 7-day-a-week parcel delivery. And to achieve that, it needed to be able to base delivery routes on actual volume, and to offer weekend/evening/next-day delivery at affordable rates using a flexible part-time workforce that was deployed to respond to volume. “Achieving this flexibility requires a multi-year, multi-stage vision that includes significant regulatory and collective agreement modernization. This cannot be done overnight or within the current constraints on Canada Post.”<sup>119</sup> The end result must be, in Canada Post's submission, an organization that provided reliable service to Canadians everywhere.

### D.4.1 The Immediate Vision

In the immediate term, Canada Post sought necessary regulatory and collective agreement changes that reflected the reality of the irreversible and continuing decline of letter mail, that allowed it to:

1. Offer a delivery model that reduced labour costs, meaning paying employees fairly for the time they worked and minimizing unproductive (trap) time; and

2. Offer affordable weekend and next-day deliveries or, in other words, parcels delivered every day of the week.

#### D.4.2 Five-Year/Ten-Year Visions

With 7-day-a-week parcel delivery entrenched, Canada Post envisaged a future where it could operate under realistic service standards that reflected the reality of letter mail erosion but provided Canadians, no matter where they lived, with access to both letter mail and parcel delivery, and with flexibility in how and when the service was provided while ensuring that the needs of rural, remote, and Indigenous communities were met. Canada Post saw a future where it could

- offer letter mail pricing that was tied to the cost of delivery (and reset to an adjusted service standard);
- maintain a highly accessible retail network, both corporate and partnered;
- adjust the workforce to meet operational needs and respond to competitive pressures;
- offer desirable, fair, and safe jobs but with market labour rates and market terms and conditions of employment;
- reinvest earnings in building a better Canada Post; and
- minimize the impact on the environment.

## D.5 How to Get from Here to There

Canada Post required, it submitted, immediate adjustments to existing collective agreement work rules and to the regulatory environment and, in the longer term, transformative change. Without immediate collective agreement adjustments allowing it to affordably and efficiently focus on 7-day-a-week parcel delivery, market share erosion would continue and losses would grow.

Without immediate adjustments followed by transformative change, Canada Post could not, and would not, return to financial sustainability in the short term, medium term, or long term.

Canada Post proposed changes to the collective agreements, to the regulatory framework, to the moratoriums on rural post office closures and community mailbox conversions, and to the process for setting postage rates.

Canada Post, it submitted, was committed to providing fair, desirable, and safe employment. It acknowledged the value and importance of full-time employment: 94% of letter carrier routes were full time. However, Canada Post required a part-time delivery workforce to manage fluctuations (and employee absenteeism, vacations, and paid and unpaid leaves). Part-time employees would provide Canada Post with the flexibility it needed to deal with volume. This workforce need not and, in Canada Post's view, should not, come at the expense of full-time employees.

### D.5.1 Urban: Part-Time Flex

Canada Post proposed a new Part-Time Flex (PTF) function within the PO LC-1 PT classification, as follows:

- The PTF function will be staffed with regular employees at a maximum of 15 per cent of full-time employees in the Letter Carrier classification in a postal unit or installation.
- PTF employees will have a guaranteed weekly schedule of 20 hours per week (Monday to Friday), but must be available to work up to 30 hours per week, when required, and may accept up to 40 hours per week on a voluntary basis.
- PTF employees will enjoy the same benefits as regular employees, subject to eligibility requirements, including job security, pension, and generous leave provisions, fostering talent retention and stability.<sup>120</sup>

In Canada Post's submission, this proposal would provide meaningful and well-compensated part-time employment. These were not gigified jobs; far from it. This workforce would allow Canada Post to optimize its operations, meet 7-day-a-week parcel delivery demands, and reduce trapped time and overtime.

### D.5.2 RSMC: Permanent Flex Employee

Canada Post proposed to replace the existing position of Permanent Relief Employee with a new Permanent Flex Employee (PFE). PFE assignments could be created for parcel-only and other work, including on weekends, and to replace employees on vacation and other leaves. These positions would maintain a minimum schedule of 20 hours per week (up to 40 hours) with no daily schedule exceeding 9 hours. Again, in Canada Post's submission, these would not be gigified jobs.

### D.5.3 Affordable Weekend Parcel Delivery

#### *D.5.3.1 Urban Weekend Delivery*

Canada Post proposed that weekend parcel delivery be performed by part-time employees: Parcel Delivery Part-Time (PDPT). The work would not be route based, providing Canada Post with the flexibility it needed to arrange weekend schedules according to volume and destination (in

contrast to the sclerotic process of route ownership and LCRMS, both of which were completely inconsistent with meeting market demand and volume changes). Part-time weekend parcel delivery employees would be assigned a depot and scheduled for at least 15 hours (primarily on the weekend, with an entitlement to two consecutive days of rest). In the meantime, full-time letter carriers would retain their Monday–Friday schedules.

#### *D.5.3.2 RSMC Weekend Delivery*

PFEs would provide weekend parcel delivery services (working up to a maximum of 5 days a week). Compensation arrangements would have to be agreed upon.

#### *D.5.3.3 Advantages of Canada Post's Weekend Delivery Models*

In Canada Post's view, its proposed models would provide good jobs to part-time employees. Its models provided stability for full-time letter carriers who would continue to work Monday to Friday and not be asked to work on weekends (promoting work-life balance as requested by CUPW). CUPW's full-time weekend work proposal, in marked contrast, relied on full-time employees with productive hourly rates that significantly exceeded competitors' – making it uneconomic right out of the gate (and would result in more trapped time).

#### *D.5.4 Load Levelling of Work*

Under the Urban collective agreement – as outlined above (D.1.9.2) – despite fluctuation in letter mail, parcels, and direct-marketing materials, Canada Post had no practical ability to assign a letter carrier additional work to maximize the productive use of paid hours. This limitation led to a stark, and in Canada Post's submission, unacceptable, result: “[S]ome employees finish work early and go home with a full day's pay while others work overtime at premium rates.”<sup>121</sup> In

these circumstances, Canada Post identified and proposed a solution to address route ownership rules and the restrictions on its ability to reassign work within scheduled and paid hours. That solution was load levelling.

In brief, under Canada Post's proposal, amendments would be made to the Urban collective agreement to allow it to reallocate collection and delivery activities to optimize the use of scheduled hours and to assign collection and delivery activities to employees with unused hours. By and large, most letter carriers would maintain predictable work schedules and areas of delivery, but Canada Post would have the flexibility, in both low- and high-volume situations, and in unforeseen circumstances, to manage workloads that maximized the use of scheduled (and paid) hours, and avoid overtime. Another salutary element of the proposal, in Canada Post's submission, was that with an ability to level work, health and safety risks associated with overburdening on high-volume days would be lessened. Canada Post did not agree with CUPW that as a practical matter, it could not assign productive work, for example, to a letter carrier who finished their route in less than 8 hours.

#### D.5.5 Dynamic Routing

Dynamic routing refers to a process of calibration of work hours and volume. Canada Post stated that it had all the information it required to institute dynamic routing: It knows the daily volume going to every depot. It knows the discrete delivery addresses. It knows the workload associated with the delivery to each address. It can combine this information to determine workload daily in real time, and then appropriately adjust routes and the delivery path. In 2017, the parties agreed to a Dynamic Routing pilot project with the objective of testing "flexible dynamic routing

delivery models (motorized and foot walks) that maximize a predictable workday for employees, enable predictable delivery for customers and enhance the overall employee and customer experience.”<sup>122</sup>

The pilot project failed in Canada Post’s view; not because it was a bad idea, and not for the reasons suggested by CUPW, but because the parties could not agree on many of its core components (as Canada Post outlined in its written submissions and at the hearings).

The need for dynamic routing continued, in Canada Post’s submission. To succeed, Canada Post required the ability to align workloads daily, prevent overburdening of employees, and respond to customer needs in real time. Introducing dynamic routing was a long-term project, unlikely to be achieved through the term of the next collective agreement. But Canada Post could not, and would not, allocate the necessary resources to introduce dynamic routing without making the necessary collateral changes to the Urban collective agreement. In the meantime, it needed the ability to test drive its dynamic routing model in up to 10 locations, and it set out its proposal to do so in its brief.

#### **D.5.6 RSMC Hourly Rate and Workload Measurement System**

There was already agreement in place to transition RSMC employees to hourly paid, conditional on development of an updated workload measurement system. Routes had to be restructured with appropriate time values that accurately reflected the work performed – routes, in other words, that were suited to hourly remuneration (not the current activity-based compensation model). Many of the key elements of this new measurement system have been agreed upon. Canada Post

proposed that the outstanding items be subject to a joint validation process, and if no agreement reached, arbitration.

## D.6 Why CUPW's Proposals Did Not Work

CUPW's proposals did not work, Canada Post observed. First, there were the existing rigid collective agreement restrictions (see D.3 above, Why Collective Bargaining Failed). Canada Post needed to immediately offer competitive 7-day-a-week parcel delivery, and the collective agreements did not provide it with the mechanisms to do so. Second, CUPW's undetailed generalized proposals about how to grow the business were aspirational and unrealistic; CUPW and its proposals, whether intentional or not, were tone deaf to the immediate challenge: doing what needed to be done to recapture and then retain a meaningful share of the parcel delivery market by making immediate, necessary, and appropriate adjustments to the collective agreements that were mindful of and responsive to the current crisis by allowing Canada Post to offer competitive 7-day-a-week parcel delivery with part-time employees scheduled based on volume (and not hire completely unnecessary full-time weekend workers, as suggested by CUPW).

### D.6.1 Canada Post's Rejection of CUPW Proposals to Restrict Flexibility

What was required was additional flexibility to meet current challenges, not the introduction of new collective agreement rules, whether deliberately intended or not, that would have the opposite effect. Canada Post rejected CUPW's proposal to restrict SSD (which had been upheld at arbitration). (See D.1.6.4, above.) It rejected CUPW's proposal to obtain RSMC job security, which provided parity equivalent to that in the Urban collective agreement. It rejected CUPW's

demand for a wholesale prohibition on contracting out. It rejected CUPW's proposed expansion of the technological change provision of the collective agreement as this proposal would require Canada Post to consult with CUPW before implementing virtually any change (and leave it up to an arbitrator if the consultations did not result in agreement). It rejected CUPW's demand that Canada Post provide RSMC employees (who largely provide their own vehicles and receive reimbursement) with corporate vehicles at the cost of approximately \$100 million. It rejected various proposed changes to the ratio and other provisions of the Urban collective agreement.

### D.6.2 Cost Savings

In addition to collective agreement flexibility to successfully and competitively introduce weekend work and parcel delivery, Canada Post identified the need to address its high labour costs. The productive hourly rate was, as set out above (see D.5.3.3), higher than any of the labour costs incurred by its unionized competitors, and much higher than what was found at the non-unionized competitors (many of which were staffed by independent contractors). Likewise, existing Cost of Living Allowance (COLA) payments shifted the risks associated with high inflation to Canada Post.

Between 2001 and 2020, the COLA clause was not activated. In 2021, 2022, and 2023, it was at a cost of approximately \$78 million (when Canada Post posted a loss of \$748 million). Other costs incurred by Canada Post – unknown among its unionized and non-unionized competitors – included pre-retirement leave, marriage leave, leave for other reasons (after personal leave was exhausted), examination leave, career development leave, personnel selection leave, and night workers' leave. Vacation leave at Canada Post was demonstrably superior to its unionized

competitors. None of the competitors enjoyed five minutes of paid wash-up time or paid lunches. Post-retirement benefit costs were projected to increase. All other employee groups had moved to a 50-50 cost-sharing ratio (and management employees paid 100% of the premiums). CUPW members paid 35%. This was not, Canada Post suggested, defensible or sustainable on a comparability basis. The pension plan was currently stable – a pension contribution holiday was in effect – but Canada Post was responsible for funding any deficits in this sole-sponsor plan. Except for CUPW members, Canada Post had moved all its other employees, including those in other unions, to a defined contribution plan.

## D.7 Canada Post’s Proposals for Renewal Collective Agreements

### D.7.1 Wages

Year 1 (2024): 5%  
Year 2 (2025): 2.5%  
Year 3 (2026): 2.0%  
Year 4 (2027): 2.0%

### D.7.2 Pension and Benefit Eligibility

Currently, employees are eligible to receive benefits and participate in the pension plan as of the date they become regular employees. Putting aside that defined benefit pension plans were now anomalous, especially for new hires, Canada Post proposed that newly hired employees become eligible for pension and benefits only after six months of consecutive service as a regular employee.

### D.7.3 Post-Retirement Benefits

Canada Post proposed amending the split to 60-40 for future retirees only, beginning January 1, 2026.

### D.7.4 Wash-Up Time

Canada Post proposed elimination, which would not impact take-home pay but would reduce unproductive time.

## D.8 CUPW's Economic Proposals Completely Untenable

In Canada Post's view, all CUPW's economic proposals must be rejected, including reducing the Urban grid from seven steps to five and adding 10 paid medical days. Canada Post currently offered 13 paid personal days that can be used for any reason. Canada Post rejected the demand for increases to payments from 75% to 86% for Injury on Duty Leave (together with the ability to top up this benefit to 100% of regular wages using credits and carry-over). Canada Post rejected CUPW's demand for changes to the Compensatory Time provisions allowing for unlimited carry-over.

## D.9 Changes to the Regulatory Framework

The current regulatory framework created challenges for Canada Post. Reviewing the regulatory framework – along with modernizing the collective agreements – called out, Canada Post submitted, for immediate attention.

### D.9.1 Comprehensive Review of the Regulatory Framework

The Postal Charter, described above (see 2.6), sets out the Government of Canada's service expectations for Canada Post. The Postal Charter had not changed since 2009 (when the current service standards were put into place). The Postal Charter is subject to review every five years but has not been reviewed since 2018 (before the precipitous decline in letter mail and the explosion in parcel mail delivery and the expansion of both unionized and low-cost competitors). A review, and a refresh to meet current conditions, was, accordingly, overdue, and that meant providing baseline services while ensuring cost effectiveness.

## D.10 The Moratoriums

### D.10.1 Closure of Rural Post Offices

Cancellation of the moratorium on the closure of rural post offices was also necessary. A blanket moratorium that was oblivious to current demographic and census data was inappropriate, in Canada Post's view. Moreover, there were more effective ways to conveniently serve Canadians other than traditional post offices (for example, by providing access to Canadians where they worked, lived, and shopped). Canada Post acknowledged the importance of its post office network to Canadians across the country, especially those living in rural and remote regions, but the moratorium significantly contributed to its current financial unsustainability. Approximately 30% of post offices in areas deemed rural in 1994 were now classified as urban, according to Statistics Canada data. The moratorium precluded the conversion of post offices to franchise outlets (which were managed by retail partners, often pharmacies, with better hours and convenient locations).

### D.10.2 Moratorium on Community Mailbox Conversion

Likewise, and as part of any regulatory framework review, Canada Post sought an end to the moratorium on community mailbox conversions. As noted, more than 70% of Canadians had their mail and parcels delivered to a centralized location. Community mailbox conversions has been identified as Canada Post's greatest savings opportunity.<sup>123</sup> For the past 40 years, homes built in new developments have received delivery to community mailboxes; there have been no new addresses added to door-to-door delivery. Meanwhile, some 40% of delivery costs went to serving 25% of Canadian addresses. Delivery to the door costs 75% more than delivery to a community mailbox (\$284 per address vs. \$162). For those communities served by community mailboxes, Canada Post had in place a personalized accommodation program for people with disabilities and seniors. Community mailboxes also enhanced letter carrier health and safety; there were fewer injuries resulting from slips, trips, falls, sprains, and animal bites.

### D.11 Updated Process for Calculating and Setting Regular Letter Mail Price Increases

An updated, timely, and efficient process was required for calculating and setting regular letter mail increases while ensuring regulatory oversight and stakeholder consultation. Continuation of the current cumbersome system was untenable. Stamp prices were not keeping pace with the rising cost of delivery and operations. They have not kept pace with the growth in Canadian wages. And they were underpriced in comparison with other Western postal operations. The current approval timeline was untenable: It took too long. An updated process would need to be reflected in changes to the *Act* and the Postal Service Charter.

## Notes

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<sup>1</sup> <https://www.canadapost-postescanada.ca/cpc/en/our-company/financial-and-sustainability-reports/2023-annual-report/corporate/service-charter.page>

<sup>2</sup> House of Commons, *The Way Forward for Canada Post*: Report of the Standing Committee on Government Operations and Estimates, Tom Lukiwski, Chair, December 2016, <https://www.ourcommons.ca/Content/Committee/421/OGGO/Reports/RP8673298/oggorp04/oggorp04-e.pdf> (hereafter *The Way Forward for Canada Post*).

<sup>3</sup> *The Way Forward for Canada Post*, for example, Recommendation 25: “Canada Post continue to focus on growing its share of the parcel market through new and innovative services to meet market and customer expectations”; or Recommendation 24: “Canada Post consider greening its operation through addition of recycling containers and garbage containers at community mailboxes.” To say the recommendations were laser focused on dealing with the urgent issue that was identified – looming insolvency – would be inaccurate.

In its Dissenting Report, the Conservative Party of Canada stated that “the majority report does not adequately reflect the testimony ... nor does it lay out viable options for the future success of the CPC; on the contrary, the majority report simply presents a wish-list of incoherent proposals, and ignores credible recommendation that would help the CPC create a sustainable business model, grounded in the evolving demand for the projects they offer.” The Dissenting Report went on to note a Canadian consensus for a universal switch to community mailboxes and reductions in home delivery among other initiatives that would save money and not require expenditure of tax dollars, for which there was no public support (*The Way Forward for Canada Post*, at 173, 174).

<sup>4</sup> Canada Post Corporation, *2023 Annual Report*, Service Charter. <https://www.canadapost-postescanada.ca/cpc/en/our-company/financial-and-sustainability-reports/2023-annual-report/corporate/service-charter.page>

<sup>5</sup> Charter expectation 1 – Canada Post will maintain a postal system that allows individuals and businesses in Canada to send and receive mail within Canada and between Canada and elsewhere. Canada Post will provide a service for the collection, transmission and delivery of letters, parcels and publications.

Charter expectation 2 – The provision of postal services to rural regions of the country is an integral part of Canada Post’s universal service.

Charter expectation 3 – Canada Post will charge uniform postage rates for letters of similar size and weight, so that letters to Canadian addresses will require the same postage, regardless of the distance to reach the recipient.

Charter expectation 4 – As required by the *Canada Post Corporation Act*, Canada Post will charge postage rates that are fair and reasonable and, together with other revenues, are sufficient to cover the costs incurred in its operations.

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Charter expectation 6 – Canada Post will deliver letters, parcels and publications five days a week (except for statutory holidays) to every Canadian address, except in remote areas where less frequent service may be necessary due to limited access to the community.

Charter expectation 7 – Canada Post will deliver to every address in Canada. This may be delivery to the door, a community mailbox, group mailbox, a rural mailbox, a postal box, general delivery at the post office or delivery to a central point in apartment/office buildings.

Charter expectation 8 – Canada Post will deliver letter mail:

- within a community within two business days;
- within a province within three business days; and
- between provinces within four business days.

Charter expectation 9 – Canada Post will provide an extensive network for accessing postal services that includes retail postal outlets, stamp shops and street letter boxes, as well as access to information and customer service through Canada Post’s website and call centres.

Charter expectation 10 – Canada Post will provide retail postal outlets, including both corporate post offices and private dealer-operated outlets which are conveniently located and operated, so that:

- 98 per cent of consumers will have a postal outlet within 15 km;
- 88 per cent of consumers will have a postal outlet within 5 km; and
- 78 per cent of consumers will have a postal outlet within 2.5 km.

Charter expectation 11 – The moratorium on the closure of rural post offices is maintained. Situations affecting Canada Post personnel (e.g., retirement, illness, death, etc.) or Canada Post infrastructure (e.g., fire or termination of lease, etc.) may, nevertheless, affect the ongoing operation of a post office.

Charter expectation 14 – At least one month before deciding to permanently close, move or amalgamate corporate post offices, Canada Post will meet with affected customers and communities to jointly explore options and find practical solutions that address customer concerns.

<sup>6</sup> Canada Post reports annually on compliance with the Canadian Postal Service Charter. See, for example, *2023 Annual Report*.

<sup>7</sup> Canada Post, Industrial Inquiry Commission, Written Submissions of Canada Post Corporation (January 2025), at 11 (hereafter Canada Post, Written Submissions (January 2025)). See also Robert Malcolm Campbell, Canada Post Study Prepared for Industrial Inquiry Commission, February 2025 (hereafter Campbell, Canada Post Study).

<sup>8</sup> See Campbell, Canada Post Study, at 10–12.

<sup>9</sup> On February 23, 2025, following a federal Cabinet meeting of the Committee on Internal Trade, the Government of Canada announced the lifting of an exception in the Canadian Free Trade Agreement (CFTA) that stipulated that Canada Post had the sole and exclusive privilege of collecting, transmitting and delivering letters. As set out in this Report (section 2.5, Relevant Provisions of the *Act*), under section 14(1) of the *Act*, Canada Post “has the sole and exclusive privilege of collecting, transmitting and delivering letters to the addressee thereof within Canada.” The February 23, 2025, announcement, obviously, does not amend the *Act*. In fact, it is far from clear exactly what it does. The exclusive privilege is of diminishing importance as letter mail volumes decline.

According to Canada Post, it was informed of this announcement shortly before it was made and immediately recommended to government against proceeding without a full understanding of the

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potential impacts of the change. Canada Post has expressed the view that the exclusive privilege is not contrary to the spirit of the CFTA and is not a trade barrier.

Canada Post stated the following in a letter dated February 26, 2025, addressed to me and to CUPW:

“While a more fulsome impact analysis is required, Canada Post anticipates that eliminating the exception will cause confusion in the marketplace as competitors interpret the change as an opportunity to compete in mail delivery in Canada’s high-density urban markets, combining it with their existing parcel deliveries. This may require the Corporation to pursue companies in court to establish its federally-regulated monopoly, defend its right to exclusive privilege, and prove it has not acted offside its international treaty obligations, such as the Universal Postal Union Acts, Convention and Regulations, which requires member postal administrators around the world to comply with the Letter Mail requirements. If this proposed change to the CFTA has the effect of weakening Canada Post’s lettermail monopoly, there would be obvious significant, negative impacts to the Corporation’s revenue from its lettermail line of business.” — Jackie VanDerMeulen to W. Kaplan, February 26, 2025.

For its part, CUPW indicated in its post-February Reply Submissions, *Canada Post and the Exclusive Privilege*, that the announced changes cause “some alarm.” CUPW was “somewhat relieved to know that the Act will still maintain the exclusive privilege.” It noted that removing the exclusive privilege and introducing competition would further erode Canada Post’s revenue stream, which would be undesirable and would increase the threat to Canada Post’s long-term sustainability. If the exclusive privilege was removed, competitors would focus on high density areas leaving Canada Post to carry out its USO in the more expensive to deliver areas of the country possibly creating an unequal, unreliable service. There were practical problems – access to community mailboxes for example – and there was also the prospect of loss of good jobs with a disproportionate impact in rural and remote communities among other concerns that CUPW raised (at 2, 3, 4).

<sup>10</sup> Canada Post, Written Submissions (January 2025), at 13.

<sup>11</sup> Campbell, Canada Post Study, at 23.

<sup>12</sup> Campbell, Canada Post Study, at 18.

<sup>13</sup> Campbell, Canada Post Study, at 19.

<sup>14</sup> Campbell, Canada Post Study, at 19-20.

<sup>15</sup> Campbell, Canada Post Study, at 22.

<sup>16</sup> Campbell, Canada Post Study, at 16–17, 19. See also <https://www.damotech.com/blog/top-10-largest-warehouses-in-north-america>

<sup>17</sup> CUPW’s Written Submission to the Industrial Inquiry Commission Under Section 108 of the *Canada Labour Code*, January 2025, at 33 (hereafter CUPW, Written Submission (January 2025)).

<sup>18</sup> CUPW, Response to the Industrial Inquiry Commission on Converting to Community Mailbox Delivery and Closing Post Offices (March 2025), at 2, 15 (hereafter CUPW, Response to Converting to Community Mailbox Delivery).

<sup>19</sup> CUPW, Written Submission (January 2025), at 34.

<sup>20</sup> CUPW, Weekend Full-Time Proof of Concept and Costing, March 2025 (hereafter CUPW, Weekend Full-Time Proof).

<sup>21</sup> See, for example, CUPW, Weekend Full-Time Proof, discussion beginning at 5.

<sup>22</sup> CUPW, Weekend Full-Time Proof, at 9. CUPW added: “Canada Post’s proposal to rely on flexible, part-time workers will do little to support efforts to build Union-management trust or improve employee retention,” at 9.

<sup>23</sup> CUPW, Weekend Full-Time Proof, at 9.

<sup>24</sup> Canada Post, Industrial Inquiry Commission, Written Submissions of Canada Post Corporation, February 2025, at 13 (hereafter Canada Post, Written Submission (February 2025)).

<sup>25</sup> Adrienne Murray and Paul Kirby, “Denmark postal service to stop delivering letters,” BBC, March 6, 2025, <https://www.bbc.com/news/articles/ckg8jllq283o>

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- <sup>26</sup> *Strategic Review of the Canada Post Corporation: Report of the Advisory Panel to Minister* (December 2008), at vii. [https://publications.gc.ca/collections/collection\\_2009/tc/T22-168-2009E.pdf](https://publications.gc.ca/collections/collection_2009/tc/T22-168-2009E.pdf)
- <sup>27</sup> Conference Board, 2013, cited in CUPW Written Submission (January 2025), at 6. The Conference Board also, incorrectly, predicted large losses in 2012–16, when there were profits.
- <sup>28</sup> *Canada Post in the Digital Age, Discussion Paper 2016*, Françoise Bertrand, Chair, [https://www.tpsgc-pwgsc.gc.ca/examenpostescanada-canadapostreview/documents/EPC-CPR\\_rpt-eng.pdf](https://www.tpsgc-pwgsc.gc.ca/examenpostescanada-canadapostreview/documents/EPC-CPR_rpt-eng.pdf) (hereafter *Canada Post in the Digital Age*).
- <sup>29</sup> *Canada Post in the Digital Age*, at 47.
- <sup>30</sup> *Canada Post in the Digital Age*, at 47.
- <sup>31</sup> *The Way Forward for Canada Post*.
- <sup>32</sup> *The Way Forward for Canada Post*, at 175.
- <sup>33</sup> *The Way Forward for Canada Post*, at 1.
- <sup>34</sup> Canada’s Postal Service: A Lifeline for Rural and Remote Communities, Report of the Standing Committee on Government Operations and Estimates, December 2024. 44th Parl 1st Sess, at 6, <https://www.ourcommons.ca/DocumentViewer/en/44-1/OGGO/report-22/>
- <sup>35</sup> Canada Post, 2023 *Annual Report*, at 6.
- <sup>36</sup> Canada Post, 2023 *Annual Report*, at 9.
- <sup>37</sup> Canada Post, 2023 *Annual Report*, at 10.
- <sup>38</sup> Canada Post, 2024, Third Quarter Financial Report for the period ended September 28, 2024, at 4.
- <sup>39</sup> In 2010, Canada Post announced the Postal Transformation Initiative, which included investing in mail-processing equipment. Three years later, in 2013, there was the Five-Point Action Plan, which included conversion of door-to-door delivery to delivery to community mailboxes, along with a tiered pricing structure (with volume discounts for high- and higher-volume customers). There have been divestments (for example, SCI Group, a third-party logistics provider; and Innovapost, an IT shared services provider), expense monitoring, substantial reductions in capital expenditures with a focus on replacing only operational assets to remain competitive, managerial staffing reductions, and pressing the pause button on key social and environmental initiatives such as deferring the purchase of electric vehicles and establishing the associated infrastructure that will impact the ability to meet environmental targets and timelines. No matter what steps Canada Post took, deficits continued to accumulate and grow (and are expected to keep on doing so).
- <sup>40</sup> Canada Post, Written Submissions (January 2025), at 13.
- <sup>41</sup> See CUPW Rebuttal to Canada Post Written Submissions, January 21, 2025, at 4.
- <sup>42</sup> Canada Post, 2023 *Annual Report*, at 93.
- <sup>43</sup> CUPW, Written Submission (January 2025), at 33.
- <sup>44</sup> See CUPW’s Analysis of Professor Ian Lee’s Submissions to the Industrial Inquiry Commission, at 6 (hereafter CUPW’s Analysis of Professor Ian Lee’s Submissions).
- <sup>45</sup> CUPW, Weekend Full-Time Proof, at 9.
- <sup>46</sup> Erica Alini, “Canada Post launches basic banking through Koho with few no-fee options,” *Globe and Mail*, March 18, 2025 (updated March 21, 2025).
- <sup>47</sup> CUPW, Written Submission (January 2025), at 19.
- <sup>48</sup> CUPW, Written Submission (January 2025), at 16.
- <sup>49</sup> CUPW’s Analysis of Professor Ian Lee’s Submissions, at 6–7: “the adoption of dynamic routing, combined with price increases, increased revenues from advertising mail, and a significant increase in volumes from weekend delivery may very well provide the path to CPC’s financial self-sufficiency” (at 7).
- <sup>50</sup> The Hon. Carla Qualtrough, Minister of Public Services and Procurement, to Jessica L. McDonald (Chair, Canada Post Board of Directors), January 24, 2018.
- <sup>51</sup> See CUPW, Response to Converting to Community Mailbox Delivery, at 15.
- <sup>52</sup> CUPW expressed skepticism about Canada Post’s costings. See CUPW, Response to Converting to Community Mailbox Delivery, at 3–4.
- <sup>53</sup> CUPW, Response to Converting to Community Mailbox Delivery, at 4.

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- <sup>54</sup> CUPW, Response to Converting to Community Mailbox Delivery, at 10.
- <sup>55</sup> CUPW, Response to Converting to Community Mailbox Delivery, at 15.
- <sup>56</sup> CUPW, Written Submission (January 2025), at 3.
- <sup>57</sup> CUPW, Written Submission to the Industrial Inquiry Commission Under Section 108 of the Canada Labour Code, Part 2, at 3 (hereafter CUPW Written Submission, Part 2 (February 2025)).
- <sup>58</sup> CUPW, Written Submission, Part 2 (February 2025), at 3. CUPW also filed a December 27, 2024, affidavit from a retired McGill University professor prepared as part of CUPW’s challenge to the constitutionality of the CIRB’s back-to-work order. Unfortunately, absent from this expert report that severely criticized the establishment of this Commission, was any discussion whatsoever, or academic reference to, the abundant academic and other literature relating to the regular government appointments of royal commissions, boards of investigation and conciliation, and commissions of inquiry – both federal and provincial – to inquire into labour disruptions and make recommendations, something that has been a feature of Canadian labour law for over one hundred years. Curiously absent is reference to the commission of inquiry appointed after the 1965 Postal Workers Strike and its report, which is widely accepted as having taken the first step toward modernizing federal public sector labour relations and the establishment of meaningful collective-bargaining rights in the federal public service. See Affidavit of Professor Robert Hebdon, Affirmed December 27, 2024.
- <sup>59</sup> CUPW, Written Submission (January 2025), at 3.
- <sup>60</sup> CUPW, Written Submission (January 2025), at 26.
- <sup>61</sup> CUPW, Written Submission (January 2025), at 26.
- <sup>62</sup> CUPW, Written Submission (January 2025), at 27.
- <sup>63</sup> CUPW, Written Submission (January 2025), at 4.
- <sup>64</sup> CUPW, Written Submission (January 2025), at 16.
- <sup>65</sup> CUPW, Written Submission (January 2025), at 16.
- <sup>66</sup> CUPW, Written Submission, Part 2 (February 2025), at 34.
- <sup>67</sup> CUPW, Written Submission, Part 2 (February 2025), at 35.
- <sup>68</sup> CUPW, Written Submission, Part 2 (February 2025), at 36.
- <sup>69</sup> CUPW, Written Submission (January 2025), at 17.
- <sup>70</sup> CUPW, Written Submission (January 2025), at 17.
- <sup>71</sup> CUPW, Written Submission, Part 2 (February 2025), at 21.
- <sup>72</sup> CUPW, Written Submission, Part 2 (February 2025), at 23–24.
- <sup>73</sup> CUPW, Written Submission, Part 2 (February 2025), at 22–23. CUPW relied on polling results reported in the 2016 Government of Canada Postal Service Review Task Force study.
- <sup>74</sup> CUPW, “Service Expansion and Innovation: A Vision for Future” (slide deck at February 2025 Commission hearings).
- <sup>75</sup> CUPW, Written Submission, Part 2 (February 2025), at 24.
- <sup>76</sup> CUPW, Written Submission (January 2025), at 18.
- <sup>77</sup> CUPW, Written Submission (January 2025), at 34.
- <sup>78</sup> CUPW, Written Submission, Part 2 (February 2025), at 25.
- <sup>79</sup> CUPW, Written Submission, Part 2 (February 2025), at 25.
- <sup>80</sup> CUPW, Written Submission, Part 2 (February 2025), at 26.
- <sup>81</sup> CUPW, Written Submission, Part 2 (February 2025), at 31.
- <sup>82</sup> CUPW, Written Submission (January 2025), at 35.
- <sup>83</sup> CUPW, Written Submission (January 2025), at 35.
- <sup>84</sup> CUPW, “Service Expansion and Innovation: A Vision for Future” (slide deck at February 2025 Commission hearings).
- <sup>85</sup> CUPW, Written Submission (January 2025), at 54.
- <sup>86</sup> CUPW, Written Submission, Part 2 (February 2025), at 37.
- <sup>87</sup> CUPW, Written Submission, Part 2 (February 2025), at 37.
- <sup>88</sup> CUPW, Written Submission (January 2025), at 17.
- <sup>89</sup> CUPW, Written Submission (January 2025), at 17.

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- <sup>90</sup> CUPW, Written Submission (January 2025), at 49.
- <sup>91</sup> CUPW, Written Submission (January 2025), at 30.
- <sup>92</sup> CUPW, Written Submission (January 2025), at 19.
- <sup>93</sup> CUPW, Written Submission (January 2025), at 21.
- <sup>94</sup> Unaddressed admail.
- <sup>95</sup> CUPW, Written Submission (January 2025), at 36.
- <sup>96</sup> See discussion of advantages of continuing the moratorium, from CUPW's perspective, at CUPW, Written Submission (January 2025), at 58–59.
- <sup>97</sup> CUPW, Written Submission (January 2025), at 60.
- <sup>98</sup> CUPW, Written Submission (January 2025), at 63.
- <sup>99</sup> CUPW, Written Submission (January 2025), at 64.
- <sup>100</sup> CUPW, Written Submission (January 2025), at 33.
- <sup>101</sup> CUPW, Written Submission (January 2025), at 33.
- <sup>102</sup> CUPW, Written Submission (January 2025), at 36–38.
- <sup>103</sup> CUPW, Written Submission (January 2025), at 34.
- <sup>104</sup> CUPW, Written Submission Under Section 108, Part 2, at 31–32.
- <sup>105</sup> CUPW Written Submission, Part 2 (February 2025), at 33.
- <sup>106</sup> CUPW, Written Submission, Part 2 (February 2025), at 18.
- <sup>107</sup> CUPW, Written Submission, Part 2 (February 2025), at 19.
- <sup>108</sup> CUPW, Written Submission, Part 2 (February 2025), at 20.
- <sup>109</sup> Canada Post, Written Submissions (January 2025), at 2.
- <sup>110</sup> Canada Post, Written Submissions (January 2025), at 23.
- <sup>111</sup> Canada Post, Written Submissions (January 2025), at 25.
- <sup>112</sup> Canada Post, Written Submissions (January 2025), at 25.
- <sup>113</sup> The process in Appendix QQ was not, in Canada Post's view, a solution as it led only to the creation of more full-time jobs when market forces might indicate a need for fewer routes. CUPW disputed this interpretation.
- <sup>114</sup> Canada Post, Written Submissions (January 2025), at 30.
- <sup>115</sup> Canada Post, Industrial Inquiry Commission, Canada Post Corporation (February 2025), at 14 (hereafter Canada Post, Written Submissions (February 2025)).
- <sup>116</sup> Canada Post, Written Submissions (February 2025), at 16.
- <sup>117</sup> Canada Post, Written Submissions (January 2025), at 30.
- <sup>118</sup> Canada Post, Written Submissions, (February 2025), at 13.
- <sup>119</sup> Canada Post, Written Submissions (January 2025), at 27.
- <sup>120</sup> Canada Post, Written Submissions (February 2025), at 31.
- <sup>121</sup> Canada Post, Written Submissions (February 2025), at 34.
- <sup>122</sup> Canada Post, Written Submissions (February 2025), at 35.
- <sup>123</sup> In its Written Submission of February 2025, at 58, Canada Post noted that “in 2016, the independent Task Force appointed by the government to review Canada Post in 2016 described community mailbox conversion as the Corporation's greatest savings opportunity. The Task Force also reviewed evidence that suggested most Canadians were very satisfied receiving their mail at a community mailbox, and projected potential annual savings from restarting the conversion program at \$400 million to \$450 million” (citing *Canada Post in the Digital Age*, at 61).