

Postage rates and universal service at a uniform price

CUPW believes that the public service mandate of Canada Post is equally important as the commercial service aspect. It is our view that postage rates should be affordable, reasonable and equal for all mail users. The only exception would be that qualified non-profit organizations should have discounted rates. We are proud that our public post office had been able to maintain a world-leading postal service from coast-to-coast-to-coast, provide good jobs and benefits, and even turn in almost two straight decades of profits. This is truly remarkable given the pricing policy Canada Post has had to accommodate since its birth as a Crown corporation.

On March 31, 2014, after several years of steady and planned price increases, Canada Post dramatically raised the basic stamp rate and introduced tiered pricing. Bulk purchases in the form of booklets, coils or panes increased to 85 cents per stamp (up 35 per cent), while the single stamp rate increased to one dollar (up 59 per cent). The costs for commercial mailers increased to 69 cents, 70 cents and 75 cents (up 15 to 19 per cent) respectively for pre-sort, machineable mail and metered mail or mail with indicia.¹

Part of the rationalization for the individual tiered pricing strategy was that most people bought their stamps in bulk. Single stamp purchases represented an estimated two per cent of all stamp purchases.² Canada Post estimated that the average annual increase per household would be five-dollars and that through their consultations, “Canadians said they would accept, within reason, higher stamp prices, given that most households mail letters infrequently.”³

CUPW is concerned that the introduction of a higher cost single-stamp has had a disproportionate affect on low-income individuals.

Non-profit organizations and charities also expressed their concerns over the impact the new rate hikes would have. For example, the Toronto Symphony Orchestra estimated they would have to divert \$12,700 per year from programming into administration. The

¹ Canada Post, *Overview of Price and Service Changes, Effective March 31, 2014* and Canadian Union of Postal Workers, *A Better Public Postal Service For Everyone!: It's Time*.

² Canada Post, *Canada Post unveils Five-point Action Plan*, Dec 11, 2013, https://www.canadapost.ca/cpo/mc/aboutus/news/pr/2013/2013_action_plan.jsf

³ Regulatory Impact Analysis Statement in *Canadian Gazette*, December 21, 2013, <http://gazette.gc.ca/rp-pr/p1/2013/2013-12-21/html/reg1-eng.html>

MS Society estimated incremental postage costs of \$56,000 – or the equivalent of diverting 1,400 donations away from research and services.⁴

The Canadian Federation of Independent Businesses (CFIB) noted that the rate increases would “have a significant impact on many small businesses that use the mail to connect with customers or invoice and pay suppliers.”⁵ The CFIB also conducted a survey of small business owners. It found that on a monthly basis, 98 per cent of small business used lettermail and 40 per cent sent at least 50 pieces of lettermail.⁶

The pricing structure introduced in 2014 returned to a model of heavy favouritism towards large-volume mailers over individuals, non-government organizations, charities and small-businesses. Organizations that could afford a postage meter fared slightly better than those who relied on stamps, but still not as well as commercial mailers. In addition to the softened rate increases for commercial machineable mail, Canada Post also lowered the minimum requirement to receive the discount to 1,000 pieces of mail – down from 5,000.⁷

Had a more accurate cost approach to postage pricing been followed in the decades before, the need for such a drastic increase might have been avoided.

Policy, politics and postage rates

Over the years there have also been attempts by governments to keep postage prices lower than planned or requested rates. For example, in 1982, there was a planned 15 per cent increase in postage for 1983 to help Canada Post meet its self-sufficiency requirement. However, budget legislation capped the postage rate at 6 per cent and 5 per cent for the subsequent two years.⁸ In 1986, there was backbench pressure that forced the government to delay a two-cent rate increase and send it to committee for

⁴ Two examples from *Imagine Canada* letter to Hon. Lisa Raitt, PC, MP Minister of Transport, January 20, 2014, http://sectorsource.ca/sites/default/files/transport_canada_submission_canada_post_14-01-20.pdf

⁵ CFIB, *Small business alarmed by Canada Post price hikes*, December 2013, <http://www.cfib-fcei.ca/english/article/5746-canada-post-release.html>

⁶ CFIB, *Small business alarmed by Canada Post price hikes*, December 2013, <http://www.cfib-fcei.ca/english/article/5746-canada-post-release.html>

⁷ Canada Post, *Overview of Price and Service Changes*

⁸ Canadian Union of Postal Workers, *Towards a modern public postal service : Brief to the Canada Post Mandate Review*, February 15, 1996, p. 51.

review.⁹ Just prior to the 1996 Mandate Review, the government made Canada Post delay a planned two-cent increase by nearly a year.¹⁰

Given the low rate of postage and the perceived need to improve postal services, the 1996 Mandate Review recommended: 1) an “inescapeably necessary” five-cent increase to the 45-cent postage rate, and 2) that extra revenues should be directed towards improving core services.¹¹ Instead of acting upon the recommendation, the government decided to freeze postage rates.¹² Postage prices did not increase again until 1999 – and then only by a mere one cent.

Following the static period in the mid-to-late 1990s, the *Multi-Year Policy Framework for Canada Post* (1998) imposed a price cap on postage increases at a rate of two-thirds the rate of inflation for the next decade.¹³ It wasn’t until after the 2008 Strategic Review, that the two-thirds price cap was repealed and a five-year pricing plan was introduced.¹⁴ The pricing plan included a three-cent rate increase for January 2010 and two-cent increases in each of the subsequent four years – the last of which was scrapped for the 22 cent increase for 2014.¹⁵

Even with the increases made through the five-year pricing plan, when adjusted for inflation, for 30 years the price of a stamp stayed below where it was in 1983. (See table A and the accompanying chart)

⁹ David Stewart-Patterson, *Backbench revolt postpones mail price increase*, *Globe and Mail*, November 6, 1986, pp. A1-A2

¹⁰ Canadian Union of Postal Workers, *Your public post service: More than just the mail - More than just the Quebec-Windsor Corridor*, p. 9

¹¹ Canada Post Mandate Review, *The Future of Canada Post Corporation*, 1996, p. 91

¹² Canadian Union of Postal Workers, *Your public post service: More than just the mail - More than just the Quebec-Windsor Corridor*, 2000, p. 8

¹³ Canadian Union of Postal Workers, *Federal Government establishes Multi-Year Policy Framework for Canada Post following Mandate Review and TD Securities Report* and Canada Post, *Multi-Year Policy Framework Established for Canada Post*, January 18, 1999

¹⁴ Strategic Review of the Canada Post Corporation, *Report of the Advisory Panel to the Minister*, December 2008, p. 95-96.

¹⁵ Canada Post, *Annual Report*, 2010, p. 122.

Table A: Domestic Postage Rate Inflation Adjusted to 2015 Dollars

Date of Stamp Price Increase	Postage Rate	Postage Rate in 2015 Dollars	CPI (All Items) 2002=100
January 1, 1982	\$0.30	\$0.69	54.9
February 15, 1983	\$0.32	\$0.70	58.1
June 24, 1985	\$0.34	\$0.68	63.0
April 1, 1987	\$0.36	\$0.67	68.5
January 1, 1988	\$0.37	\$0.66	71.2
January, 1 1989	\$0.38	\$0.64	74.8
January 1, 1990	\$0.39	\$0.63	78.4
January 1, 1991	\$0.40	\$0.61	82.8
January 1, 1992	\$0.42	\$0.63	84.0
January 1, 1993	\$0.43	\$0.64	85.6
August 1, 1995	\$0.45	\$0.65	87.6
January 1, 1999	\$0.46	\$0.63	92.9
January 1, 2001	\$0.47	\$0.61	97.8
January 14, 2002	\$0.48	\$0.61	100.0
January 12, 2004	\$0.49	\$0.59	104.7
January 17, 2005	\$0.50	\$0.59	107.0
January 16, 2006	\$0.51	\$0.59	109.1
January 16, 2007	\$0.52	\$0.59	111.5
January 12, 2009	\$0.54	\$0.60	114.4
January 11, 2010	\$0.57	\$0.62	116.5
January 17, 2011	\$0.59	\$0.62	119.9
January 16, 2012	\$0.61	\$0.63	121.7
January 14, 2013	\$0.63	\$0.65	122.8
March 31, 2014	\$0.85	\$0.86	125.2
January 2015	\$0.85	\$0.85	126.6

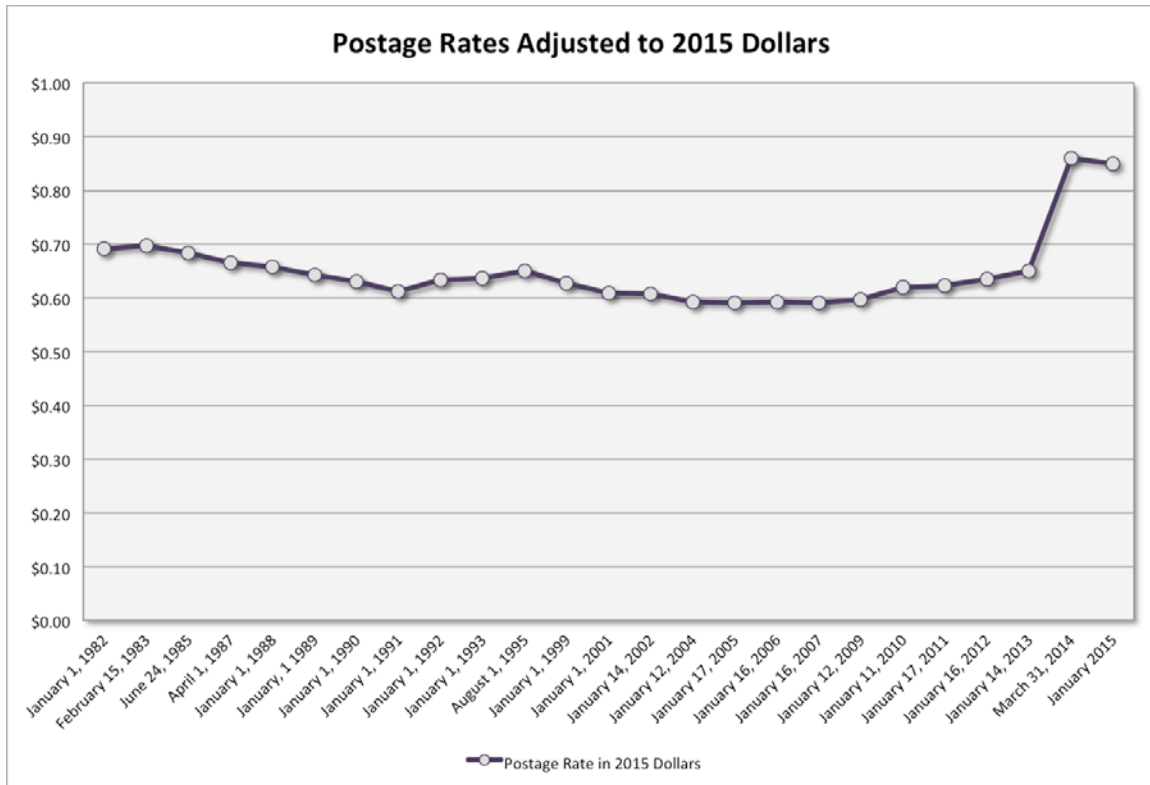


Table A and Chart Notes:

Postage Rate in 2015 Dollars = $126.6 / \text{CPI} * \text{Postage Rate}$

CPI calculated by year, not month of postage rate increase

CPI data from Statistics Canada CANSIM database, <http://www5.statcan.gc.ca/cansim/a01?lang=eng>

Future postage pricing

The focus of future postage pricing increases must be to maintain the universal service obligation and self-sustaining aspects of Canada Post. Any surplus revenues should be reinvested in Canada Post to improve services – instead of being handed over as dividends to the government. Where postage increases fall short, alternative revenue streams such as postal banking, should be used to offset additional costs.

The *Canada Post Act*, Section 19(2) clearly states:

Fair and reasonable

(2) The rates of postage prescribed pursuant to subsection (1) shall be fair and reasonable and consistent so far as possible with providing a revenue, together

with any revenue from other sources, sufficient to defray the costs incurred by the Corporation in the conduct of its operations under this Act.¹⁶

The *Canadian Postal Service Charter* released in 2009 reflects this:

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.¹⁷

As is shown in Table B and the accompanying chart, historical postage pricing is compared against the yearly All-Goods Consumer Price Index (CPI). The table also shows the projected price of a domestic stamp if it had been indexed against the CPI starting with the base postage rate of 30 cents in 1982 – after Canada Post became a Crown corporation.

Table B: Postage Rates, CPI Adjusted Postage Rates, CPI and CPI Transport

Date of Stamp Price Increase	Postage Rates	Projected Postage Rates Increased by CPI	Increase	Increase	CPI (All Items)	CPI (Transport)	Increase (2002)	Increase (2002)
			Actual Postage Rate	Projected Postage Rate	2002=100	2002=100	CPI (All Items)	CPI (Transport)
January 1, 1982	\$0.30	-	-	-	54.9	51.6	-	-
February 15, 1983	\$0.32	\$0.32	6.7%	5.8%	58.1	54.2	5.8%	5.0%
June 24, 1985	\$0.34	\$0.34	13.3%	14.8%	63.0	59.2	14.8%	14.7%
April 1, 1987	\$0.36	\$0.37	20.0%	24.8%	68.5	63.3	24.8%	22.7%
January 1, 1988	\$0.37	\$0.39	23.3%	29.7%	71.2	64.5	29.7%	25.0%
January, 1 1989	\$0.38	\$0.41	26.7%	36.2%	74.8	67.8	36.2%	31.4%
January 1, 1990	\$0.39	\$0.43	30.0%	42.8%	78.4	71.6	42.8%	38.8%
January 1, 1991	\$0.40	\$0.45	33.3%	50.8%	82.8	72.9	50.8%	41.3%
January 1, 1992	\$0.42	\$0.46	40.0%	53.0%	84.0	74.4	53.0%	44.2%
January 1, 1993	\$0.43	\$0.47	43.3%	55.9%	85.6	76.8	55.9%	48.8%
August 1, 1995	\$0.45	\$0.48	50.0%	59.6%	87.6	84.3	59.6%	63.4%
January 1, 1999	\$0.46	\$0.51	53.3%	69.2%	92.9	92.6	69.2%	79.5%

¹⁶ Government of Canada, *Canada Post Corporation Act*

¹⁷ Government of Canada, *Canadian Postal Service Charter*, 2009

January 1, 2001	\$0.47	\$0.53	56.7%	78.1%	97.8	97.3	78.1%	88.6%
January 14, 2002	\$0.48	\$0.55	60.0%	82.1%	100.0	100.0	82.1%	93.8%
January 12, 2004	\$0.49	\$0.57	63.3%	90.7%	104.7	107.7	90.7%	108.7%
January 17, 2005	\$0.50	\$0.58	66.7%	94.9%	107.0	112.0	94.9%	117.1%
January 16, 2006	\$0.51	\$0.60	70.0%	98.7%	109.1	115.2	98.7%	123.3%
January 16, 2007	\$0.52	\$0.61	73.3%	103.1%	111.5	117.1	103.1%	126.9%
January 12, 2009	\$0.54	\$0.63	80.0%	108.4%	114.4	113.1	108.4%	119.2%
January 11, 2010	\$0.57	\$0.64	90.0%	112.2%	116.5	118.0	112.2%	128.7%
January 17, 2011	\$0.59	\$0.66	96.7%	118.4%	119.9	125.6	118.4%	143.4%
January 16, 2012	\$0.61	\$0.67	103.3%	121.7%	121.7	128.1	121.7%	148.3%
January 14, 2013	\$0.63	\$0.67	110.0%	123.7%	122.8	129.0	123.7%	150.0%
March 31, 2014	\$0.85	\$0.68	183.3%	128.1%	125.2	130.4	128.1%	152.7%
January 2015	\$0.85	\$0.69	183.3%	130.6%	126.6	126.5	130.6%	145.2%

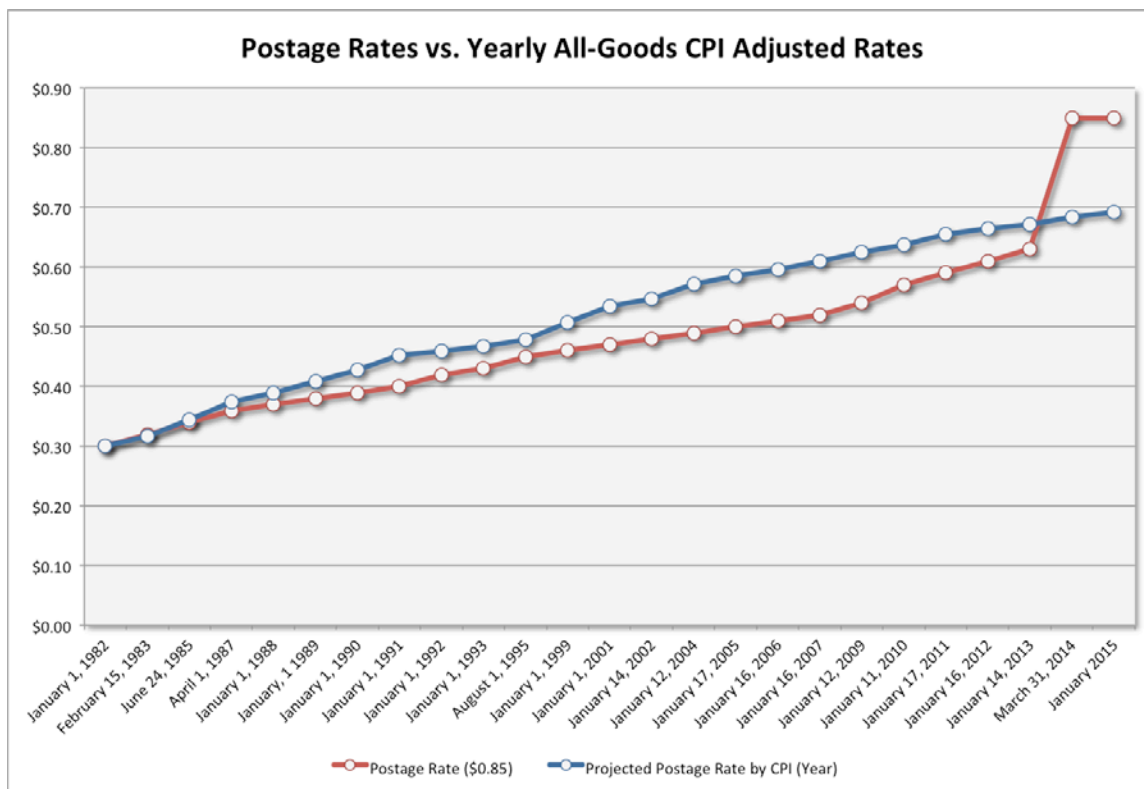


Table B and Chart Notes:

Projected Postage Rate = e.g. Jan 2015 Rate * (CPI 2014 / CPI 2015)

CPI calculated by year, not month of postage rate increase

CPI data from Statistics Canada CANSIM database, <http://www5.statcan.gc.ca/cansim/a01?lang=eng>

If postage pricing had been indexed against the CPI alone, the stamp price would have been 69 cents in 2015. Prior to 2014, transportation costs, a key component of Canada Post's input costs, had increased at a higher rate than postage prices (150 per cent versus 110 per cent since 1982). Remarkably, even with postage rate constraints, Canada Post was still able to make a profit in 19 out of the last 21 years.

Today, the price of a stamp at 85 cents (68 cents USD) is not out of line with post offices from around the world as shown by our examples in Table C and the accompanying chart. Canada still has the second lowest domestic postage price among G7 nations. The 85-cent price is also not unrealistic if price increases over the years had not been suppressed and had been based on a comprehensive inflation-costing model. CUPW would have preferred to see a more gradual and evenly distributed price phase-in instead of the drastic jump in 2014 for individuals, non-profit organizations and small businesses. In addition, large volume mailers should have borne more of the cost increase than they did.

Table C: 20g First Class Rates for Industrialized Countries in Currency and Labour Time

Country	2016 Domestic 20g Postage Rate	Currency	Foreign Unit in USD	20g Rate in USD	2016 UN Population Density Prospects (pop/km ²)	2015 Manufacturing Sector Hourly Wage in USD	Minutes of Labour to Purchase a 20g stamp	Liberalised domestic market?
Finland	1.20	EUR	\$1.13592	\$1.36	18	\$38.46	2.13	Yes
Italy	0.95	EUR	\$1.13592	\$1.08	203	\$31.48	2.06	Yes
Sweden	6.50	SEK	\$0.12307	\$0.80	24	\$41.68	1.15	Yes
Austria	0.68	EUR	\$1.13592	\$0.77	104	\$39.19	1.18	Yes
Australia	1.00	AUD	\$0.73774	\$0.74	3	\$38.75	1.14	No
France	0.70	EUR	\$1.13592	\$0.80	118	\$37.59	1.27	Yes
Germany	0.70	EUR	\$1.13592	\$0.80	232	\$42.42	1.12	Yes
New Zealand	0.80	NZD	\$0.69365	\$0.55	17	\$23.28	1.43	Yes
Japan	82.00	JPY	\$0.00932	\$0.76	347	\$23.60	1.94	Yes
United Kingdom	0.64	GBP	\$1.44564	\$0.93	269	\$31.44	1.77	Yes
Canada	0.85	CAD	\$0.77848	\$0.66	4	\$30.94	1.28	No
United States	0.47	USD	\$1.00000	\$0.47	35	\$37.71	0.75	No

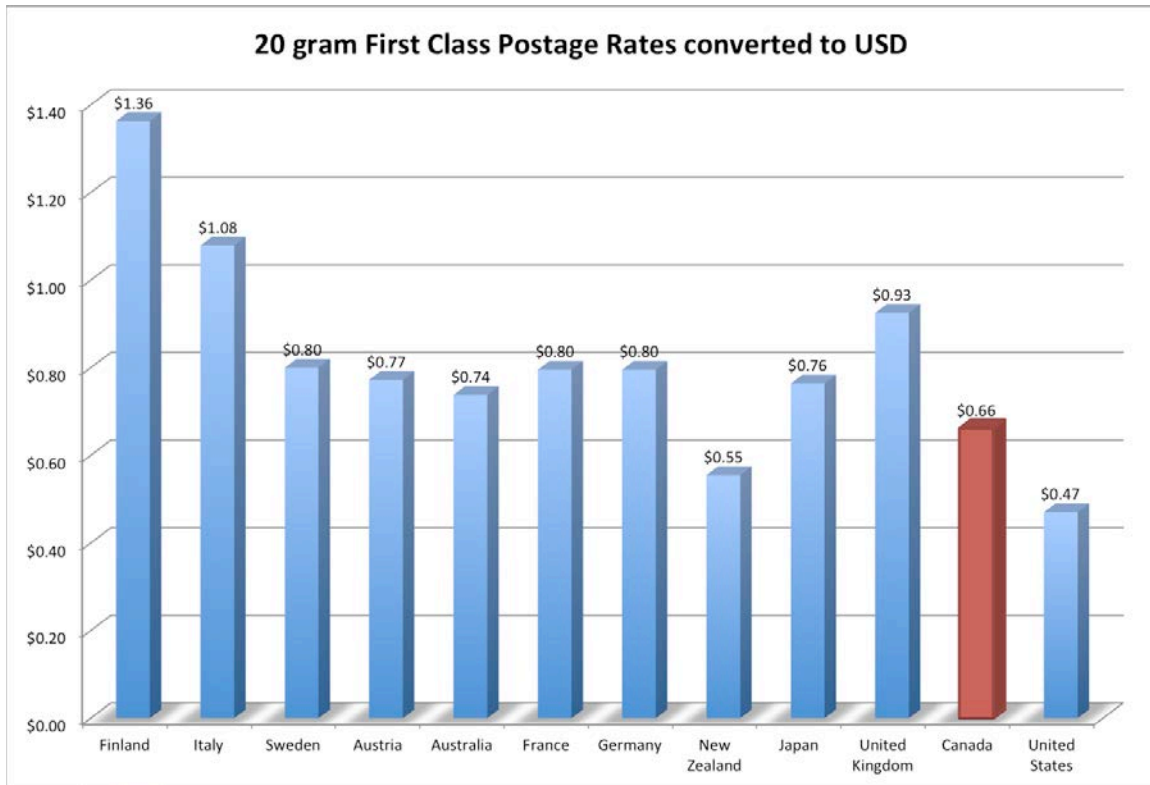


Table C and Chart Sources:

Postage Rates: Universal Postal Union (UPU) designated postal operator web sites

Currency conversion: <http://www.xe.com/currencyconverter/>, June 6, 2016

Population Density: United Nations, <http://esa.un.org/unpd/wpp/DataQuery/>, April 29, 2016 and June 6, 2016

Manufacturing Wage Data: Conference Board, *TABLE 1. Hourly compensation costs in manufacturing, in US dollars and as a percent of costs in the United States (US =100)*, <https://www.conference-board.org/ilcprogram/index.cfm?id=38269>, April 29, 2016 and June 6, 2016

Postal Market Data: Universal Postal Union, <http://www.upu.int/en/the-upu/status-of-postal-entities/about-status-of-postal-entities.html> and Uni Global Union, *Postal Liberalisation: The Issues, The impact and Union Responses*

When looking at manufacturing wages, although not a full measure of purchasing power, Canada remains on the low-end of labour time required to purchase a 20-gram letter. Finally, when factoring in Canada's very low population density, vast geography and increasing points of delivery¹⁸, it is easy to see that it is still a pretty good deal to mail a letter to anywhere in Canada.

¹⁸ Canada Post Corporation, *Annual Report*, 2015, p. 5

To help ensure future pricing stability, predictability, avoid drastic increases and to help deter political interference in postage pricing, CUPW would like the Standing Committee to consider recommending a comprehensive rate cap for postage increases. While the All-Goods CPI is a minimum benchmark for rate increases, it does not truly reflect all of the input costs for Canada Post. The proposed cap should be able to compensate for Canada Post's full operating costs, including labour, transport, facilities and other appropriate measures. The 2008 Strategic Review recommended similar measures.¹⁹

The one exception to the rate increases should be for the non-profit and charitable sector. CUPW is in favour of creating a discount rate for qualified organizations. Since the 1950s, the United States Postal Service has had a model for non-profits with some limitations on the kinds of organizations and items that qualify for the non-profit rate.²⁰ CUPW would encourage the Standing Committee to explore a similar model.

Universal service at a uniform price

A fundamental component of Canada Post's exclusive privilege and universal service mandate is that a uniform postage price will cover the cost of mailing a letter anywhere in Canada. CUPW is concerned that discussion of alternatives to uniform lettermail pricing, such as distanced-based pricing, is really just a way of rekindling the debate on the removal of the exclusive privilege so that private companies can compete in the transaction mail market.

The exclusive privilege is defined in article 14 of the *Canada Post Corporation Act*:

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.²¹

The *Canadian Postal Service Charter* clarifies the universal service obligation and uniform pricing under its first three points:

¹⁹ Strategic Review of the Canada Post Corporation, *Report of the Advisory Panel to the Minister*, December 2008, p. 95.

²⁰ United States Postal Service, *Publication 417 - Nonprofit Standard Mail Eligibility*, March 2006, <http://pe.usps.com/text/pub417/welcome.htm>

²¹ Government of Canada, *Canada Post Corporation Act*

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.
2. The provision of postal services to rural regions of the country is an integral part of Canada Post's universal service.
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.²²

It is far more cost effective to deliver to dense urban areas than rural and isolated addresses, but the fact that everyone gets equivalent basic service for the same price is a key component that Canadians willingly accept.

The 1996 Mandate Review examined the idea of distance-based pricing. While it initially thought the idea of a different price for local and non-local mail might be acceptable, it was against the idea of pricing based on where people lived.²³ Given Canada Post's concerns that savings from a local/non-local process would outweigh benefits, the review abandoned that idea and recommended that the *Canada Post Corporation Act* be amended to include "the obligation to provide universal service at a uniform rate for lettermail".²⁴ The 1996 Mandate Review also raised concerns that if competition were to be allowed, it would likely only occur in profitable high-density areas. Rural and isolated communities would suffer and Canada Post would have to bear the costs of that part of the delivery network. In turn, such a move would inevitably increase postage rates and could eventually end universal service.²⁵

Many of the public submissions to the 2008 Strategic Review were supportive of maintaining the exclusive privilege.²⁶ In their report, the 2008 Strategic Review noted "the 'one price fits all' pricing for letters is very popular among Canadians, as a key component of the universal service."²⁷ Further, it noted that the practice of the uniform

²² Government of Canada, *Canadian Postal Service Charter*, 2009

²³ Canada Post Mandate Review, *The Future of Canada Post Corporation*, p. 67

²⁴ Canada Post Mandate Review, *The Future of Canada Post Corporation*, p. 68

²⁵ Canada Post Mandate Review, *The Future of Canada Post Corporation*, p. 69

²⁶ Canadian Union of Postal Workers, *Postal deregulation gets two thumbs down during Canada Post Corporation Strategic Review*, September 2009

²⁷ Strategic Review of the Canada Post Corporation, *Report of the Advisory Panel*

price for the 30-gram lettermail rate should be continued.²⁸ Another important outcome of the 2008 Strategic Review was the clarification of the definition of the universal service obligation through the recommendation to create what would become the *Service Charter*.

In addition to the findings of those reviews, polling data also strongly supports the exclusive privilege and uniform postage rate. As far back as 1996, a poll by Angus Reid found that 91 per cent of respondents were in favour of universal service at a uniform price.²⁹ This has changed very little over the last two decades.

In 2008, an Ipsos Reid poll found that 69 per cent of respondents opposed postal deregulation while only 27 per cent supported it. The response to “allowing private companies to deliver lettermail” was similar in both urban and rural Canada. Ipsos Reid also found that support for allowing private sector competition was not solid. The polling firm asked respondents who favoured deregulation whether they would change their mind if they knew that allowing competition “would make it impossible for Canada Post to keep its one-price-goes-anywhere service for the price of a stamp.” Of this group, 44 per cent said they would change their minds and oppose allowing private companies to deliver lettermail under these circumstances.³⁰

In 2013, StratCom conducted a similar poll with very little change in the results. As was the case in 2008, 69 per cent of respondents opposed deregulation while only 29 per cent were in favour. Once again, those who favoured the removal of Canada Post’s exclusive privilege were asked if they “would change their mind if they knew that it would mean Canada Post could no longer provide single-price delivery across Canada.” Once again, support for deregulation was not solid. Among proponents of deregulation, a lot of support disappeared as 58 per cent respondents said they would “change [their] mind and oppose letting private companies deliver letter mail” if postage costs would go up. This was a 14 per cent increase in opposition over 2008 numbers. In the end, only about 12 per cent of all respondents would support deregulation given the potential loss of uniform pricing.³¹

to the Minister, December 2008, p. 16.

²⁸ Strategic Review of the Canada Post Corporation, *Report of the Advisory Panel to the Minister*, December 2008, p. 47.

²⁹ Angus Reid, *Canadian’s Attitudes Concerning Canada Post and Postal Issues*, March 11, 1996, pg. 3

³⁰ Ipsos Reid, *Views of Canadians on Private Letter Mail Service in Canada*, 2008

³¹ StratCom (Strategic Communications), *Public Opinion on Possible Changes in Canada Post Services and Privatization*, June 2013

In 2012, a Copenhagen Economics study found that single piece mail pricing had increased at a rate higher than inflation and that of business mail products when looking at demand-driven pricing over the previous decade.³² In 2013, a FORBA study explored this further, noting that competition has tended to centralize on commercial clients and highly populated areas – otherwise known as *cream skimming*. It also found that previous incumbent postal operators were left to carry out the full universal service obligation for the unprofitable parts of their delivery network. Finally, it found that in some cases, governments must compensate the former postal incumbent for carrying out the universal service obligation, for example, through competitor contributions to a fund or tax exemptions.³³

While it is not possible to show a direct correlation with liberalisation, a 2015 Deutsche Post survey examined domestic postage rates in Europe from 2005 to 2014. When adjusted for inflation, it found price increases in 24 countries over that time period, while only seven countries saw a price decrease. In terms of major increases, the survey noted that, “In Romania, the postage rates for a standard letter when adjusted for inflation almost doubled, in Denmark, Latvia, Iceland and Great Britain they have risen by more than 50 per cent in real terms since 2005.”³⁴ Overall, the survey found an average 22.5 per cent increase since 2005 when adjusted for inflation.

The most often cited case study of postal liberalization pricing issues has been Sweden and the introduction of the competitor City Mail. City Mail concentrated on delivery of commercial mail to urban addresses, but only on two days a week.³⁵ To be able to compete, Sweden Post cut its pre-sort postage rate by 47 per cent and increased rates for unsorted mail. In the decade following deregulation, the price of a 20-gram letter was 90 per cent over what it was in 1993. At the time, even accounting for taxes, the increase was well over Sweden’s inflation rate of 14 per cent.³⁶ Today, Sweden’s postage rate at \$1.02 CDN is still 20 per cent more expensive than the Canada Post 85-cent bulk-stamp purchase rate.³⁷

³² Okholm et al., Copenhagen Economics, *Pricing behaviour of postal operators*, 2012, p. 14.

³³ FORBA, *The Liberalisation of European Postal Markets and the Impact of Employment and Working Conditions*, December 2013, p. 12.

³⁴ Deutsche Post AG, *Letter prices in Europe*, April 2015, pp. 10-11.

³⁵ Canadian Union of Postal Workers, *Submission of the Canadian Union of Postal Workers to the Canada Post Corporation Strategic Review*, p. 41.

³⁶ Canadian Union of Postal Workers, *Postal deregulation: Its impact on postal workers and the response of a postal union*, 2006, p. 12

³⁷ Currency converted on www.xe.com, June 8, 2016 - Mid-market rates: 2016-06-08 19:02 UTC

The exclusive privilege is fundamental to maintaining Canada Post's universal service obligation at uniform rates. Without it, given Canada's vast geography, competitors are likely to focus on high-density areas and high volume clients, driving down transaction mail prices where there is competition. It is unlikely that competitors would create an end-to-end network in parallel to Canada Post's comprehensive infrastructure. As a result, CUPW is concerned that individuals, non-profits and small business could end up with higher postage costs to help offset the losses from competition. In turn, this could threaten uniform rates and the universal service obligation itself, as Canada Post could be left to carry this out on its own. In addition to our concerns, polling data consistently suggests there seems to be little public support for the removal of uniform pricing.

Recommendation: That the Standing Committee recommend the creation of a postage rate cap that indexes postage price increases to a rate of inflation that includes additional measures to compensate for Canada Post's full operating input costs.

Recommendation: That the Standing Committee recommend the inclusion of long term planning and projections in the rate increases, creating a rolling five-year pricing plan.

Recommendation: That the Standing Committee recommend the removal of tiered pricing for stamp purchases, lowering the \$1.00 rate to 85-cents.

Recommendation: That the Standing Committee recommend a reduction in the gap between basic individual and commercial lettermail pricing.

Recommendation: That the Standing Committee recommend the creation of a special discount rate for qualified non-profits organizations.

Recommendation: That the Standing Committee recommend that Canada Post should maintain its current exclusive privilege on lettermail.

Recommendation: That the Standing Committee recommend that the universal service obligation should be maintained at a uniform price.