

ON

August 7, 2008

Canada Post Corporation  
Strategic Review Advisory Panel  
330 Sparks Street (HCCR)  
Ottawa, ON K1A 0N5

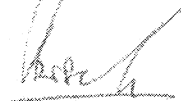
Dear Sirs,

Attached is a submission for your consideration.

The submission deals mainly with the finer points of the rate structure and services presently in place at Canada Post, rather than with the broad mandate of the Corporation. However, it is my opinion that the rates and services are so riddled with unfairness, illogic and questionable practices that the viability of Canada Post is called into question. It is my belief that these deficiencies have arisen out of attempts by Canada Post to keep its head above water financially. Unless Canada Post undergoes drastic change in its *modus operandi* the deficiencies will merely be perpetuated and compounded in the years ahead, in a never-ending cycle of price increases and restriction of services.

Thank you for considering my submission.

Yours sincerely,



Thomas Frisch

Encl.

## RESTRUCTURING POSTAL RATES FOR INTERNATIONAL MAIL

1. Rates for a significant proportion of non-domestic mail approximately double from one weight step to the next. For example, the weight steps for Other Letter-post to Other Countries are: (up to) 100 g, 200 g and 500 g. Corresponding rates are: \$3.75, \$6.40 and \$12.80. Another example: the rate for a Small Packet to Other Countries weighing 1001 g is the same as for one weighing 2000 g. This is not only unfair, it is illogical.

**Recommendation:** weight steps should be added with appropriate rates, such as, for example, 350 g for Other Letter-post (with a rate of perhaps \$9.60), and 1500 g for Small Packets to Other Countries.

2. The weight limit for Small Packets to USA is 1000 g whereas it is 2000 g to all other countries.

**Recommendation:** increase the weight limit for Small Packets to USA to 2000 g and add at least one intermediate weight step of 1500 g.

3. In 2008 Canada Post introduced a zone-based rate scheme for Small Packets to Other Countries, establishing no fewer than seven zones. Rates between zones varied by approximately \$0.05 to \$0.10, laughably small amounts.

**Recommendation:** revert to a single zone and set a median rate.

## ELIMINATION OF LIGHT PACKET SERVICE

International Letter-post is currently restricted to mail pieces containing "paper-based" items. Other Letter-post containing non-paper-based material must be sent as a Light Packet. This restriction is an anachronism, especially as it does not apply to domestic mail.

**Recommendation:** that the Light Packet service be eliminated and that the items be sent as Other Letter-post with a customs declaration if necessary.

In this regard, it is more than disappointing to learn of the proposed additional categories of letter-post, namely Rigid and Non-Rigid and that the rate for Rigid items will be double that for Non-Rigid ones.

**Recommendation:** that serious consideration should be given to merging all Letter-post, Small Packet and Light Packet into one category, as the USPS have done for many years (calling it First Class Mail).

## ELIMINATION OF SURFACE SERVICE FOR INTERNATIONAL MAIL (excluding USA)

Transit times for surface mail overseas are unacceptable, considering the rates charged. It is not uncommon for a surface parcel to take 6 weeks to reach the UK or 3 months to reach Australia.

**Recommendation:** that surface service for international mail (excluding USA) be eliminated and replaced with an air service that is as reasonably-priced as possible.

## ZONE-BASED RATE STRUCTURE FOR PARCELS TO USA

Rates for Expedited Parcels to the USA are zone-based, i.e. dependent on distance between point of origin and destination (state) - the greater the distance, the higher the rate. It is my understanding that, by mutual agreement, countries assume responsibility for, and the cost of, the transmission of mail within their borders. Yet here we are, in effect, subsidizing the USPS. As far as I am aware, this zone-based system is unique among the world's postal services.

**Recommendation:** that the legality of the zone-based system for parcels to the USA be

investigated.

#### EXTENSION OF SMALL PACKET SERVICE TO DOMESTIC MAIL

Presently, a mail piece that qualifies as a Small Packet can be sent from anywhere in Canada to anywhere in the US by air for **less** than it costs to send it across Canada, where it has to go by Parcel Post. This is illogical.

**Recommendation:** Introduce a Small Packet service or the equivalent in Canada.

#### THE FUEL SURCHARGE: IS IT LEGAL?

Canada Post introduced a fuel surcharge on April 7, 2003, *without a single word of advance notice*. In fact, the surcharge (2.25% of the base rate) was added to the base rate and the result rounded up to the nearest \$0.05 increment. None of these charges were shown on customers' receipts. The rounding-up was never mentioned in any Canada Post document (including the Postal Guide); it was subsequently dropped. Since January 2004, the fuel surcharge has been shown on customers' receipts. At the time of writing (August 2008) it stands at 12.25%.

The subterfuge with which Canada Post introduced the fuel surcharge has always led me to suspect its propriety, if not legality. As far as I know, no other postal system in the world levies a fuel surcharge. Mr. Jacques Côté, COO of Canada Post, in a letter dated April 25, 2006, told me that the USPS "is not permitted to charge its customers a fuel surcharge".

**Recommendation:** to confirm that, in levying a fuel surcharge, Canada Post is not in violation of international postal agreements.

#### POSTAL RATE INCREASES

Increases in postal rates often seem to be haphazard rather than across-the-board, which would be fair and readily understandable. For example, in December 2007, Canada Post announced that the Small Business rates for Expedited Parcels - USA would increase by 5.9% in January 2008. It turned out that the rate for a 1.5-2 kg parcel to Zone 1 went up 9.88%, whereas the rate for a 0.5-1 kg parcel to the same zone increased by only 5.75%. There were similarly wild fluctuations in the increases for parcels to Zone 7. For the weight steps up to 0.5 kg, 0.5-1 kg, 1-1.5 kg, and 1.5-2 kg, the increases were 4.25%, 3.85%, 7.45%, and 7.76%.

**Recommendation:** that postal rate increases be across-the-board.

Respectfully submitted,

Thomas Frisch

August 7, 2008