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August 26, 2008

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

Dear Strategic Review Advisory Panel:

I appreciate the opportunity to respond to the review of the Canada Postal service. I am aware, as noted in your terms of reference, that the Government has been increasingly looking to Canada Post to contribute to public policy objectives beyond the provision of affordable, universal postal service by:

1. *placing restrictions on service rationalizations (e.g. moratorium on the closure of rural post offices);*
2. *establishing delivery standards (e.g. delivery to rural mailboxes); and*
3. *requiring Canada Post to support specific programs (e.g. Publications Assistance Program).*

I would suggest that these three areas of “public policy” are part of the provision of affordable, universal postal service and would definitely be dropped by the private sector.

The 2002 UPS challenge under NAFTA to the “unfair cross-subsidization of parcel post with letter mail to unfairly keep costs down” is quite a transparent window that should show us what to expect under further deregulation of the Crown. In some cases UPS rates are up to 10 times higher than Canada Post express rates. Postal service should be considered a natural monopoly, a part of the “commons”. And the protection of the common good should not be put at risk by privatization. A natural monopoly does not become more efficient by private market competition.

This issue is particularly significant to a country such as Canada that has a large area with a variety of population densities. Healthy rural and remote communities are very important to healthy urban communities and to Canada in general. Affordable postal service is essential to these areas for small businesses who rely on small quantities of parts or supplies, and for citizens for both personal and commercial reasons where the information or products cannot be delivered electronically. Deregulation to the private sector will focus on the larger centres with their economies of scale. This will result in the Government having to subsidize the rural or let it limp along as a colony.

I would encourage the Panel to assess the Postal Service in terms of its position as a natural monopoly and its role as a major communication link with “hard product” delivery as a central requirement. I think it would be prudent to leave the Crown as it is, contributing any excess profits to the Government rather than to private shareholders. And it is important to ensure that the Canadian public have direct input in to the operation of the Crown both through Government and ultimately at the ballot box. The only option the public has with private control is to not use the service. Because demand for postal service is very inelastic, this isn't really an option. And, as history has shown, any Government intervention on behalf of its citizens can result in a lawsuit by the “injured” transnational corporation under the provisions of the NAFTA.

In conclusion; can the postal service be improved? I think yes. Will further deregulation do that? I think not. In this situation the private sector will access the easy revenue and the taxpayer will have to cover the costs of subsidizing the rural and remote areas. This is not sound public policy.

Sincerely
Murray Hidlebaugh