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## Canada Post Strategic Review

*Submission by Duff Jamison, President, Great West Newspapers Limited Partnership*

As President of the Canadian Community Newspapers Association, I participated in the 1995 review of Canada Post and presented the association's submission during the hearings in Ottawa. The position taken then was not significantly different from mine today, certainly with respect to ending Canada Post's monopoly.

When I first heard that this review was to take place I was heartened to think our business and our industry would be given another opportunity to tell the story of our experiences with Canada Post since the last review and perhaps, finally, be able to convince the federal government that only very significant change to the model would fix the systemic problems at Canada Post. My mood changed dramatically when I visited the web site and learned the review panel would be unable to change much, shackled as they were with the four Guiding Principles. It's those very principles which must change if any progress is to be made.

What is it about Canada Post that makes the government want to treat it differently from Bell or Telus or CN or Air Canada or any of the other federal and provincial crown corporations that have been privatized? What possible reason can there be to maintain Canada Post as a federal monopoly. It can't be simply because our MP's want free mail – can it?

What is so sacred about this particular public policy? Why do MP's want to subsidize the mailing of Canadian newspapers and magazines? (see attached article – Goldring) Do they think they're scoring political 'brownie points' with publishers and readers/voters back home in their constituencies?

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Today the Publishers Assistance Program (P.A.P.) transfers about \$35 million from the department of Canadian Heritage to Canada Post. Have they considered the great likelihood that these subsidies would not be needed if competition was introduced in mail services? Have they considered that this money might be better invested by helping businesses get into mail distribution? It is not difficult to imagine a scenario where the PAP money was made available to anyone delivering the eligible publications with the funding reduced to zero over a two-to-three year period. (See attached column by Daniel Muzyka)

The federal government has only recently auctioned spectrum to wireless telecommunications companies to spur on greater competition for the benefit of Canadian business and consumers. A collateral benefit is the growth of business which supply goods and services to the telecom industry. At the time of my writing, Finance Minister Jim Flaherty is standing up for consumers over the hike in wireless rates for text messaging and taking steps to encourage better pricing. (see attached articles from the Globe and Mail)

If the same logic behind Canada Post's Guiding Principles had been applied in this case, universal phone service would be provided by one carrier at one price. It would be done on the principle of maintaining profitability for that one provider. And with little or no regard for the underlying cost structure of the operation of that one supplier, customer rates would be continually raised to fatten the bottom line. Canadians would riot in the streets if you tried that today. They want choice of how their wireless phone services are supplied, what devices they use and they want the competitive pricing that results when several suppliers seek their business.

Surely we've reached a point where the universality of first class mail prices is not relevant. The grandkids are emailing grandpa and grandma. They don't need subsidized snail mail to communicate. Using the internet, Canadians living in rural and the most remote areas of this country are able to communicate with family, friends and colleagues all over the globe as easily and cheaply as if they lived in Edmonton or Toronto. Businesses of all sizes are moving to electronic billing and payment systems. The really important and timely materials are emailed, FTP'd or couriered.

In the Canadian world of one mail service supplier thousands of customers are effectively held hostage. When service levels decline or rates increase they cannot take their business elsewhere. They can't call up Maple Leaf Postal Services and get a competitive quote. When problems arise (and they do with great regularity) customers must beg and plead with the Canada Post bureaucracy to fix the problem and get their mail moving. The threat of losing the customer never crosses anyone's mind at Canada Post. Do you remember the days of Canada Post's Customer Compliance department? Now it's called Revenue Protection. I was disappointed when the name was changed because it perfectly suited the attitude and culture of this former government department. Do you really think you can take a government department and its militant unions, make it a Crown Corporation at arm's length from its political masters, and turn it into a customer-focused organization? My answer would be, "not on your life".

The only way Canada Post will ever be focused on its customers will be if it is forced to by a competitive marketplace. All the rules and regulations, PR men and women, ombudsmen and smooth talking politicians or political appointees can't make it so. Nor can the Radwansky Review or the current review have any lasting effect as long as mail in this country remains the private purview of a federal monopoly.

And the same logic holds true for the pricing of our mail. Do you really think the current Canada Post rates for those classes protected by federal statute would remain competitive if other players were allowed into the business? Unfortunately, we can only speculate at this time. Why not take the approach used when competition was introduced into the telecommunications sector? Remove the monopoly protection and make Canada Post hold its rates until new entrants gained 40 or 50 per cent of the market. There's no doubt in my mind that Canada's private sector would quickly find a way to knit together an efficient distribution system from coast to coast to coast. And it would be done at rates lower than those charged mail customers today.

Rather than inundate you with dozens of instances of service and rates issues I've simply attached some recent correspondence to illustrate what is almost a weekly routine for the publishers in my group and I've included a spreadsheet showing how Canada Post told us (and its political masters) that rates would go up 5 per cent this past January and then jammed us with a 9 per cent increase for Unaddressed by introducing a surcharge for "oversize" pieces which just happens to apply to virtually every newspaper but, is entirely irrelevant from a rural mail handling perspective. Nothing more than a clever and devious use of the letter carrier's union contract to 'tax' a customer Canada Post views as a significant competitor. You also will see two of our Publisher's Assistance Program (P.A.P.) papers on the spreadsheet. The subsidy does bring the cost per piece down below the costs of mailing Unaddressed but, think of this: Most of the copies are mailed in the local town and immediate area. If the post office would accept a mailing list in proper sort order per route from the publisher, the sorters in the office and the contract drivers could fill the postal boxes of subscribers without the need to sort labeled papers. The postal charge could be reduced to the Unaddressed rate (or very close to it) and the P.A.P. subsidy could be reduced accordingly saving taxpayer dollars. You can bet that a private carrier would make this change in a 'New York Minute'.

Are you aware of Phantom Mail? That's the Canada Post tax on mailers who mail less than 50 pieces. As an industry, we fought tooth and nail to have it removed when it was introduced and in the end settled at 50 to at least temporarily resolve the issue, reduce the tax and keep our newspapers moving. I've attached a couple of ESOMs so you can see how we are charged \$13.75 per week for mail that doesn't exist. Can you imagine trying to introduce the concept of Phantom Mail in a competitive market? It could only be conceived and implemented by a monopoly, my friends.

After battling for improvement in the way Canada Post treats its customers for most of the more than 30 years I've been in this business, I've concluded it is pointless to try to

fix the system in its current form. In other words, don't bother to take these issues up with the most senior echelons at Canada Post. Things may improve for a while but, once the floodlights are turned off, the old habits will come scurrying back from the woodwork.

I've attached the submission from the Fraser Institute to the 1996 Canada Post Mandate Review. Please give it a read as you ponder the best solution for mail delivery in 21<sup>st</sup> Century Canada. It contains some very good ideas.

Yours sincerely,



Duff Jamison

*Great West is a group of 20 community newspapers in Alberta. President Duff Jamison is a second generation publisher and has been in and around the business all his life. Before becoming president of Great West in 1988 he was a reporter, editor and publisher of the St. Albert (AB) Gazette. His wife Sandy and sisters Mary and Sarah are the shareholders of Jamison Newspapers, Inc. the controlling partner in Great West Newspapers Limited Partnership. All work in the business.*

Attachments:

1. Letter from Canada Post re: St. Albert Gazette delivery changes.
2. Email letter to Edmonton-St. Albert MP John Williams re: Canada Post
3. Letter to Josee Bergeron, Canada Post
4. Memo to John Hinds, Executive Director, Canadian Community Newspapers Association re: Canada Post
5. Statement of Mailing – St. Albert Gazette
6. Statement of Mailing - Wheel & Deal
7. Electronic Statement of Mailing (ESOM) – screen shot
8. Phantom Mail
9. Spreadsheet showing 9 per cent postage increase.
10. Globe and Mail articles
11. Fraser Institute Submission to the 1996 Canada Post Mandate Review.