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Chair: Mr. Robert Kitchen



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• (1630)

[English]

The Chair (Mr. Robert Kitchen (Souris—Moose Mountain, CPC)): Welcome to meeting number 22 of the House of Commons Standing Committee on Government Operations and Estimates. We'll be hearing today from representatives of Canada Post. We will also discuss committee business during the last 30 minutes of the meeting.

Today's meeting is taking place in a hybrid format pursuant to the House order of November 25, 2021. Members are attending in person in the room and remotely using the Zoom application.

Regarding the speaking list, the committee clerk and I will do the best we can to maintain a consolidated order of speaking of all members, whether participating virtually or in person.

I would like to take this opportunity to remind all participants to this meeting that screenshots and taking photos of your screen are not permitted.

Given the ongoing pandemic situation, in light of the recommendations from public health authorities as well as the directive of the Board of Internal Economy on October 19, 2021, to remain healthy and safe the following is recommended for all those attending the meeting in person.

Anyone with symptoms should participate by Zoom and not attend the meeting in person. Everyone must maintain two-metre physical distancing, whether seated or standing. Everyone must wear a non-medical mask when circulating in the room. It is recommended in the strongest possible terms that members wear their masks at all times, including when seated. Non-medical masks, which provide better clarity over cloth masks, are available in the room.

Everyone present must maintain proper hygiene by using the hand sanitizer at the room entrance. Committee rooms are cleaned before and after each meeting. To maintain this, everyone is encouraged to clean surfaces, such as the desk, their chair or their microphone, with the provided disinfectant wipes when vacating or taking a seat.

As the chair, I will be enforcing these measures for the duration of the meeting, and I thank members in advance for their co-operation.

With that, I would like to welcome our witnesses here today. I appreciate your bearing with us, as we had to deal with the votes.

At this point, you have seven minutes to make some opening statements.

Mrs. Rindala El-Hage (General Manager, Financial Controller, Canada Post Corporation): Good afternoon.

Thank you to the chair and to the committee members for inviting us to join you today to talk about Canada Post finances.

I know that my colleagues, Manon Fortin and Serge Pitre, appeared before the committee in February of this year to answer many of your questions about service.

My name is Rindala El-Hage. I am the general manager and financial controller at Canada Post. I am joined by my colleague Nathalie Séguin, general manager, finance business partner. Together, we hope to answer your questions regarding Canada Post financing and the important investments our company is making.

First, I would like to share some important context that will be helpful for our discussion today.

[Translation]

Our company understands the important role we play in the lives of Canadians. Over our long history, we've constantly evolved to meet the changing needs of Canadians and businesses.

We proudly serve all corners of the country—the urban centres, the rural towns, remote communities and the far north. We're the only delivery organization with the network, and the commitment, to serve all Canadians.

We have a retail network of nearly 6,000 post offices and an incredible team of more than 68,000 employees, who are dedicated to serving the communities they live and work in. But to truly serve all Canadians, we know the postal service must also respond to the changes in society and reflect the country we serve.

This requires us stretching beyond our traditional role and viewing our responsibility to the country through a wider lens.

In 2021, Canada Post built an ambitious transformation plan. It strategically positions us for the future by putting the needs of Canadians first. This new plan has one purpose: a stronger Canada—delivered.

Our new plan is designed to respond to the fundamental changes that we've seen across the country over the last two years.

[English]

Canadians are buying more online than ever before. It went from a necessity during lockdown to a lifestyle game-changer. The needs of Canadians are quickly changing, and businesses are working hard to adjust to this new reality. We're responding to this urgent need by boosting our capacity, improving service and much more. Our plan means that we will play a meaningful role in their lives for years to come. At the same time, we're committed to showing leadership on key issues, helping make Canada greener, stronger and more inclusive.

Above all, we're investing in our employees. Canadians see them as an essential part of their communities. They do an incredible job, and we are focused on their safety and other needs.

Our transformation plan demonstrates leadership that Canadians expect, and it includes important investments that our country needs. Some of these critical investments are reflected in our 2021 financial results, which I will now discuss.

[Translation]

In 2021, the Canada Post segment recorded a loss before tax of \$490 million, as higher costs partially offset revenue growth across all lines of business. The loss for 2021 was an improvement from a loss before tax of \$779 million in 2020.

It's important to note that year-over-year comparisons for our 2021 results are affected by COVID-19, which had different impacts on the lines of business the previous year.

In 2021, revenue for the Canada Post segment increased by \$407 million, or 6.3%, compared to 2020.

Our cost of operations increased by \$127 million, or 2%, in 2021, compared to the previous year. Cost increases were largely driven by higher labour costs and an increase in non-labour collection, processing and delivery costs.

We also invested in operational capacity to support the growth in online shopping and modernize our retail network of post offices.

- (1635)

[English]

I'll now share a bit more detail on the results for each of our lines of business. In 2021, parcel revenue increased by \$238 million, or 7.4%, while volumes fell by 28 million pieces, or 7%, compared to the prior period, when volumes surged. The reopening of stores for in-person shopping also had an impact on domestic parcel volumes in the second half of 2021.

Transaction mail revenue grew by \$10 million, or 0.8%, as volume fell by 62 million pieces, or 2%, compared to the previous year. The 2021 revenue growth was atypical, partly due to the mailings for the federal election and census. Overall, transaction mail continues to erode as consumers and mailers migrate to digital alternatives.

Due to COVID-19, Canada Post maintained regulated stamp prices at 2020 levels through 2021.

Direct marketing partially recovered in 2021 following significant declines in our personalized mail and neighbourhood mail services in the prior year, when customers postponed or cancelled marketing campaigns due to COVID-19. In 2021, direct marketing revenue grew by \$113 million, or 14.4%, while volumes increased by 595 million pieces, or 18.4%, compared to the previous year. While some retailers experienced global supply chain issues in the second half of 2021, personalized mail and neighbourhood mail revenue and volumes began to recover in 2021 with the gradual return to in-person shopping.

Canada Post has a long-standing mandate to maintain financial self-sustainability while serving all Canadians. We believe that our new transformation plan will help build Canada Post for the future and put us on a path to financial self-sustainability.

The needs of Canadians have changed dramatically during the pandemic. Online sales in Canada nearly doubled in the last two years. Canadians expect more, and businesses of all sizes need us to be there for them.

[Translation]

We're responding by investing to expand capacity, improve service and innovate our operations. Our plan will see us increase parcel capacity by more than 50% over the next seven years to manage the forecasted growth in online shopping beyond 2030.

Our immediate focus must continue to be on the investments and improvements needed to meet the changing needs of Canadians and support businesses of all sizes. Financial self-sustainability remains our goal, and we fundamentally believe that our transformation plan—along with our amazing people—will help get us there.

In closing, I want to say how proud Canada Post is to serve the people, businesses and communities that make this country strong. Their needs are at the heart of everything we do. We are the only organization serving all 17 million residential and business addresses across Canada.

[English]

It's a tremendous responsibility, and one we have never felt more than in the past two years. Canadians from coast to coast to coast have changed, and we are changing with them. As Canada continues to evolve, so will Canada Post.

Thank you, and we look forward to our discussion.

The Chair: Thank you very much for your presentation.

We'll now go into some questions, and we'll start with Mr. McCauley, for six minutes.

Mr. Kelly McCauley (Edmonton West, CPC): Thanks, Mr. Chair, and welcome, witnesses.

In the first quarter for Canada Post, your loss was \$100 million compared to \$19 million last year. What's happening to make the results worse from last year, considering the country is coming out of the pandemic and switching back to a more open corporate environment?

• (1640)

Mrs. Rindala El-Hage: We recently released our quarter results for Q1 of 2022. You are right that the Canada Post segment reported a loss before tax of \$129 million. That loss deepened by \$52 million compared to 2021. Really, the main difference was revenue falling by about \$125 million versus the first quarter of 2021.

The larger component is parcel revenue. To better appreciate that, we know that in the first quarter of 2021 we still had exceptionally high volume levels in our parcel line of business due to post-holiday online shopping and returns, because stores were still closed due to the pandemic.

The volumes were a lot higher in the first quarter of 2021 compared to this year. We are also facing limited inbound air transportation capacity and global supply chain issues, which also negatively impact our parcel volume and revenue.

Mr. Kelly McCauley: Most of the loss was from a drop in addressed mail, was it not?

Mrs. Rindala El-Hage: Most of the revenue difference year over year is really in the parcel line of business. We did see a decrease in our inbound parcel revenue, as well.

When we look at our—

Mr. Kelly McCauley: Sorry, I'm going to interrupt and move on, because I have a bunch of questions.

Your executive summary states that Canada Post's long-term financial sustainability is at risk. Can you expand on that a bit?

Mrs. Rindala El-Hage: Our mandate is always focused on financial sustainability. However, we are very well aware that we need to make significant investments to create capacity and modernize our operation to enhance our cost competitiveness. We need to increase our service to Canadians in order to remain a competitive player in a very fierce market. We definitely need to focus, and our focus more than ever is on the transformation plan that we launched in 2021 to get us to a path of financial self-sustainability.

Mr. Kelly McCauley: Right. I appreciate that, but I don't think I've seen before in the executive summary that you've been so blunt about the sustainability being at risk. Is there a reason it's been put in this executive summary?

Mrs. Rindala El-Hage: It's because we launched our transformation plan at the end of 2021. This is the first time that we are committed. We are very well aware that without this transformation plan... It is really geared around our service and capacity, providing environmental and social leadership, and doing right by our people. We are very keenly aware that we need to invest in this plan and execute on it in order to—

Mr. Kelly McCauley: Let me get into the details a bit more. What is the plan to address the risk and increase the financial sustainability?

Some of the items you mentioned are more of the soft, ESG-type issues, but they don't help competitive, they don't help cost and they don't help increase the business or the cash flow. What exactly is the plan to increase the long-term sustainability financially?

Mrs. Rindala El-Hage: We are investing \$4 billion over the next five years in improving service and increasing capacity. We are planning to increase our parcel capacity by over 50% over the next seven years.

One example is the \$470-million investment that we've made in to our Albert Jackson processing centre in Toronto, which will be able to process one million packages a day. That is 50% more than Gateway. It is the largest industrial project in Canada with a zero-carbon building.

We realize that online e-commerce is going to increase. The online sales in Canada—

Mr. Kelly McCauley: Let me interrupt you on that point. You're investing in what is, according to all your reports, the low profit margin areas of the business, and we understand that's where the growth is.

What is the forward-looking reduction that we're going to see in the high-profit addressed mail? How is that going to correspond with your planned 50% increase in parcel capacity? Would the increase in the low-margin parcel capacity make up for the losses in the addressed mail?

Mrs. Rindala El-Hage: According to our 2021 annual report, in which we publish our annual cost study, the contribution margin for our exclusive privilege—you mentioned transaction mail as part of that—was 39%. The contribution margin for our competitive services, to your point, is lower, at 25%. The competitive services include parcels.

If I were to give you some historical volumes, parcel volumes in 2019 were—

• (1645)

Mr. Kelly McCauley: I'm more interested in moving forward and looking forward, and what the numbers will be or what you're projecting looking forward for how they're going to offset.

Mrs. Rindala El-Hage: At this point, what I can tell you is that the contribution margin for competitive services is lower than our exclusive privileges. However, let's not forget that it is still profitable. It is absolutely a profitable business, and it is an area in which we need to capitalize on the growth we are expecting to see in Canada.

Online sales are expected to top \$100 billion in 2025, so we need to ensure that our capacity increases in order to be able to grab those increased market shares. We want to improve our service. We want to modernize our operations and, with that, ultimately improve our margin performance.

The Chair: Thank you.

We'll now go to Ms. Thompson for six minutes.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you, Mr. Chair, and thank you to the witnesses.

I'm going to switch to the “think small” campaign. In 2020, you launched this to support small businesses during the first wave of COVID-19. You won two Canadian Marketing Association awards.

I'm really interested to hear about the supports that were offered to businesses, when it ended and what you feel are the outcomes from the “think small” campaign.

Mrs. Rindala El-Hage: We are very much focused on our small and medium businesses. They are part of the clients we serve across our network, and most often, that's the first face they see at Canada Post. We are seeing extremely positive results. We did a lot with them in 2021.

I'm going to turn to my colleague, Madame Séguin, so she can help me answer specifically the questions around our small and medium businesses.

Mrs. Nathalie Séguin (General Manager Finance Business Partner, Canada Post Corporation): Thank you so much, Rindala.

To echo your thought—again, I don't have all the details—with our small businesses, we're also piloting what we call a small “community hub” to improve access and help local small businesses connect with their customers. It's not cookie-cutter, but we've worked with all the communities and the union to determine how we can best serve local customers and small businesses.

It's part of Canada Post's ongoing effort to meet Canadians' changing needs and expectations, and to continue to build a stronger Canada together.

Ms. Joanne Thompson: As a follow-up, how many businesses were supported through the campaign?

Mrs. Rindala El-Hage: It's a great question. I don't have that information at my fingertips, but we are very happy to follow up with the committee with that information.

Ms. Joanne Thompson: Thank you.

I could switch to staffing, for whichever one of you would like to answer.

In February 2022, the interim CEO told this committee that, “Staffing and coverage have often been a challenge, but more at the local level—not widespread.” In April 2022, Canada Post indicated that it was “experiencing a limited impact on staffing” as a result of COVID-19, and while it was implementing a contingency plan, “customers may experience delays.”

Would you like to update us on this, please? What is the current status of staffing impacts, and what is your contingency plan? Moving forward, do you have a plan to mitigate any challenges into the future?

Mrs. Rindala El-Hage: Throughout COVID and earlier this year, I understand that we experienced situations in which some local post offices were impacted due to staffing issues. Those were in pockets and not necessarily across our network. They were short-term, localized situations. I don't have specific numbers about any particular area, but we understand that it is a relatively small number overall. However, it is unfortunate that it happens. Every impact to service is very important to us.

With a national network of over 6,000 post offices, local staffing issues can occur for myriad reasons. We are therefore experienced at responding and providing services, and we have contingency plans in place. We often look to ensure that we are providing the service that the particular community needs. I'm very well aware that the retail team works very hard to ensure that we can maintain services to communities when they are impacted by staffing.

We are therefore regularly hiring. We undertake a constant hiring process to ensure that we have the proper staffing levels, but let's not kid ourselves: We are facing the same challenges as every other employer in Canada. We are doing our best to mitigate any negative impact that this could have on service. If you have a particular area of concern in mind, please let us know. We'll be happy to follow up with specific details.

• (1650)

Ms. Joanne Thompson: Thank you for that. I'm going to switch to another thread now, on indigenous procurement.

You have set a target to purchase 5% of goods and services from indigenous-owned suppliers and subcontractors by the end of 2025. For 2021, Canada Post reported that it had direct indigenous procurement of 2.1% and was on track to achieve the goal of 5%.

Could you share with this committee how you intend to reach the target?

Mrs. Rindala El-Hage: At this point in time, you're right. We did adopt a target of 5% for our procured goods or services from indigenous-owned suppliers and contractors. We disclosed that we are currently at 2.1%. That is compared to 1.2% in 2019.

We realize that we still have a lot of work to do to reach 5% of the total procurement, but we are on track. We're constantly working with our suppliers and the communities to ensure that we meet that target. We are on track, and we're continuing our work to reach that target. We know we have a way to go, but we're confident we will meet it.

Ms. Joanne Thompson: Thank you.

The Chair: Thank you. That's perfect timing, with three seconds left.

We'll go to Ms. Vignola for six minutes.

[Translation]

Mrs. Julie Vignola (Beauport—Limoulu, BQ): Thank you.

Thank you, ladies, for being here today.

In September 2021, Canada Post launched a pilot project involving a personal loan service in partnership with TD Bank. How has the service performed financially thus far, and how popular is it? How much will the service provide in projected revenue? Since TD Bank doesn't have a branch in every municipality, do you anticipate working with other financial institutions to possibly extend the service to a larger area?

Mrs. Rindala El-Hage: Thank you for your question, Mrs. Vignola.

Yes, we launched a postal banking pilot project. It's a new personal loan service called Canada Post MyMoney Loan delivered with TD Bank. I'm not aware of any plans at this time to work with another financial institution. This strategic partnership was launched just recently.

The feedback so far has been very positive, but since the service is so new, I don't have a lot of information to share with you. I know that we are expanding the services available through Canada Post MyMoney Loan. A broader rollout of the service is coming in the next few months, and we anticipate a national rollout in the fall of 2022. We are very excited. The idea is to serve a segment of the population that does not have access to these types of financial services. Although the loans are small, they meet the needs of communities that currently lack these services.

Mrs. Julie Vignola: Thank you.

Many small communities saw their banking institutions move out of the community.

Why did you choose TD Bank specifically?

Mrs. Rindala El-Hage: I have to be frank with you. I don't know the details of the request for proposals, so I can't tell you why we selected TD Bank. All I know is that this was a strategic partnership we entered into with TD.

• (1655)

Mrs. Julie Vignola: Can you provide the committee with the information on the decision-making process by email?

Mrs. Rindala El-Hage: What I can tell you is that we adhere to a stringent request for proposals process for any strategic partnership.

Mrs. Julie Vignola: All right, but I would simply like you to send us the information by email.

Mrs. Rindala El-Hage: Yes, of course. Thank you.

Mrs. Julie Vignola: Thank you.

In April, the environment minister, Mr. Guilbeault, released the 2030 emissions reduction plan. In a nutshell, he said that, to demonstrate leadership, the energy emissions targets for federal buildings had to be more ambitious. The announcement mentioned making electric vehicle charging stations available in areas under federal jurisdiction, which of course includes Canada Post offices.

Have you estimated what that announcement would mean in terms of costs?

Mrs. Rindala El-Hage: It's part of our environmental plan. I believe we have four charging stations at our largest centres, and we

plan to install more in the next few years as we implement our leadership plan.

Mrs. Julie Vignola: Did you do a cost estimate, yes or no?

Mrs. Rindala El-Hage: I don't have that information on hand, but I would be glad to get back to you on that.

Mrs. Julie Vignola: Do you have a sense of how much you would have to invest to equip every Canada Post office with just one charging station? If you could give us a rough idea, that would be helpful.

What savings and benefits would such a measure mean for Canada Post?

Mrs. Rindala El-Hage: Yes, that is part of our plan. We know that Canadians expect more of us. We have an emissions reduction target of 30% by 2030, and we are taking a host of other steps. In fact, we have acquired 740 green vehicles this year.

As for the exact cost, I don't have that information on hand, so I'm going to ask my colleague Ms. Séguin whether she can provide more information. If not, we would be pleased to follow up afterwards.

Mrs. Nathalie Séguin: Thank you, Ms. El-Hage.

We have installed electric vehicle charging stations for employees at our facilities in Montreal, Toronto and Vancouver, as well as our head office in Ottawa. We don't yet have the results of the pilot project, but they will inform our decisions going forward.

Mrs. Julie Vignola: All right.

One of the union's suggestions was to electrify the entire fleet, and you are in the process of doing that. I realize that you can't just replace 14,000 vehicles overnight.

The union also recommended making charging stations available to the public, which would bring in another form of revenue for Canada Post.

Are you planning to do that?

Mrs. Rindala El-Hage: Currently, we have a very large number of vehicles, 14,000, as you mentioned.

Our plan is to replace them gradually with green vehicles as existing vehicles need to be replaced. We also intend to make sure that charging stations are available. First and foremost, they will be available to employees for the vehicles they use. Currently, we aren't planning to extend use of the charging stations to the community. We are going to start by addressing our needs.

As you pointed out, it's a major challenge—a major plan—so actions will also depend on what is available on the market.

[English]

The Chair: Thank you. If there is further information you'd like to add in answer to the questions Ms. Vignola asked, you can send it to the clerk and the clerk will distribute it to the committee members.

We will now go to Mr. Johns for six minutes.

Mr. Gord Johns (Courtenay—Alberni, NDP): Thank you, Mr. Chair.

Thank you to the witnesses and, certainly, to all the employees at Canada Post. We appreciate the members of CUPW.

The annual report for 2022 says that Canada Post Corporation would have lost money regardless of the pandemic.

Can you explain how this is calculated, specifically?

• (1700)

Mrs. Rindala El-Hage: Specifically, we highlighted and reported, in our 2021 annual report, the revenues and costs related to the pandemic. For 2022, it was a bit more difficult to quantify specifically, because a lot of the information was already included in our base. However, we know that in 2022, we were there to support the safety and well-being of our employees. We wanted to make sure they had the special leave they needed to remain safe. It was for the safety of the communities they serve as well.

We did not quantify that information in our 2022 report. However, we know that we still incurred special leave, though probably not at the same level incurred in 2021. Considering the amount we incurred for those expenses in 2021...that is why we commented that the losses were not necessarily driven by those additional expenses, but by the loss of revenue we saw in that year.

Mr. Gord Johns: I appreciate your acknowledging and protecting your postal workers. As you know, we're adhering to public health regulations and protecting public safety by exercising the "negotiated leave" provisions in collective agreements, as well.

We know the costs of COVID-19 absences, in other industries, were covered by EI and other emergency assistance programs. Can you speak about how that creates a different balance sheet from those of other private sector corporations?

Mrs. Rindala El-Hage: Absolutely. For Canada Post, as I said, the safety of our employees is paramount—for themselves, the communities they serve and their families.

To your point, we probably were the ones footing the bill, I could say, and ensuring we covered their leave. We offered child care leave, elderly care leave and quarantine leave, whether they were isolating or had been in contact. It does create a pressure on our expenses compared to other companies. You're absolutely right. It does, but we still think those expenses were extremely important and well worth investing in for the safety of our employees. They are our number one asset and the face of Canada Post. Their safety is absolutely paramount. They proved to Canadians, especially during the pandemic, what an essential service we provide. It is probably an increased cost to us compared to other companies, but one that is very well worth it and important to invest in.

Mr. Gord Johns: I really appreciate your acknowledging the important role that the workers played, especially through the pandemic.

The pandemic experience is really a mix of challenges and successes for Canada Post. For instance, there was the impact on parcel volume and the extent to which households appreciated their reliance on the service, which may be tied into the fact that Canada

Post returned to higher rankings in the Gustavson Brand Trust Index.

Can you speak about some of your successes and adaptations?

Mrs. Rindala El-Hage: Absolutely.

Again, our COO, Manon Fortin, was here in February and perfectly laid out all of the great work, from a service perspective, that our amazing team of 68,000 employees did throughout the pandemic.

From a finance perspective, what I can offer is that in 2020, we absolutely did see parcel volumes surge as things essentially shut down. However, we saw a complete decline, or a halt, in our transaction mail and direct marketing businesses. Those completely went to a standstill during the pandemic. We did see volume surge and revenues in terms of parcels, but again, we saw increased cost: It was important for us to invest in our employees and in health and safety.

Overall, as I mentioned before, I think what the pandemic really brought to our attention is that we are an essential service to Canadians. Canadians rely on us. Canadians are evolving. We are very well aware that 48% of them are buying more online since the pandemic, and we need to be there.

They were patient with us when we had increased volumes and we were over capacity during the pandemic. However, we need to do better, and that is why it's critical that we implement our transformation plan, geared around increasing that capacity and increasing the service they expect from us. That is really what the pandemic taught us.

We are the only company that serves 17,000 residential and—

• (1705)

Mr. Gord Johns: Thank you so much.

As the federal government considers when to launch a mandate review, when do you project that Canada Post will return to a stable baseline financial situation, so that the mandate review and its financial aspects can be in a position to look to the future and the long term and not be biased by a financial situation that still reflects the turmoil of the coronavirus pandemic?

Mrs. Rindala El-Hage: I cannot speak about the timing of a mandate review, but I can tell you that our goal is to be financially self-sustainable, and to get there, now more than ever, we realize the need to invest in our business in order to improve our service and expand our capacity.

I don't have a time frame for you, but it's paramount, more than ever now. As online shopping and e-commerce continue to expand, we have to capitalize on that.

The Chair: Thank you.

We'll now go to Mr. McCauley for five minutes.

Mr. Kelly McCauley: Thanks, Chair.

Thanks for your comments so far.

Regarding your plans for long-term financial sustainability, have these items been put in your corporate plan and presented to the government?

Mrs. Rindala El-Hage: I can tell you, Mr. McCauley, that we have submitted our corporate plan to our shareholder, and we are working with our shareholder on a path to financial sustainability.

Mr. Kelly McCauley: Was the plan accepted?

Mrs. Rindala El-Hage: To my knowledge, not yet. We are working with our shareholder on that path to financial sustainability.

Mr. Kelly McCauley: When was the last time Canada Post's corporate plan was accepted by the government?

Mrs. Rindala El-Hage: If I were to go by memory, and I could be mistaken, it was 2019.

Mr. Kelly McCauley: What happened in 2020 and 2021, that the plan was not accepted?

Mrs. Rindala El-Hage: Our focus remained.... As we were working with our shareholder on a path to financial sustainability, we never took our eyes off the prize. We need to continue focusing on serving Canadians across our country. We are the only company that serves 17 million addresses—

Mr. Kelly McCauley: Thanks. We are aware of that, but we're also aware that your executive summary states that there is a risk to the financial sustainability of Canada Post. It's a bit concerning.

It's been three years now since your plan was accepted by the government, and I am curious about what's going on that the government is not accepting your plan.

Mrs. Rindala El-Hage: We have submitted it, and we are working with them on the path to financial sustainability. Our focus, like I said, is on the transformation plan that we launched in 2021.

Mr. Kelly McCauley: When was the most recent corporate plan submitted to the government?

Mrs. Rindala El-Hage: We submitted it last fall, and I believe it was in our annual report. We submitted our corporate plan to the shareholders in the annual report of 2021.

Mr. Kelly McCauley: What's the pension solvency deficit right now?

Mrs. Rindala El-Hage: As of Q1 of 2022, if we look only at the market value of the solvency deficit—and, again, the solvency deficit looks at—

Mr. Kelly McCauley: I know what the solvency deficit is. Can you just provide the number, please?

Mrs. Rindala El-Hage: For sure. For Q1 of 2022, it was a deficit of \$400 million. That is on a market basis. It is not the three-year average that is calculated only on an annual basis.

Mr. Kelly McCauley: The pension solvency had been \$8 billion. Are you telling me that now it's down to \$400 million?

Mrs. Rindala El-Hage: Yes. Again, that is a product of the volatility of the discount rate and the changes. As you're very well aware, we saw the discount rate reduced for many, many years. It was decreasing. In 2021, those discount rates were increasing. For example, at the end of 2020, our discount rate, I believe, was a -0.1% to calculate the solvency deficit. At the end of 2021, the discount rate was 0.5% to calculate, and that is a product of an increase in the discount rate.

The discount rate is calculated by our actuary based on accounting standards.

• (1710)

Mr. Kelly McCauley: It's a significantly different discount rate than the one the public service uses. That's interesting. Thanks very much.

Canada Post has moved from a negative equity position to a positive one. Can you explain how that's happened over the last couple of years and how this was achieved in light of the financial losses?

Mrs. Rindala El-Hage: Yes. Can I just comment? The solvency discount rate is different from the going concern discount rate, and I don't believe the federal government has the same solvency rules as ours, but—

Mr. Kelly McCauley: It's a significantly different discount rate. I think it's 5.7%.

Mrs. Rindala El-Hage: Exactly. On the going concern basis, we have been reporting a surplus for the past few years. That means that the plan is to be maintained indefinitely. We've had healthy surpluses.

To answer your question about the positive equity, you're absolutely correct. At the end of December 2020, we reported negative equity of \$919 million. In Q1 of 2022, it's a positive equity of \$5.4 billion, and that is really a product of two things: our pension benefit asset and our post-employment obligation based on those discount rates. Those are discount rates set for accounting purposes under accounting standards, and those rates changed dramatically in 2021. That improved the asset position of the pension plan and reduced the obligation.

I want to preface that the remeasurement does not impact our earnings before tax, so they do not impact our bottom line, but they are recognized in other comprehensive income and impact equity. To your point, that's the reason we are in a much better positive equity position.

The Chair: Thank you.

We'll now go to Mr. Jowhari for five minutes.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair, and thank you to our witnesses for your testimonies.

Ms. El-Hage, I'm going to start with you. I'd like to really explore the greening initiative that Canada Post has been doing over the last few years. There are really two pillars. One is focused on your fleet and the other is focused on the assets or the buildings.

Starting with the fleet, I believe previously, when we had an appearance in this committee from Canada Post, the spokesperson talked a little about the modernization of the 14,000 vehicles you have in your fleet. There were points mentioned about integrating EVs.

I also had the opportunity to look at your environmental action plan, which came out in October of last year, in which you indicated some pilots that you are doing with some models of zero-emission delivery vehicles.

Can you give us an update where you are vis-à-vis the fleet and vis-à-vis the upgrade, as well as on the integration of the zero-emission vehicles?

Mrs. Rindala El-Hage: Absolutely. To your point, in 2021 we published an environmental action plan that was done in collaboration with our bargaining agent.

Specifically for our vehicles, in 2021 we rolled out 740 low-emission vehicles. Right now, we have a total of about 1,500 of these vehicles in our fleet, as of the end of 2021. As you mentioned, we have a very large fleet of 14,000 vehicles. As some of these vehicles are retired, we will be gradually replacing them with these low-emission vehicles. Our COO did mention that we have two electric vehicles. I believe that so far one is in Montreal and one is in Vancouver, if I'm not mistaken. We are hoping to add to that, pending market availability, in the next year or so. We are well on track on that.

We did pilot two e-trikes in Montreal. That pilot went really well, but currently I'm not aware of any further pilots being done. We're looking at that and trying to see if we're going to launch it into other locations. It was a very successful pilot that really helped with the downtown congestion and, obviously, lower emissions. It's something that we will be considering further on a go-forward basis.

• (1715)

Mr. Majid Jowhari: Thank you.

Let me transition into the building. Congratulations on the recent announcement on the Albert Jackson processing centre in Scarborough. That was great news, not only in increasing the capacity, but also in making sure that the building is a zero-carbon building.

I understand that this is the first zero-carbon building within the asset portfolio of Canada Post. How do you think this facility, once it's operational, will contribute to a cleaner and greener economy and more sustainable postal services? Tell us how that fits into the overall strategy.

Mrs. Rindala El-Hage: Thank you for the congratulations.

We are very proud of that facility. Like you mentioned, it is really a leading-edge, zero-carbon facility and is scheduled to open in

early 2023. It is designed to have efficient HVAC systems, solar panels and sensor-controlled light fixtures, among other energy efficiencies. This is really supposed to be a zero-carbon plan. Again, it goes a long way toward our environmental commitment and our environmental leadership.

The even better news is that this facility will be able to process about a million packages a day. That's 50% more than currently in our Gateway facility. Again, we're doing this with a zero-carbon plant. That is incredible news. We're all very excited for it and looking forward to the launch in early 2023.

Mr. Majid Jowhari: I have only about 30 seconds left. Can you tell us what the plan is for the other facilities and being able to add more of them to the green portfolio?

Mrs. Rindala El-Hage: Absolutely, and right now, our intention is that any newbuild will be built towards those zero-carbon goals. As well, we're looking into opportunities within, and we do audits of our current facilities and see how we can improve, perhaps by adding solar panels and improving the HVAC systems.

It's an ongoing process. Obviously, we have an extremely large property base, so the newbuilds are probably going to be built with the new zero-carbon kind of qualification, if I may say. Then, we're constantly looking at how we can retrofit our current existing buildings. It's a process, but we're committed to it.

The Chair: Thank you.

We'll go now to Mrs. Vignola for two and a half minutes.

[Translation]

Mrs. Julie Vignola: Thank you, Mr. Chair.

I appreciate the tremendous efforts Canada Post is making, because tackling a deficit means modernizing. The corporation also faces fierce competition from the U.S. I realize all that.

I want to follow up on the answer you gave me to my last question about charging stations. You do indeed have to install a huge number of them to equip your many buildings, but I think this represents a potential revenue stream that Canada Post should not overlook. You need the charging stations for the hybrid or electric vehicles you will be acquiring, but when those vehicles are on the road during the day, you could generate revenue by making the charging stations available to the public. That's just an aside. I think it's a promising idea, one that could help you make progress.

Speaking of ideas that can bring about progress, I want to discuss another pilot project, community hub post offices.

I'd like to know what the cost of those community postal service hubs has been to date. What impact have they had on communities? Do you plan to open more of them?

Mrs. Rindala El-Hage: Absolutely.

Thank you for the suggestion regarding charging stations. I will certainly bring it to the team's attention so they can look into it. They may even be doing that already, I'm not sure.

The community postal service hub is a new model we are piloting. The idea is to provide better access to services in communities, and help small and medium-sized local businesses. I don't know the exact cost for each community, but we really don't take a cut-and-paste approach. Each hub is tailored to the needs of the community. We work with our unions and—

• (1720)

Mrs. Julie Vignola: You don't have to tell us what the cost was for each community, but can you tell us the cost of the pilot project as a whole to date? I'd also like to know what the impact on communities has been.

Mrs. Rindala El-Hage: As for the costs of the community hubs, I don't have the figures on hand, but I would be pleased to get back to you with the information.

The response from communities has been very positive. They really appreciate the services available through the community hubs. Given that the hubs bring services to underserved communities, they mean a great deal to the communities. It's a project we are very proud of, and yes, we plan to open two more later this year; the sites are yet to be determined.

[English]

The Chair: Thank you.

We'll now go to Mr. Johns for two and a half minutes.

Mr. Gord Johns: Thank you for taking so many great questions.

CUPW and other bargaining units have negotiated language to protect workers from the adverse affects of technical change—automation, basically—and to oblige employers to be proactive about eliminating adverse affects before implementation.

How do you expect planned automation to change the working conditions of postal workers?

Mrs. Rindala El-Hage: My comment around automation is that it is really to enhance efficiencies and processes and to make us more efficient and provide a better service and increased capacity for our Canadian needs. At this point in time I don't have anything more to share specifically. We're looking at it from a global point of view, that we absolutely need to provide the services Canadians expect from us and that it is really important to enhance our operations.

Mr. Gord Johns: Thank you. Hopefully we can get some further information on that.

The environmental action plan you have covers the following four areas: climate action, zero waste, sustainable delivery and employee engagement.

Can you speak about single-use plastic and how much the corporation used in 2021? What percentage of that was estimated to be unnecessary? The House of Commons passed a unanimous motion in 2018, my motion to combat plastic pollution. I'd like to see how your progress is going.

Mrs. Rindala El-Hage: Absolutely. I know that we have a plan to reduce single-use plastic wastage. We have embarked on that plan. I don't have specific numbers. We can come back with those.

Mr. Gord Johns: That would be great.

Canada Post works to reduce non-mailable matters, such as alcohol and illicit drugs, before they reach communities. For 2021, Canada Post reported that it inspected more than 2,200 items destined for indigenous and northern communities, resulting in the removal of non-mailable matter with an estimated street value of \$2.8 million.

Does Canada Post target vulnerable communities across Canada to reduce non-mailable matter?

Mrs. Rindala El-Hage: Absolutely it does not. This is just my personal opinion.

I think we have an obligation to ensure that non-mailable matters are—

Mr. Gord Johns: Okay, but it's just that the optics aren't great, and it would be good to hear a better explanation from the government on this, and from Canada Post.

The Chair: Thank you.

We'll now go to Mr. McCauley for five minutes.

Mr. Kelly McCauley: Thanks. I appreciate the questions. Does Canada Post provide forward-looking forecasts for revenues and losses?

Mrs. Rindala El-Hage: Do we provide them to whom?

Mr. Kelly McCauley: I mean forward guidance to either the government or the public or parliamentarians.

Mrs. Rindala El-Hage: No, we do not provide that information to the public. Some of that is included in the corporate plan that we disclose. We've submitted it to our shareholder and we're working with our shareholder, but it is not something that we would provide publicly at this point in time.

I believe that once we have an approved corporate plan, it will be published.

Mr. Kelly McCauley: Right, but we're not getting the corporate plan approved.

Do you have a forecast for this year that you can share with us?

• (1725)

Mrs. Rindala El-Hage: What I can tell you for this year is we have seen the Q1 losses. What we are expecting for the remainder of the year is a very consistent story.

As we get out of the pandemic, we are really interested to see how consumers' behaviour changes and where we're going to land. There are also macroeconomic challenges, such as inflation and the unfortunate war happening between Russia and Ukraine. They also have an impact on the economy overall. We also want to see—

Mr. Kelly McCauley: The inflation was before the war, so I don't know if that's a valid excuse.

Can you walk me through this? Transactional mail, I understand from doing the Canada Post study five or six years ago, has a very high profit margin. I think it was 69%, and then, of course, the parcel profit level margin was very low.

What are the forecasts of volume for the transactional mail for this year, and what are they compared to parcels? Are we seeing, now that we're coming out of COVID, that one is picking up more than the other, or is it still continuing the trajectory of the last several years?

I have a follow-up question to that. "Canada Post in the Digital Age", the report that was done by the independent panel in 2016, I think, through Ernst and Young, forecast losses of a quarter of a billion dollars a year by 2026.

Can you respond to that and how we are looking right now? That's four years out. Are we on track for that, or are we on track to getting to net zero for losses?

Mrs. Rindala El-Hage: That's a great question.

Let me start by looking at parcel. As we disclosed in our Q1 of 2022, we are seeing softness in our parcel volume, really driven by the high base that we had in 2021, because things were still under lockdown. We are keenly watching how this is going to unfold in the next few months, as economies open up. Hopefully, we'll have the pandemic out of the way, and we'll see how consumers are going to adapt to that.

We realize that right now, after the pandemic, Canadians are looking for life experiences, travel and to go to restaurants. That could be a reason for some of the softness we're seeing in the parcel volume but, again, it remains to be seen.

What we know, in terms of the market as a whole, is that the market share for online sales is going to increase, and we expect it to get to \$100 billion in 2025.

In terms of transactional—

Mr. Kelly McCauley: I'm sorry. Let me interrupt quickly, because I'm down to the last minute. I'll forget the other questions.

What is the parcel delivery market share? Is it increasing compared to your competitors, or is Canada Post losing market share?

Mrs. Rindala El-Hage: What I can say right now.... I can't compare us to our competitors, but I know that—

Mr. Kelly McCauley: Why not? That's a standard business metric, comparing market share.

Mrs. Rindala El-Hage: What we know is that we are facing significant and increasing competition. We know with the—

Mr. Kelly McCauley: I'm sorry. If I can interrupt you, do you have those numbers that you can provide to the committee, or do you not track market share?

Mrs. Rindala El-Hage: I can come back with that. I'm sure we have some of that information.

We are aware that our market share is decreasing. I can tell you that much. In terms of specific numbers, I'd be happy to get back to you, but we are realizing that we have an increasingly competitive market with many fierce competitors from the gig economy coming up.

We have to do better and improve our service and our capacity to be able to compete and regain that market share, as well as become a leader in the online parcel business.

The Chair: Thank you.

We'll now go to Mr. Bains for five minutes.

Mr. Parm Bains (Steveston—Richmond East, Lib.): Thank you, Mr. Chair, and thank you to our witnesses for being here today.

My question is around the MyMoney Loan delivered with TD Bank. Can you please give us an update on the Canada Post initiative in these community hubs called MyMoney Loan delivered with TD Bank?

Mrs. Rindala El-Hage: As I said before, MyMoney Loan is a strategic partnership with TD. We launched a pilot in 2021. So far, there have been successful market tests in 2021 and in Q1 of 2022.

We are planning a national launch of the MyMoney Loan products over the next several months, with a full launch by the fall of 2022. We realize it is an important service that has been very well accepted by the underserved communities that need such products. Again, those are smaller loans that really help Canadians and fulfill that need in the market. Canadians are expecting us to be there for them. We're very encouraged by the preliminary results we're seeing and looking forward to a full launch later this year.

• (1730)

Mr. Parm Bains: How is the new community hub post office model helping local businesses and indigenous communities?

Mrs. Rindala El-Hage: The new community hub in High Prairie, Alberta and the one we recently launched in Membertou, Nova Scotia are increasing the services we are providing to those communities, giving access and helping local small businesses connect with customers.

Again, we work with the communities and unions to determine the needs of the communities. For example, in Membertou, meeting rooms and printing facilities are for sale. These are ongoing efforts to meet the changing needs. When we look into a community, we try to adapt to the needs of that particular community.

We also improved services in five indigenous communities in 2021. We're very proud of that. We know we have a lot more work to do, but we are slowly getting there. The community hub is one way to reach those communities, provide that service, and be there for those underserved communities. They deserve as much service as some of the bigger centres.

Mr. Parm Bains: Canada Post has set a target of purchasing 5% of goods and services from indigenous-owned suppliers or subcontractors by the end of 2025.

Can you give us an idea of how that's coming along?

Mrs. Rindala El-Hage: I believe that, for the end of 2025—I want to quote you the right number—we absolutely have a target of 5% and that, at the end of 2021, we were at 2.1%, I want to say. I want to make sure I'm telling you the right information, but it is our constant work to ensure we're meeting those needs. We are very confident we will meet that procurement strategy for indigenous procurements of 5%. We are very confident we'll meet it.

Mr. Parm Bains: How do you intend to reach that target?

Mrs. Rindala El-Hage: By working with our indigenous-owned suppliers and subcontractors. That target is by the end of 2025. We will continue to work with those indigenous-owned suppliers and subcontractors to come up with opportunities for us to go from the 2.1% we reported at the end of 2021 to our 5% target by 2025.

Mr. Parm Bains: Thank you.

In the last 30 seconds, is the hub model you talked about meant only for smaller communities? Can that be introduced in other areas, as well—urban areas?

Mrs. Rindala El-Hage: At this point, we are really focusing on underserved communities and increasing access points to small and medium-sized businesses. At this point, we are not looking into larger communities. It's part of our plan to increase service to underserved Canadians in those smaller communities, as well as in indigenous communities.

Mr. Parm Bains: Thank you.

The Chair: Thank you very much.

With that, I want to thank you for the great questions being asked, and the answers.

I'm going to take advantage of being in the position of chair, because I have a question for you. It's just a simple one.

I'm from Saskatchewan. We're seeing a lot of mailboxes being changed out. All of a sudden, we're getting new mailboxes. First, were these changes locally contracted out? Second, regarding the

new mailboxes—because of the old ones, there was a lot of concrete being busted up—are they being designed so that, should you ever come up with the chance to change your plan, you don't have to keep redoing the cement work? Third, are those old boxes being recycled? Lastly, how much is it costing?

● (1735)

Mrs. Rindala El-Hage: Those are great questions. I love the enthusiasm, and the support you're showing for your community. We are constantly looking to replenish our street furniture. We go through vigorous RFP processes as part of that to ensure we have the most efficient street furniture out there to replenish our community mailboxes.

I don't have more specific information. I will ask my colleague, Madame Séguin, if she has anything more to add on that. If not, I am happy to get back to you.

Nathalie.

Mrs. Nathalie Séguin: Thank you, Rindala.

To your point, as finance, we are not necessarily engaged in the design of our community mailboxes. Again, from a local purchasing standpoint, it's really all about what makes sense regarding all the parts of our sourcing processes, and how best to support those changes from an asset-based standpoint.

We need to reinvest in our extensive asset base every year. Yes, we do need to transform to better support growth and the experiences we have with our customers, but we also need to maintain the large asset base we have with our buildings, plants, community mailboxes and vehicles. Those all also require investments. There are teams that are working all the time to ensure that it's done in the best and most appropriate way.

Again, though, as finance, we're not in the details of those processes.

The Chair: Thank you very much for the answer. I knew I was touching on a very different area, but I appreciate your response.

With that said, we have come to the end. Mrs. Séguin and Mrs. El-Hage, thank you very much for being our witnesses today.

We have now come to the end of the public portion of our meeting. We will now proceed to an in camera portion of the meeting.

I'm going to suspend the meeting, and when I do so, the technical staff will end this part of the meeting on Zoom. For members, that means you cannot remain on the present Zoom call that you're on. You were given a pass code and a link to Zoom. With that, you can exit, and then please come back in as quickly as you can, so we can resume the in camera meeting.

At this point, I suspend the meeting.

[Proceedings continue in camera]

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