

**Deepak Chopra**

President and Chief Executive Officer  
Canada Post Corporation

Président-directeur général  
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February 17, 2014

MS. GAYLE BOSSENBERRY  
1<sup>ST</sup> NATIONAL VICE-PRESIDENT  
CANADIAN UNION OF POSTAL WORKERS  
377 BANK ST  
OTTAWA ON K2P 1Y3

Dear Ms. Bossenberry:

Thank you for your recent letter regarding postal banking and Canada Post. In the past years, Canada Post has studied postal banking to see if it could generate enough revenue to help sustain our business in the future. However, we concluded that expanding beyond the financial services we already provide (pre-paid credit cards and fund transfers) is not a good option for us. While I applaud your passion to help Canada Post return to sustainability, it would be over simplistic to assume that our structural challenges can be solved by starting a Bank.

We decided that it makes more sense to tie Canada Post's growth strategy to our core competency as a transportation and logistics company, and to build upon our market leadership as a trusted delivery business. We do not believe it would be wise to shift our focus and allocate much-needed resources to creating a business from scratch, and to do so in a highly competitive and crowded sector in which we have little experience. This is not a recipe for success.

It's true that post offices in other industrialized countries have created successful financial services businesses. The success of these postal banks was one of the reasons we carefully studied this option. However, we found that the conditions underlying their profitability are lacking in Canada. We would like to detail why we believe postal banking is not the best choice for Canada Post.

Unlike other post offices, Canada Post exited banking in 1968 and has no institutional capability in this area. Switzerland's PostFinance, for instance, has been a key player in Swiss banking for over a century. The U.K.'s postal banking history dates back to the 19<sup>th</sup> century. These postal banks have spent decades developing their banking expertise, workforce, and infrastructure. Customers trust them as credible and experienced providers of financial services. While New Zealand's KiwiBank is heralded for its success in entering postal banking in more recent years, that country was dominated by foreign banks and consumers had a strong appetite for a national domestic bank, which the post office could fill.

Canada's financial sector is led by a strong field of domestic banks that have had a long-standing presence in communities nationwide. They have a highly skilled workforce and satisfied customers who trust them to serve their complex financial needs. Though Canada Post is trusted as a delivery company, we cannot gamble that this trust would automatically motivate enough Canadians to change their current banking situation in our favour.

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Nor is there much demand in Canada for a more secure alternative to our current banks. Canada is renowned for operating one of the safest banking systems in the world. Our strong regulations helped insulate our banks from the 2008 financial crisis that crippled banks in other countries. So while postal banks in, for instance, France and Italy have attracted customers concerned about stability, Canada Post could provide no such incentive.

A reason often cited for expanding into postal banking is that Canada Post could leverage its existing rural post offices to provide financial services to underbanked customers in rural regions. But the goal of expanding into postal banking would be to generate revenue to stabilize Canada Post's future. How much revenue can low-traffic rural post offices be expected to generate? Other countries where postal banking has succeeded benefit from high population density.

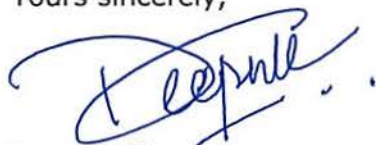
Even our urban retail network fails to provide adequate reason for postal banking. The number of retail bank locations in Canada has significantly declined over the past two decades; Canadians are among the world's heaviest adopters of online banking.

To be successful as a modern, long-term bank, Canada Post would have to make major investments in its own Internet, mobile and telephone banking strategies let alone a strong capital structure. This on top of the massive investments needed to train existing retail and call centre staff and to attract the experts needed to manage this sophisticated new line of business. We would need to allocate vast resources to create from scratch a financial services infrastructure, which we would need to effectively operate within the constraints of our labour agreements and through any future labour disruptions.

Canada Post has an indisputable and urgent need to transform if it is going to sustain itself financially. We cannot afford to make major investments in postal banking when its ability to generate enough revenue is questionable. That would expose us to incredible risk at a time when we are assuring Canadian taxpayers will not need to bail us out of our financial problems. We believe that pursuing postal banking would be irresponsible, to the company, our employees and Canadians.

We need to keep our resources focused on building and modernizing our core business, in places where we are already seeing results—such as parcels and direct mail. As Canadians increasingly buy goods online they will require affordable delivery solutions in communities across the country. Even in the digital era, direct mail has a strong future, as businesses seek to place their messages directly into the hands of the busy Canadians they need to reach. This is what Canada Post is good at, and where we believe we must place our resources to ensure our future.

Yours sincerely,



Deepak Chopra

c.c. The Honourable Lisa Raitt, P.C., M.P.  
c.c. The Honourable Denis Lebel, P.C., M.P.  
c.c. Ms. Olivia Chow, M.P.  
c.c. Mr. David McGuinty, M.P.  
c.c. Mr. André Bellavance, M.P.  
c.c. Ms. Elizabeth May, M.P.