

## MP Bains

**My question to you is more around what some of the investments are that are being made to support innovation and growth. Is this a model that is being used across Canada in having Canada Post counters and branches inside other retail outlets or big-box stores?**

Canadians rely on our extensive retail network of post offices for important services, parcel and mail pick-up and product returns. With almost 6,000 post offices across the country, we have more retail locations than any other business in Canada. Of these, more than 3,600 locations are corporately owned and over 2,300 are operated by private dealers. With the aim of providing convenient access to all Canadians, over half of our locations operate in diverse and remote areas across Canada. For most Canadians, retail is the primary point of contact with our company and we continually strive to improve the customer experience, lower our transaction times, expand our services, reduce our environmental footprint and provide more pickup points for customers, particularly during peak season.

Beyond full-service post offices, which are the backbone of our network, our parcel pickup model continues to improve customer convenience and provide us with flexibility, allowing us to increase the number of locations in our network as needed. These locations are quick to set up and require less space than a post office, allowing for the temporary expansion of our network to accommodate surges in parcel volumes. In 2021, we expanded services at 27 select parcel pickup locations, where consumers and small businesses can drop off and pick up mail or parcels. In 2022, we plan to convert the remaining parcel pickup locations to this new “pick and drop” model to help manage demand for mail and parcels. We also continue to improve backroom areas, adding shelving and optimizing space for parcel capacity.

Canada Post’s retail network conducts in-depth annual market reviews to evaluate demands and requirements. We look at revenue, “call for” (undelivered carded items), induction and all other relevant transactional trends at the store and market level. This data, combined with local Operations and Retail inputs related to population growth, help us respond to any needs for additional postal services. These services include post offices; pick and drop (formally parcel pick up); or adjustments to the existing network such as changes to the call for boundaries, expansion of backrooms, etc. If there is a need for a post office or pick and drop, we conduct a market assessment to identify potential dealer opportunities. Based on specific criteria such as optimal location, available space, universal accessibility, parking etc., we rank potential locations and from that list, approach retailer(s) to negotiate a Canada Post dealer partnership.

Please note that there are ebbs and flows with Retail market requirements.

- While we conduct market assessments at the beginning of each year, we also monitor and adjust throughout the year as required. The pandemic had an impact on the types of transactions occurring in Retail (e.g., deliveries were down due to “Knock, Drop and Go” delivery, but up on the number of inductions). Market plans were adjusted to reflect this shift.
- Adjustments can also include the reduction of dealer post offices if the market no longer requires it.

- We receive customer feedback through various forums such as customer service (call centre/website), government affairs, corporate communications, ombudsman, President's Office local area managers, retail business managers, etc., and investigate and address any concerns or issues related to postal services.
- Retail services invite customers to provide feedback through corporate or dealership business locations. We have an online survey link on our Retail post office receipts, provided at the time of the transaction. Customers are asked to rate us on several attributes in each of the following categories: Facility, Service, General Experience and Overall. Results are gathered monthly via a third-party partner and shared with all field teams as well as our corporate business analytics team. We monitor and analyze results to identify areas for continuous improvement and to drive a better customer experience.

**MP Johns**

**Can you provide this committee with an update on the community hub pilot projects that are taking place in Membertou and High Prairie?**

For High Prairie, AB, due to the ongoing public health situation in the region, we have not been able to solicit feedback as we had wished. The implementation is still recent but we are looking forward to being able to go on-site to talk with the community. That being said, we have pulled the customer satisfaction ratings since the go-live date and we are seeing very positive results. The artist who created the mural on the exterior of the office posted on social media about the partnership with Canada Post, and the Community has been excited for the local representation. The feedback from staff on-site has also been very positive. They really appreciate the work that has gone into the Community Hub office.

In Membertou, NS, we have received feedback that the opening of a new Post Office in the Community is greatly appreciated. There appears to be a high level of interest and anticipated demand for bookable workspaces. We look forward to the opening date of March 31 and continue to work with the community for feedback on the newly implemented products and services.

**In terms of numbers of employees, do you have any idea how many employees have been hired since the strategy was introduced? I'm looking for numbers, like how many employees have been... Do you have any idea?**

Year	Indigenous Hires
2020	335
2021	395

## **MP McCauley**

### **How much did Canada Post lose last year?**

In 2020 the Canada Post Segment reported a loss before tax of \$779 million. For the third quarter ended October 2, 2021, the Canada Post Segment reported a loss before tax of \$492 million.

### **What's the projection for the rest of the year?**

Typically, profits reach the lowest level in the third quarter. For the third quarter ended October 2, 2021, the Canada Post Segment reported a loss before tax of \$492 million. We are continuing to finalize the 2021 results and do not expect the earnings before taxes to be materially different than what we reported for the third quarter of 2021.

### **How much do we make per dollar on that compared to the declining delivery mail?**

The Annual Cost Study published in the 2020 Annual Report illustrates that we earn almost double the amount on exclusive privilege services (41 per cent) compared to competitive services (23 per cent). The Parcels line-of-business would be a competitive service and our lettermail offerings would be considered an exclusive privilege service.

### **The Canada Post debt, I think you were allowed a debt ceiling of \$2.5 billion. What are you at now and when are you going to hit that debt ceiling?**

As per the Canada Post Act, Canada Post has a borrowing limit set at \$2.5 billion. Currently, the Corporation has \$1 billion in outstanding long-term debt (issued in 2010). With the current liquidities on hand and the latest projections, we do not expect to hit the debt limit in the foreseeable future. These projections are based on obtaining pension solvency funding relief and making critical investments to modernize our operations and improve cost competitiveness.

### **Who is deciding the metric for a high-quality service, and who is deciding the metric for a reasonable price? How much extra revenue has that enhanced remittance focus brought in for Canada Post? How much of that \$400 million has been offset by enhanced focus on the remittance program? Is it a significant amount?**

The remittance business is a very competitive market. Canada Post has improved its competitiveness through a pricing opportunity for remittance consumers in Canada while maintaining the ability to generate positive earnings before tax to support the Corporation.

## **MP Lobb**

### **Do you want to comment at all on the pension? Is the pension fully funded or is there a liability with the pension?**

The Canada Post Corporation Registered Pension Plan (RPP) is measured on an accounting, going-concern and solvency basis. Based on measurements at December 31, 2020, the RPP was in a liability position of \$3.1 billion (accounting), a surplus position of \$3.8 billion (going-concern), and a deficit position of \$6.4 billion (solvency – using three-year average). Based on strong asset returns and improved market conditions in 2021, we expect that for December 31, 2021, the RPP will be in an asset position (accounting), show a larger surplus (going-concern),

and have a significantly lower deficit (solvency). This is in line with what was reported in our most recent financial report (third quarter ended October 2, 2021).

**The operating margins are pretty small. Compared to FedEx, which is maybe not a fair comparison, they substantially lower than FedEx's. We did talk about some of the areas of growth. What margins are growing? You mentioned parcel delivery. What are the operating margins on parcel delivery?**

Unlike FedEx, Canada Post has a mandate to serve all 16.5 million addresses from coast-to-coast, every day. The 2020 Annual Cost Study reported exclusive and competitive margins of 41 per cent and 23 per cent, respectively, which are lower compared to the 2019 Annual Cost Study (44 per cent and 26 per cent). Parcels is included in the competitive product category.

**Do you have a projection on where your operating margins might lay after you've done that investment?**

We are making significant investments to create capacity and modernize our operations to enhance our cost competitiveness, which will ultimately improve margin performance.

**There's a three-year average of the underfunded pension liability of, I believe, \$7.1 billion, and in 2020, it was \$6.3 billion. For a number of years now, you've asked, and I wouldn't say you specifically, but Canada Post has asked, for a special payment holiday. Are there any concerns among the corporation on where that number is heading on just the fact that it is quite a significant number?**

The Registered Pension Plan (RPP) is large compared to the assets of the Corporation and its deficit is significantly impacted by market volatilities. The Corporation is always concerned when the RPP has a solvency deficit and the requirement to fund the shortfall. Without temporary solvency relief, Canada Post, as plan sponsor, will have to fund the deficit, which will have a significant impact on the Corporation's cash reserves. In 2020, as per the 2020 Annual Report, we reported a \$3.8-billion surplus on a going-concern basis and a deficit of \$6.4 billion on a three-year average solvency basis. The three-year average solvency basis is used to determine the solvency funding obligation. With strong asset returns and improved market conditions last year, we are expecting to end 2021 with a larger going-concern surplus and a lower solvency deficit. The improvements will have less of an impact on the three-year average solvency basis used for funding. This is in line with what was reported in our most recent financial report (third quarter ended October 2, 2021).

In December 2021, the Canada Post Corporation Pension Plan Funding Relief Regulations were pre-published in the Canada Gazette for comments. The proposed regulations would provide Canada Post with temporary relief from its solvency funding obligations. The process to grant temporary solvency relief is ongoing and the final regulations must be approved. With the above-mentioned market conditions and other factors remaining consistent, the going-concern surplus would increase further if Canada Post does not receive pension solvency relief.

**Do you have an estimation of how much that MoneyGram product costs to set up and deliver?**

Our agreement with MoneyGram includes elements of cost recovery. For example we have a clause with MoneyGram that requires them to provide funding for technology updates and development to ensure our system connections are operating, secure and compliant with

regulations. From a profit and loss view, the program generates approximately 50% earnings before taxes after all fixed and variable costs needed to operate the program. The largest cost line for the program is the transaction activity (labour costs) in corporately owned locations and dealer fees paid to our franchise partners for MoneyGram remittance transactions.

**Do you know, when you're looking at quarterly reports, monthly reports, annual reports, if they do a separate line item for the IT expenses that would go into supporting and maintaining, let's say, like this MoneyGram program?**

Costs are maintained and monitored by leveraging general ledger codes and cost centres in order to appropriately place program costs to the business. As mentioned, for IT expenses, Canada Post has negotiated a clause in the agreement that requires payment for IT updates and development costs by MoneyGram over the term of the agreement.

**Do you know how much revenue MoneyGram generates in a year for Canada Post?**

MoneyGram was marginally profitable in 2021.

### **MP Vignola**

**Do you intend to launch any pilot projects for a monitoring service for seniors?**

Through one of our committees with the Canadian Union of Postal Workers, we have committed to jointly reviewing available research and analysis pertaining to a potential non-postal seniors' service. Once this initial phase has taken place and been evaluated, findings will be reviewed by the parties to determine whether further analysis is supported.

**You have launched two community hub pilot projects. What are your findings?**

For High Prairie, AB, due to the ongoing public health situation in the region, we have not been able to solicit feedback as we had wished. The implementation is still recent but we are looking forward to being able to go on-site to talk with the community. That being said, we have pulled the customer satisfaction ratings since the go-live date and we are seeing very positive results. The artist who created the mural on the exterior of the office posted on social media about the partnership with Canada Post, and the Community has been excited for the local representation. The feedback from staff on-site has also been very positive. They really appreciate the work that has gone into the Community Hub office.

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**Other than the community hub pilot projects, are there other pilot projects of this type and where will they be implemented?**

We launched the testing of electric cargo cycles in Montreal last year. The news release can be found here: [Canada Post to test e-cargo trikes as potential delivery approach | Canada Post \(canadapost-postescanada.ca\)](https://www.canadapost-postescanada.ca/Canada-Post-to-test-e-cargo-trikes-as-potential-delivery-approach)

Six delivery agents tested two electric-assisted cargo trikes to deliver more than 2,100 packages in the areas of Le Village and Pointe-Saint-Charles in downtown Montreal, from July 19 to October 8, 2021. They cycled just over 1,400 kms in total. The learnings and feedback from the proof of concept and further testing in 2022 will help us assess the viability of an e-cargo trike solution.

We are still in the planning stages to test the e-cargo trikes in BC this year. Also in 2022, we are exploring low-speed electric vehicles as another potential solution for last-mile delivery in dense urban settings, which have similar advantages as the e-cargo trike in reducing congestion. This testing initiative will likely be in Ottawa.

**In June 2020, a call for tenders was issued for an electric vehicle pilot project, but the date was always pushed back and now it is up to December 31, 2022.**

No call for tenders was issued in June 2020. A Request for Qualifications (#GSHP191543) was published on MERX, which informed the market that Canada Post is looking to purchase a limited quantity of electric vehicles for the purpose of carrying out a pilot involving field trials of vehicles in an operational setting. The pilot / field trials are being carried out to assist Canada Post in developing and refining the requirements, specifications and evaluation criteria to be used in future, anticipated RFPs involving procurements of electric vehicles (EVs). Once completed, and depending on the market conditions in the automotive sector, Canada Post will issue a Request for Proposals or Request for Tenders/Bids.

The automotive industry has cut production since 2020 due to supply issues and a shortage of components and materials (e.g., semiconductors). Any delay that takes place will be on account of market conditions and not Canada Post.

**Why is the date continually pushed back? Could you assure us that as of December 31, there will be no further postponement?**

Some delay occurred due to market conditions (e.g., non-availability of electric vehicles suitable for Canada Post) and the disruptive impacts of COVID-19 on Canada Post's operations and planning. Canada Post is committed to reducing our emissions and replacing our fleet with electric vehicles, which will take time and planning. We are in a pilot stage at this time to ascertain the suitability of these vehicles in an operational setting. Without extending the solicitation time, the number of distinct vehicle types procured would have been so low that meeting the described objectives of these trials would not be possible.

**Could you assure us that as of December 31, there will be no further postponement?**

Prevailing market conditions, the impacts of COVID-19, supply issues and materials shortages have disrupted the automotive sector supply chain sector and we are largely dependent on the manufacturers to allocate vehicles to Canada Post as production starts coming back to normal.

The extension of the close date is in line with expectations of more new vehicles coming onto the market that we would like to be given the opportunity to pilot. We are committed to getting the widest possible view of the market landscape through our EV pilot as quickly as possible.