Industrial Inquiry Commission – Canada Post Corporation

Table of contents

1. Executive Summary

Canada Post's operating model is facing existential challenges. The status quo has led us to the verge of financial insolvency, and without significant change, Canada Post will see losses grow to almost $2B in the next five years. As described in its January submissions, Canada Post's current serious and urgent financial crisis is being driven by:

1. Volume erosion in the core letter mail business
2. Declining market share in the competitive parcel delivery market
3. Challenges operating within an outdated policy and regulatory framework
4. Canada Post's uncompetitive and inflexible labour agreements
5. Canada Post's large and volatile pension commitments and post-retirement benefits obligations

Absent transformational changes, Canada Post anticipates larger and increasingly unsustainable losses in the coming years. Canada Post must adapt or risk losing revenue and relevance. A postal network originally designed to deliver 5.5 billion letters annually (at its peak in 2006) cannot be sustained on the 2.2 billion letters Canada Post delivered in 2023. As a result, and in response to this steep decline in letter mail, Canada Post has been reorienting itself to serve Canada's growing appetite for parcel delivery.

While Canada Post was successful in helping to enable the country's emerging ecommerce market, in just the last few years the competitive delivery landscape, fuelled by Canadians appetite for online shopping, has undergone a generational shift. With rigid staffing models and high labour costs, Canada Post is being pushed to the sidelines in a fierce competitive battle for every parcel. As a result, Canada Post's share of the parcel market has been cut in half over the last five years: from 62 per cent in 2019 to just 29 per cent in 2023. As the demand for faster deliveries has increased, competitors like FedEx, UPS, DHL and Amazon have capitalized on weekend deliveries, capturing weekday and weekend market share as customers seek carriers that can service their demand for speed and greater convenience seven days a week. Canada Post's current collective agreements prevent it from responding to the increased demand from Canadians for faster and more flexible delivery services.

Against this backdrop, Canada Post entered the current round of collective bargaining with the Canadian Union of Postal Workers (**CUPW**) with the singular focus of putting the Corporation on a path towards sustainability. Over the more than 200 days of collective bargaining, it focused on the most pressing issues with its operating model, seeking reasonable and appropriate incremental changes that would help it transition from old, outdated models to a more flexible, efficient and cost-effective workforce.

In contrast, CUPW's approach in bargaining was to deny there was a crisis and, therefore, that any change was needed. Rather, CUPW's vision for Canada Post appears to be that of a postal system that expands into non-core areas, like senior check-ins and postal banking, and therefore would require support by Canadian taxpayers now and into the future. CUPW's last proposal during this round of bargaining would have cost Canada Post an additional $2.9 billion over the course of a four-year collective agreement. Yet Canadians have told Canada Post time and time again, including in its legislated mandate, that it is expected to maintain financial self-sustainability. It is this disconnect – between CUPW's vision of Canada Post as a publicly funded service and the reality that Canada Post must maintain financial self-sustainability and needs the collective agreement and regulatory flexibility in order to so – that has brought the parties here today.

The near 600 pages of the Urban agreement and 190 pages of the Rural and Suburban Mail Carrier (**RSMC**) agreement contain detailed rules about how Canada Post can manage its operations and workforce, largely designed for a bygone era of high and stable letter mail volumes. They also contain numerous paid leaves, a cost-of-living allowance, a defined benefit plan for all employees, costly post-retirement benefits and extraordinary, restrictive job security provisions. Canada Post's competitors are not faced with the same level of rigidity or high labour cost structure, nor do they share Canada Post's obligations to deliver to every address in Canada, even if it is not profitable to do so. In order to begin to work towards financial self-sustainability, Canada Post requires immediate changes to both its collective agreements and its regulatory and policy regime that would enable it to approach some of the basic flexibility that its competitors leverage on a day-to-day basis, while remaining an industry leading employer.

Canada Post's proposals in this round of collective bargaining target its most pressing challenges. At the same time, and despite the urgency of its financial crisis, Canada Post recognized that the collective bargaining process takes time. As a result, it proposed incremental adjustments that represent first steps towards reorienting the organization towards a financially sustainable future, while minimizing the impact on current employees. This includes proposals to provide some operational flexibility, such as:

- More **flexible staffing** models
- Mechanisms to be able to offer **affordable weekend delivery** solutions
- **Load-levelling of work** to have employees work for the hours they are paid (i.e., reduce unproductive "trapped" time)
- Limited implementation of **dynamic routing and route design**
- The transition of RSMC bargaining unit employees to the new **hourly rate and workload measurement systems** in a way that aligns the work with current mail and parcel volumes

Canada Post does not aspire to be like "gig-economy" delivery companies from a labour cost perspective. However, both its financial situation and its ability to provide affordable delivery solutions depend on Canada Post significantly reducing its productive hourly rates. Canada Post's productive hourly rate is a staggering 37-46 per cent higher than its traditional competitors. The Corporation proposed measures that would reduce these high labour costs, while prioritizing the entitlements of existing employees, such as:

- providing **moderate wage increases** to all employees in the CUPW bargaining units;
- **reducing benefits and pension costs** by rendering new hires eligible to benefits and pension only after they have reached six months of continuous employment as a regular employee, subject to the terms and conditions of the respective plans, and enrolling new hires into the defined contribution portion of the pension plan once they become eligible to participate;
- **adjusting the cost-sharing arrangement** for post-retirement extended health care benefits to a 60-40 (Canada Post employee) basis for future retirees only; and
- **reducing unproductive time** by removing the five-minute paid wash-up time before the meal period of employees in the Urban bargaining unit.

Going forward, to move towards financial self-sustainability, Canada Post will need to work with CUPW to make much more fundamental changes to its operating model and labour costs by facilitating an increased ability for Canada Post to right-size its workforce and aligning the terms of employment for new hires with its unionized competitors. At the same time, Canadians expect Canada Post and the Government of Canada to work together as stewards of the national postal service to ensure the postal service evolves in step with their changing needs. However, Canada Post's outdated and restrictive regulatory and policy framework, largely designed to support a steady stream of letter mail, is preventing it from responding to the current and future service expectations of Canadians in a financially sustainable way. Urgent review and changes are now required to the regulatory and policy framework to protect Canada Post's longstanding role as a vital national infrastructure for Canadians and Canadian businesses. To address these issues, Canada Post is seeking:

- Timely and thorough consultations by the government and a **comprehensive review of the *Canadian Postal Service Charter***. The goal would be to make significant changes to ensure the Service Charter reflects the current and future postal needs of Canadians. This includes a focus on updating service standards and delivery frequency to match evolving expectations, and transitioning from a proximity-based model to a modern, service and convenience-based model for retail post offices.
- **An updated process be implemented for calculating and setting regular letter mail price increases** on an expedited timeline, while ensuring proper consultation, government oversight and advance notice for customers. This process would need to be reflected in changes to the CPCA, its regulations and the *Canadian Postal Service Charter*.
- Replacing the moratorium on rural post office closures which has remained unchanged for more than 30 years with a **modern policy approach that continues to protect rural service while reflecting current and future census population realities.**
- **Ending the moratorium on community mailbox conversions**. The moratorium protects a costly, premium delivery service for less than 25 per cent of Canadian households, which are located in established urban neighbourhoods. Meanwhile, more than 70 per cent of addresses receive delivery to a centralized location.

This Commission comes at a critically important time for Canada's postal service. Canada Post is part of Canada's national infrastructure, with a reach that touches all corners of the country and every community. It is therefore vital that the recommendations of this Commission chart a path for Canada Post and CUPW that begins to reorient the organization towards a financially self-sustainable future.

2. Introduction

Canada Post's January submissions described the various factors driving the serious and urgent financial crisis facing the organization.

Notably, the markets in which Canada Post operates have experienced fundamental, long-term and irreversible changes. The needs of Canadians have changed such that letter mail volumes alone can no longer sustain the postal network. Meanwhile, competitive pressures in the parcel market mean that, in combination with Canada Post's uncompetitive and inflexible labour costs, elective services (like parcels) cannot pay for essential services (like letter mail). These challenges have accelerated in recent years and show no signs of slowing down.

However, the regulatory and policy framework in which Canada Post operates has not been updated to reflect these changes. Today, that framework imposes outdated, letter mail-centric obligations that impinge on Canada Post's ability to adapt.

At the same time, Canada Post's current collective agreements with CUPW prevent it from responding to the increased demand from Canadians for faster and more flexible delivery services. These legacy delivery and staffing models, combined with its outdated regulatory regime, mean that Canada Post is unable to compete effectively, grow its business or become financially self-sustainable.

These issues are threatening Canada Post's ability to meet its obligations to Canadians. As Canada Post's CEO and CFO both explained, without the recently announced repayable funding of up to $1.034 billion from the federal government, Canada Post would be insolvent by mid-2025.

Canada Post entered the current round of bargaining with CUPW with a singular focus of putting the Corporation on a path towards a sustainable future. To be able to achieve its vision of becoming a sustainable service provider, Canada Post is seeking reasonable and appropriate incremental changes that would help it transition from traditional models to a more flexible, efficient and cost-effective workforce.

Canada Post recognizes that the transformational changes that are required will not be achieved overnight. Nor does Canada Post aspire to the "gig-labour" model used by many of the new low cost, private delivery companies. The Corporation remains committed to providing desirable, fair and safe employment for its employees coast to coast to coast.

Rather, Canada Post's approach has been to propose changes that represent first steps toward strengthening a more customer-focused and financially sustainable organization, while continuing to provide competitive benefit packages to its employees.

In contrast, CUPW's approach in bargaining was to deny there was a crisis and, therefore, that any change was needed. During these proceedings, CUPW appears to tentatively acknowledge Canada Post's financial challenges. However, its vision for Canada Post remains that of a postal system that expands into non-core areas, like senior check-ins and postal banking, and therefore would require support by Canadian taxpayers now and into the future. It is this disconnect – between CUPW's vision of Canada Post as a publicly funded service and the reality that Canada Post needs the collective agreement and regulatory flexibility to reach financial self-sustainability – that has brought the parties here today.

In order to move forward, Canada Post requires immediate changes to both its collective agreements and its regulatory regime that would enable it to approach some of the basic flexibility that its competitors leverage on a day-to-day basis, while remaining an industry leading employer. These are necessary first steps. However, Canada Post's longer-term vision of becoming a sustainable service provider can only be achieved with more transformational changes to align its labour costs and operational flexibility with that of its unionized competitors.

In the submissions that follow, we provide further context regarding the immense challenges facing Canada Post that impacted this round of bargaining between the parties, including reviewing:

- the existing collective agreement provisions that create operational inflexibility and high costs and Canada Post's proposed solutions to these challenges;
- the transformational changes that Canada Post will need to achieve in the next rounds of collective bargaining to attain self-sustainability in the future; and
- the current regulatory framework and the modernization thereto that, together with updates to its collective agreements with CUPW, will allow Canada Post to begin its journey towards becoming a sustainable service provider for Canadians and Canadian businesses.

3. The CUPW Bargaining Units

3.1 The Urban Bargaining Unit

There are approximately 44,000 full-time, part-time, temporary and inactive employees in CUPW's Urban bargaining unit. These employees are primarily responsible for mail processing, collection and delivery, and retail in urban Canada. The bargaining unit also includes employees responsible for the maintenance of the equipment used to process mail, as well as employees who maintain Canada Post's fleet of vehicles.

Appendix A of the Urban agreement outlines the four different groups that make up the Urban bargaining unit, each of which contain a number of different job classifications:

- Group 1 includes those classifications that work in Canada Post's mail processing and retail operations, such as postal clerks and mail dispatchers;

- Group 2 includes those classifications that work in Canada Post's delivery operations, such as letter carriers and mail service couriers (**MSCs**); and
- Groups 3 and 4 include those classifications that work to maintain and repair Canada Post's equipment and vehicles, such as VHEs (vehicle mechanics), MAM10s (electromechanical specialists) and MAM11s (electronics specialists).

The Urban collective agreement reflects the longstanding bargaining relationship between Canada Post and CUPW. Over decades, it has been expanded to include many highly complex rules and procedures that serve to directly regulate the daily operations of Canada Post, including for determining workload and staffing. These rules were introduced largely in the context of a business model built on the assumption that letter mail would remain at reliable/stable levels and make this collective agreement one of the most complex, and in today's environment unworkable, in North America.

3.2 The RSMC Bargaining Unit

The Rural and Suburban Mail Carriers (**RSMC**) bargaining unit is a relatively new bargaining unit. Prior to 2004, the individuals who serviced Canada Post's rural and suburban operations were independent contractors who bid for their routes in a tendering process and negotiated their own terms and conditions of compensation on an individual basis.

As contractors, these individuals were responsible for all aspects of servicing their route(s), including finding replacement coverage if they themselves were unable to service the route. Some of these contractors were what Canada Post referred to as "master contractors," holding multiple routes and engaging their own employees or subcontractors to assist them with the service.

RSMCs became unionized in 2004 pursuant to a voluntary recognition agreement between Canada Post and CUPW. This agreement required Canada Post to hire RSMCs as employees. Effective January 1, 2004, Canada Post and CUPW entered into a first collective agreement for RSMCs with a term of eight years, subject to limited re-openers. In particular, the parties agreed that, during the re-openers, the cost of any changes to the collective agreement would need to fall within an agreed to "spending cap," with any disputes regarding spending distribution referred to binding arbitration.

Today, the RSMC bargaining unit is comprised of approximately 11,000 active and inactive employees working as route holders, permanent relief employees, and on-call relief employees. These employees are responsible for the transportation and delivery of mail in the rural and some suburban areas of Canada.

4. The 2023-2025 Round of Bargaining

4.1 Canada Post's Bargaining Priorities

As further described in Canada Post's January submissions, Canada Post's financial crisis is being fuelled by an operating model that faces significant ongoing challenges due to the following key factors:

1. Volume erosion in the core letter mail business;
2. Declining market share in the competitive parcel delivery market;
3. Challenges operating within an outdated policy and regulatory framework;
4. Canada Post's uncompetitive and inflexible labour agreements; and
5. Canada Post's large and volatile pension commitments and post-retirement benefits obligations.

Absent transformational changes, Canada Post anticipates larger and increasingly unsustainable losses in the coming years. The reality of Canada Post's business today is that it is nowhere close to reaching a level of profitability that allows for financial sustainability. Canada Post's potential return to financial sustainability hinges on substantial modifications to its collective agreements, among other factors.

Canadians now have legitimately heightened expectations for service performance, delivery speed and flexible delivery options, including weekends, same-day and next-day delivery. As Carrie Chisholm explained, weekend delivery and next-day delivery are expected to grow faster than the broader market in the coming years. However, the CUPW collective agreements were built for letter mail and are too rigid to allow Canada Post to serve Canadians in an age of rapid ecommerce. In particular:

- Legacy collective agreement rules, initially created when letter mail was Canada Post's primary business, limits Canada Post's ability to deliver outside the Monday-to-Friday route paradigm in a cost-effective manner.
- The shift from letter mail to parcels creates significant challenges for staffing and workload in Canada Post's delivery operations; volumes now fluctuate from week to week, month to month and day to day. However, the current staffing rules are rigid and the lengthy route restructure processes do not facilitate the agility necessary to fully maximize Canada Post's productive time and give the flexibility needed to meet competitors' offerings.

Canada Post's traditional competitors are not faced with the same level of rigidity in their collective agreements (if any), nor do they face the obligations to deliver to every address in Canada – not just where it is most profitable – and the associated service and frequency standards prescribed by the *Canadian Postal Service Charter*.

The sheer volume of the near 600 pages of the Urban collective agreement and 190 pages of the RSMC collective agreement provide an initial indication of the nature of the problem. A more detailed examination of contents puts the problem into greater perspective: including highly detailed work rules, extensive and rigid staffing rules, extensive paid leaves of absence, group benefits and access to the defined benefit component of the pension plan for all CUPW employees. A number of these entitlements collectively generate total compensation for employees that is far superior to that of Canada Post's key unionized competitors.

As described in Canada Post's January submissions, the productive hourly rate for Urban bargaining unit employees – which reflects wages, benefits, leaves and certain premiums – is significantly higher than any of its unionized competitors.[1] The chart below compares the productive hourly rate of plant workers with 15 years of seniority at Canada Post relative to Canada Post's key unionized traditional competitors Purolator, DHL and UPS.[2] Canada Post's productive hourly rate is a staggering 37-46 per cent higher than its traditional unionized competitors.[3]

[1] Canada Post's productive hourly rate comparison is based on data sourced primarily from competitors' available collective agreements. Given that CUPW RSMC employees are not paid on an hourly basis, it is difficult to perform any analysis to determine the productive hourly rate for these employees. In light of this, Canada Post has only compared the Urban productive hourly rate to competitors.

[2] The average years of service for full-time CUPW employees is 15.7 years.

[3] This analysis does not account for the significant trapped time, amongst other things, that are anticipated to further exacerbate the difference in productive hourly rate between Canada Post and its key unionized competitors.

Productive labour rate

Employee profile: Full-time indeterminate plant worker (in Ontario)
15 years of seniority

Plant workers	CPC	Purolator	DHL	UPS
Wages and benefits				
2023 hourly rate	$30.36	$26.81	$27.48	$28.79
Base salary (based on 2087.04 hours)	**$63,363**	**$55,954**	**$57,342**	**$60,086**
Benefit rate (full-time rate – average last 5 years 2019-2023)	44.4%	26.1%	26.1%	26.1%
Benefit cost	$28,158	$14,618	$14,981	$15,698
Total wages and benefits (per year)	**$91,521**	**$70,571**	**$72,323**	**$75,783**
Time				
Paid hours	2,087	2,087	2,087	2,087
Less paid absences:				
Vacation	200	200	200	160
Statutory holidays	96	88	96	80
Personal days	104	104	104	104
Paid absences	400	392	400	344
Worked hours	**1,687**	**1,695**	**1,687**	**1,743**
Paid breaks, meal time and wash-up	228	53	105	36
Net productive hours (per year)	**1,459**	**1,642**	**1,582**	**1,707**
Productive hourly rate (total wages and benefits/ net productive hours)	**$62.75**	**$42.98**	**$45.73**	**$44.40**
CPC difference vs. competition	**$ Variance**	**$19.77**	**$17.02**	**$18.34**
	% Variance	**46%**	**37%**	**41%**

For delivery workers, the difference between Canada Post's productive hourly rate and those of Canada Post's competitors is also significantly higher (12 to 19 per cent higher), as reflected in the chart below.

Productive labour rate

Employee profile: Full-time indeterminate delivery worker (in Ontario)
15 years of seniority

Delivery workers	CPC	Purolator	DHL	UPS
Wages and benefits				
2023 hourly rate	$30.36	$34.26	$31.02	$34.59
Base salary (based on 2087.04 hours)	**$63,363**	**$71,502**	**$64,745**	**$72,191**
Benefit rate (full-time rate – average last 5 years 2019-2023)	44.4%	26.1%	26.1%	26.1%
Benefit cost	$28,158	$18,680	$16,915	$18,860
Total wages and benefits (per year)	**$91,521**	**$90,182**	**$81,660**	**$91,051**
Time				
Paid hours	2,087	2,087	2,087	2,087
Less paid absences:				
Vacation	200	200	200	160
Statutory holidays	96	88	96	80
Personal days	104	104	104	104
Paid absences	400	392	400	344
Worked hours	**1,687**	**1,695**	**1,687**	**1,743**
Paid breaks, meal time and wash-up	193	53	105	36
Net productive hours (per year)	**1,494**	**1,642**	**1,582**	**1,707**
Productive hourly rate (total wages and benefits/ net productive hours)	**$61.27**	**$54.92**	**$51.63**	**$53.35**
CPC difference vs. competition	**$ Variance**	**$6.35**	**$9.64**	**$7.92**
	% Variance	**12%**	**19%**	**15%**

Together, these rigid staffing models and high labour costs impose significant barriers to becoming a sustainable service provider and thus threaten the future of the organization.

Given the growing need for timely and cost-effective parcel delivery services, it has become crucial for Canada Post to introduce more flexibility. Accordingly, many of Canada Post's key bargaining priorities are aimed at achieving greater flexibility to enable Canada Post to meet the demands of Canadians and compete in an increasingly competitive parcel delivery market. Canada Post advanced a limited set of issues that supported financial sustainability and sought to work with CUPW on key areas of importance to both parties in negotiations.[4] Importantly, Canada Post's demands in this round of collective bargaining represent the building blocks to achieve the future it envisions for itself. Canada Post does not seek to accomplish everything all at once. Rather, Canada Post's focus is on the most effective solutions to its pressing challenges.

[4] See Canada Post's global offers made on September 25, 2024, and on October 29, 2024, at Tabs 1 and 2.

Throughout the more than 200 days of negotiations (described further below), Canada Post has been committed to finding real solutions to its most pressing issues while addressing CUPW's issues. To this end, Canada Post has listened to – and in several places, incorporated – the feedback of CUPW. Examples of proposals made by Canada Post that were aimed solely at addressing CUPW's demands include:

- proposing significant wage increases for both bargaining units;
- renewing the cost-of-living allowance provisions for both bargaining units;
- improving Canada Post's short-term disability program and personal days entitlements for both bargaining units;
- renewing job security provisions for the Urban bargaining unit for this round, despite how restrictive these provisions are;
- addressing a list of CUPW's concerns related to the separate sort from delivery model in the Urban bargaining unit;
- committing to build RSMC routes to maximize 40-hour weekly schedules, and guaranteeing pay stability for employees in the RSMC bargaining unit;
- amending Canada Post's pension policy to provide more pensionable service to route holders and permanent relief employees in the RSMC bargaining unit; and
- introducing daily overtime thresholds for employees in the RSMC bargaining unit.

Canada Post and CUPW were able to reach agreements in principle on several of these and other non-core issues between the parties.[5] However, Canada Post's critical demands – those that would put it on a path towards a financially sustainable future – remain outstanding. Despite Canada Post's financial crisis, CUPW refused to bargain anything that is perceived to be a rollback. Instead, it advanced proposals that are restrictive, unaffordable or would exacerbate Canada Post's already high labour costs. For example, CUPW demanded: the contracting in of all work (including new work and any work currently being contracted out), with an absolute prohibition on contracting out; non-normative and therefore cost-prohibitive wage increases, with increases to cost-of-living adjustments that roll into basic wages; and hourly premiums. CUPW also sought an expansion of Canada Post's services outside of its core postal service business to include (among other things) banking, solar panels, electric vehicle charging stations, senior check-in services and prescription medication delivery. Practically none of CUPW's proposals were aimed at addressing Canada Post's pressing challenges.

To achieve its 10-year vision and solidify its position as a financially sustainable service provider (as described in Canada Post's January submissions), Canada Post and CUPW must address the pressing issues that limit the Corporation's ability to meet the evolving needs of Canadians. Financial sustainability is well beyond reach under the status quo. This is not the time to further significantly increase its costs obligations, or to expand Canada Post's services outside of its core postal service business. To the contrary, it is now time for the type of pragmatism and change that Canada Post has advanced at negotiations.

[5] A list of the agreed-to and partially-agreed-to items and associated contractual text is attached at Tab 4.

4.2 The Structure and Progress of Collective Bargaining between the Parties

CUPW submitted Notices to Bargain for both the Urban and RSMC bargaining units on November 9, 2023. Negotiations for successor collective agreements for both bargaining units were concurrent. Collective bargaining officially commenced on November 15, 2023.

In order to maximize the opportunities for consensus, the parties established a main bargaining table comprising a select group of key decision-makers from both sides to define the rules of engagement, set the agenda and address key items at a strategic level. In addition, the parties established two separate bargaining tables for the Urban bargaining unit negotiations and the RSMC bargaining unit negotiations, respectively. Where bargaining topics overlapped, representatives from both the Urban table and RSMC table would meet collectively. This “integrative process” of negotiations provided the forum for in-depth and transparent discussions of the respective issues, including details respecting the financial state of the Corporation, its challenges that must be addressed, and the various solutions that Canada Post sought to achieve during this round of bargaining.

Between November 15, 2023, and August 2, 2024, the parties met more than 130 times to discuss the key issues and proposals under consideration in negotiations. During this period, the parties made some progress at the RSMC table. However, the parties made virtually no progress at the Urban table.

On August 2, 2024, CUPW filed Notices of Dispute for both bargaining units. This triggered the conciliation process under the *Canada Labour Code*. Federal Mediation and Conciliation Service (**FMCS**) conciliators were appointed to assist bargaining, meeting with the parties for more than ten days over the months of August and September 2024. With the assistance of the FMCS conciliators, the parties continued to make progress at the RSMC table. Again, however, very little progress was achieved at the Urban table, which became increasingly more contentious.

On September 25, 2024, Canada Post made comprehensive global offers to CUPW for both the Urban and the RSMC bargaining units.[6] These offers addressed many of CUPW’s key bargaining issues and represented a meaningful attempt to formulate comprehensive offers that responded to some of CUPW’s demands while also advancing the narrow set of critical issues aimed at transitioning Canada Post’s operations from traditional delivery models to a more flexible, efficient and cost-effective workforce.

[6] Canada Post’s September 25, 2024 global offers, Tab 1.

On October 7, 2024, CUPW presented counter global offers to Canada Post.[7] CUPW had made very little movement; these offers, by and large, represented nothing more than a formal "papering" of its original program of demands on all of its material issues. The counter global offers were also incomplete; many items were not accompanied by supporting contractual language. Disappointingly, while accepting a number of the fundamental concessions offered by Canada Post, CUPW summarily rejected virtually all of Canada Post's proposals designed to address flexibility, efficiency and cost-effectiveness; they did not reflect any recognition by CUPW of Canada Post's critical business needs and the transformation initiatives that are essential to its long-term viability and relevance.

On October 25, 2024, CUPW announced that its members in both bargaining units had voted resoundingly in favour of a strike mandate.

On October 29, 2024, Canada Post tabled new comprehensive global offers for both bargaining units.[8] Despite the lack of movement displayed by CUPW, Canada Post made additional concessions in the October 29 offers, which reflected its genuine desire to reach new collective agreements with CUPW. Indeed, Canada Post withdrew some of its proposals, agreed to a number of CUPW's demands, and adjusted some of its earlier proposals in a manner more favourable to CUPW. These offers also reaffirmed the key proposals that were most critical to ensuring Canada Post's competitiveness and financial sustainability. For the purpose of reaching negotiated collective agreements and avoiding a labour disruption, Canada Post also proposed to refer several outstanding issues to binding interest arbitration.

On November 5, 2024, CUPW presented counter global offers. While CUPW accepted some of Canada Post's concessions, it largely rejected most of Canada Post's demands and maintained the positions outlined in its October global offers. On Canada Post's key proposals, CUPW either ignored them entirely or proposed impractical solutions that were counterproductive to Canada Post's efforts to achieve a more flexible, efficient and cost-effective workforce, such as its proposal on weekend delivery. Canada Post simply could not agree to CUPW's offers without jeopardizing any chance it had of returning to financial sustainability.

On November 12, 2024, CUPW served strike notices in respect of both bargaining units, to commence on November 15, 2024, at 12:01 a.m. ET. On November 12, 2024, Canada Post also served lockout notices in respect of both bargaining units, to commence on November 15, 2024, at 9 a.m. ET. The parties continued to meet with the assistance of FMCS between November 12 and 15, 2024, under the integrative process.

Employees in both bargaining units commenced a national strike action at 12:01 a.m. ET on November 15, 2024.

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[7] CUPW's October 7, 2024 global offers, Tabs 3A and 3B.

[8] Canada Post's October 29, 2024 global offers, Tab 2.

On November 14, 2024, the Honourable Steve MacKinnon, Minister of Employment, Workforce Development and Labour, appointed Peter Simpson as special mediator to assist Canada Post and CUPW in reaching negotiated collective agreements, commencing November 18, 2024. The parties met with Mr. Simpson on a daily basis from November 18 to November 27, 2024. Despite Mr. Simpson's efforts, the parties were unable to reach negotiated agreements. On November 27, 2024, Mr. Simpson suspended the mediation because he determined the parties were too far apart for mediation to be successful. The parties subsequently resumed discussions and met separately with Mr. Simpson almost on a daily basis from December 1 to December 6, 2024.

On December 9, 2024, CUPW presented new global offers to Canada Post. To say that Canada Post was extremely disappointed with CUPW's December 9 offers is an understatement. There was very little material movement in CUPW's offers. Besides a reference to CUPW's preferred weekend parcel delivery model, CUPW did not address any of Canada Post's key bargaining priorities. These offers also contained major cost increases for Canada Post: specifically, Canada Post estimated that CUPW's proposals would cost approximately $3 billion over the life of the proposed collective agreements.

As it had repeatedly communicated to CUPW, Canada Post's financial situation meant that it simply could not agree to negotiated settlements that did not include changes to increase operational flexibility and reduce costs. Each of CUPW's offers, with small exceptions, were singularly focused on resisting any such changes, reinforcing the status quo and often moving in the opposite direction. The parties were fundamentally at odds, not only regarding the terms and conditions of employment, but also respecting any acknowledgement of the serious financial situation that Canada Post is in and on the core philosophy that should govern the structure of Canada Post's business and the delivery of its services.

It is against this background that on December 13, 2024, Minister MacKinnon made a referral to the Canada Industrial Relations Board (**CIRB**) under section 107 of the Code and announced the establishment of this Industrial Inquiry Commission.

The CIRB convened a hearing on December 14 and 15, 2024, to address the section 107 referral. In its resulting decision, the CIRB concluded that the parties were at an impasse. As is further described in the sections that follow, this impasse was, in Canada Post's view, the result of fundamentally divergent views between:

- Canada Post, which was singularly focused on trying to put the organization back on a path towards sustainability and sought operational flexibility and cost reductions as first steps to doing so; and

- CUPW, which denied there was any crisis to be solved and thus refused to entertain any perceived rollbacks, instead seeking to further limit flexibility, add to Canada Post's already unsustainably high labour costs and expand Canada Post's services outside of its core postal service business.

5. Inflexible Work Rules Set the Stage for Bargaining

In this section we describe some of the key work rules in the Urban and RSMC collective agreements that restrict Canada Post from managing its operations that were at issue in this round of bargaining. While these are some of the more fundamental issues, it is important to note that there are many other provisions that restrict flexibility (some of which were also at issue in this round of bargaining[9]). However, we have limited our review in an effort to focus on the biggest issues driving the collective bargaining dispute between the parties.

5.1 Canada Post's Delivery Models

The CUPW collective agreements were designed by the parties in an era of high and stable letter mail volumes. These collective agreements contain extensive technical and complex rules that go beyond the typical terms and conditions of employment of most collective agreements by dictating work methods and procedures. Today, these agreements significantly limit Canada Post's ability to deliver outside the Monday to Friday route paradigm, constraining its ability to compete in the growing parcel market and otherwise achieve financial sustainability.

One of the most significant operational limitations set out in these collective agreements is to grant letter carriers (Urban) and route holders (RSMC) a certain level of "ownership" over work on their respective routes. The rigidity stemming from this work ownership model means that Canada Post cannot easily reassign work based on fluctuating volumes and workforce availability. Each route holder and letter carrier is uniquely responsible for the workload of their pre-established and fixed route which can lead to trapped time and unnecessary overtime. This drives increased labour costs and hampers Canada Post's ability to respond dynamically to changing volumes and customer demands.

The various mechanisms currently used to design route holder and letter carrier routes are described further, below, as they provide important context for Canada Post's key bargaining proposals during this round of negotiations.

[9] For example, under Appendix I of the Urban collective agreement, there is a requirement to have 493 retail counters in the network at the expiry of the collective agreement. This restricts Canada Post's ability to right-size its operations even when it is fiscally imperative to do so. Similarly, Article 13 of the Urban agreement contains extensive entitlements regarding language training that significantly constrain Canada Post's ability to manage staffing to ensure it complies with its obligations under the *Official Languages Act*. Canada Post initially had proposals in this round of bargaining to address these issues, but they were later removed.

5.1.1 Urban Delivery Operations

The Letter Carrier Route Measurement System

In accordance with the Urban agreement, Canada Post builds and amends letter carrier routes using the Letter Carrier Route Measurement System (**LCRMS**). LCRMS contains a highly detailed methodology for determining the average letter carrier workload, using an inventory of information about the tasks and features of the routes and various formulae to determine the time ascribed to those tasks and features. To this end, Canada Post collects and maintains information regarding, for example, how many steps there are on a given path of travel, the slope of the road, whether a doorbell must be rung to deliver the mail, the type of mail receptacle, mail volumes and the mix of product type. Engineered time values are then assigned to each combination of points-of-call (**POCs**) type and route characteristic, which are developed using technical expertise and are intended to reflect the average actual time it takes to do a given task. These time values must be agreed to between the parties.

LCRMS applies this workload to each local delivery unit (**LDU**) (i.e., the last three digits of a postal code). These LDUs and other tasks become the building blocks from which to build routes as a part of a letter carrier restructure using the GeoRoute routing software. Each route has an inventory of duties, a line of travel, and a work schedule. In accordance with the Urban collective agreement, routes are designed to take an average 480 minutes (i.e., eight hours) of actual workload, including, amongst other things, any sorting of the mail, loading of the vehicle, departing and driving on the route, delivery and collection duties, breaks and returning to the depot.[10]

Under Appendix CC of the Urban agreement, any change to the LCRMS manual (which contains thousands of pages of detailed procedures in respect of how routes need to be built) that impacts the letter carrier workload requires the Union's consent; disputes are referred to a technical arbitrator who is "knowledgeable and qualified in the field of work study production planning techniques."

Similarly, the time standards are validated by the parties – often at significant effort and after extensive study. By way of example, using the processes defined in the Urban agreement, it took the parties several years when parcel lockers were introduced to finalize the associated binder that breaks down the micro tasks associated with delivering mail to and clearing mail from a parcel locker, assigning each of them time values down to fractions of a second. Changes and disputes regarding the time standards are governed by Appendix V of the Urban agreement; if the parties do not agree on a given time standard, Appendix V contains a mechanism for dispute resolution by an arbitrator who must be an engineer with expertise in the engineering standards system being used by Canada Post.

These rules and procedures are technical and complex and require agreement between the parties. The resulting impact is that any changes are laborious and often lead to grievances and/or arbitrations, such that it can take years to confirm the changes sought.

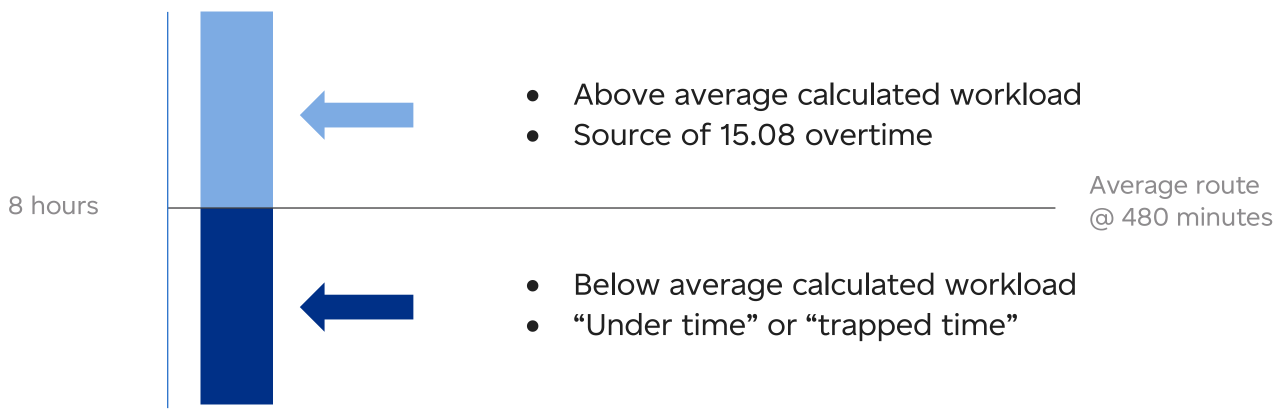
[10] The parties have agreed that while letter carriers are provided with a time allowance for preparing Neighbourhood Mail™ (i.e., flyers), LCRMS does not factor in any time to deliver neighbourhood mail. Instead, letter carriers receive an additional payment for any Neighbourhood Mail delivered to POCs on their route.

Ownership of Work

As noted above, each letter carrier is responsible for servicing the work on their route, subject to the ability to request assistance in accordance with Appendix LL.

- If the letter carrier finishes their route before the end of their eight-hour shift, they (a) are still paid for eight hours and can go home early (resulting in “trapped” time), or (b) can accept extra work on a voluntary basis under clause 17.04. If they do so, they are entitled to be paid overtime – even though they are still working within their eight-hour shift. In such a scenario, the letter carrier is effectively being paid overtime.

- If it takes the letter carrier more than eight hours to complete the work on their route, the letter carrier is entitled to do the work under clause 15.08 of the Urban agreement[11] and is paid overtime in accordance with clause 15.01 of the Urban agreement.



In order to capture changes in addresses, volumes and workload associated with a given route, Canada Post conducts restructures of its letter carrier routes. During a restructure, Canada Post reviews the various inputs and workload elements that are used by LCRMS to structure a route, including address data, drive times and volume counts. It then takes this information and calculates the average daily workload, using the Mail Volume Index and Personal Contact Item Index to determine the time value of each route, including creating new routes to address the changes and ensure that routes are, once again, designed to reflect an average actual workload of 480 minutes per day. Once the routes have been restructured, employees bid on the new routes in order of seniority.[12] This process of restructures and bidding can take many months to complete. This is not workable in the dynamic parcel world where volumes can change significantly week-to-week, month-to-month and day-to-day.

[11] Per clause 13.02 of the Urban collective agreement.

[12] Articles 46 and 47 of the Urban collective agreement describe the restructuring process, along with the Letter Carrier Route Measurement System.

However, because the LCRMS model is built based on a daily average, the routes are fixed irrespective of the day of the year or season. There are no provisions in the Urban agreement that allow Canada Post to adjust letter carriers' schedules to match volumes or to add extra routes to cover excess work on higher volume days or during Peak.

Rather, the current Urban agreement creates a "static" staffing model for Canada Post's delivery operations: Canada Post must largely rely on full-time letter carriers to service their fixed routes.[13] In fact, 94 per cent of routes are currently full-time routes. While there are some part-time letter carriers, this position is only used where a route cannot be designed to eight hours using LCRMS, not to assist with additional workload on routes designed to eight hours.

In addition, using temporary employees for workload reasons can only be done once Canada Post has exhausted a long list of steps under clause 17.04.[14] As a result, Canada Post must rely predominantly on overtime to ensure that it meets both its service obligations and its customers' expectations.

Separate Sort from Delivery Model

In 2017, Canada Post implemented its separate sort from delivery (**SSD**) model in the Urban operations, an important initiative that consolidates the manual sortation work of the non-sequenced mail for multiple letter carrier routes[15] onto a single router within the letter carrier classification. These routers typically start working midday, after letter carriers have departed for their routes. By having a small number of routers sort the manual mail for all the routes in the depot, rather than having each letter carrier sort at their own (shared) sortation case, Canada Post can significantly reduce the number of cases needed. This allows Canada Post to:

- repurpose the space otherwise needed for the sortation cases for use in the growing parcel line of business;
- re-utilize its assets by redistributing equipment to other facilities; and
- reduce vehicle use, as routes are maximized, which in turn results in the need for less parking spaces.

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[13] Clause 39.06 sets out Canada Post's obligation to maximize full-time positions.

[14] Similarly, temporary employees can only be used for periods of known absences for five days or more once they exhausted all the steps required under clause 17.06.

[15] Please note that letter carriers at non-SSD locations sort to their own (shared) sortation cases before departing for their route. This takes up a considerable amount of space within the depot.

Arbitrator Bergeron has confirmed that Canada Post has the management right to implement the SSD model under the current Urban collective agreement.[16] This SSD model has generated important cost savings and efficiencies for Canada Post. As further discussed below, Canada Post cannot undo these advancements as CUPW is demanding through both the grievance arbitration process[17] and bargaining.[18]

5.1.2 RSMC Delivery Operations

Activity-based Compensation Model

The RSMC collective agreement currently applies an activity-based compensation model, which generally pays a per piece payment for activities associated with POCs on a route. This unique model is a product of the contractor model origins of the bargaining unit.

Specifically, upon RSMCs becoming employees of Canada Post in 2004, the parties agreed to maintain the then-existing terms of compensation for each route, subject to certain enhancements. Since then, the parties have worked together to standardize the compensation model, including developing standardized activity values to replace the disparate salaries that had largely been in place since 2004.

Today, employees in the RSMC unit continue to be paid on an annual basis. The actual wages correspond to the yearly sum of the: (1) activity value components; (2) variable allowance; and (3) other allowances associated with a route. However, this activity value compensation system cannot be adjusted based on fluctuating volumes. As a result, RSMC route holders are paid their full route value, regardless of how long the work takes and the available volume to deliver.

The Route Management System

Canada Post's current Route Management System (**RMS**) – the database where POCs information, route values and other route characteristics are stored – is also a legacy of the contractor era.

RMS was established to manage pay for contractors whose contracts were based on route elements like POCs, distance driven and the number of personal contact items delivered, among other things. These contracts were not based on either an hourly rate of pay or daily workload. As a result, RMS is not equipped to measure or predict workload or work content; RMS does not measure, estimate or reflect how long it actually takes to perform a given activity. RMS "time" was never intended or expected to accurately reflect the actual time it takes to perform the tasks at an individual route level. Canada Post knows from sampling and studies, including self-reporting by RSMCs that the RMS "time" associated with RSMC routes do not predict actual working time.

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[16] See decision by Arbitrator André Bergeron in *Société canadienne des postes c. Syndicat des travailleurs et travailleuses des postes*, 2023 CanLII 49296, in which he dismissed CUPW's SSD grievance.

[17] CUPW is seeking judicial review of Arbitrator Bergeron's decision.

[18] CUPW initially demanded the elimination of the SSD model in bargaining. CUPW abandoned this demand for the first time in its December 9, 2024 offer, instead of working on Canada Post's proposal to address some of the irritants. While the parties have made some progress in this regard, there are a number of outstanding items.

Pursuant to the 2021 Renewal Agreement between Canada Post and CUPW (as discussed further below), the parties agreed to establish a committee to transition RSMC employees to an hourly rate of pay system, conditional upon the development of a new approach to the measurement of RSMC workload. This was an important aspect of the parties' discussions during this round of collective bargaining.

5.2 Mail Processing (Group 1) Staffing Constraints

Employees in Group 1 of the Urban collective agreement assist in the processing of letter mail, parcels and transaction mail, including loading and unloading of product on the docks, manually sorting product, and feeding or unloading product onto mechanized equipment. Group 1 employees work in processing plants, delivery installations and retail offices.

The increasing significance of the parcel line of business to Canada Post has important implications for its mail processing strategies. In comparison to letter mail, parcel customers and consumers expect significantly compressed processing timelines. Canada Post's commercial customers – who make up the vast majority of total volumes – increasingly expect to be able to induct into Canada Post's network as late as possible in the day, and have their products processed and out for delivery the next day, including on weekends. During this significantly compressed processing window, Canada Post requires a large number of employees to assist, but typically for only a few hours each.

The "peaks and valleys" of parcel volumes are also much larger as compared to the letter mail world – the maximum annual volumes are much higher and the minimum annual volumes are much lower (proportionally) than the relatively consistent annual letter mail volumes. Because of the more labour-intensive nature of its parcel operations, these fluctuations have significant and immediate impacts on Canada Post's staffing needs.

However, there are several important limitations that apply to staffing in Group 1:

- In accordance with paragraph 14.02(a) of the Urban agreement, the normal work week for full-time employees in Group 1 is 40 hours per week, eight hours per day, five days per week. In other words, Canada Post cannot flex up and down the regular hours that full-time employees work on a given day; those hours are largely static.

- In accordance with clause 14.24 of the Urban agreement, no classification of employees can be scheduled to work exclusively on weekends.

- Appendix P of the Urban agreement sets a formula designed to maximize full-time employment in Group 1. Canada Post must maintain a full-time to total hours national ratio of 78 per cent for each fiscal year. If Canada Post does not meet the ratio in a given year, a number of full-time Group 1 positions must be created. Relatedly, grievances regarding Group 1 staffing at the local level (under Article 39) are held in abeyance over the course of the year; if the Appendix P ratio is met for the given fiscal year, these grievances are deemed withdrawn. The effect is to reduce the focus on local grievances, and instead shift that focus to the national full-time staffing level.

Canada Post's competitors do not face anywhere near the same restrictions and operate with significant part-time workforces.

Canada Post does not propose to alter its Group 1 arrangements in this round of bargaining. However, as is further discussed below, CUPW advanced demands that would further restrict Canada Post's ability to align its Group 1 workforce to volume fluctuations which cannot be accepted in light of Canada Post's operational needs.

5.3 Limits on Canada Post's Ability to Contract Out

Contracting out work allows employers to swiftly adjust to changing business needs, seasonal demands, or unexpected surges in workload. Restrictions on contracting out limit this flexibility, making it harder to respond to market fluctuations and operational challenges efficiently.

Canada Post has a long history of relying on contractors to service its rural and suburban operations. This is reflected in the *Canada Post Corporation Act* (**CPCA**) itself, which recognizes Canada Post's use of contractors.[19] The contractors working in RSMC operations come in various forms, including voluntary helpers, mandatory helpers, self-replacement contractors, ergonomic assistants, master contractors and other contractors to address absences and vacancies.

In some urban regions, Canada Post contracts with combined urban services contractors for mail and parcel delivery between local post offices and retail outlets, relay boxes and/or street letter boxes. The work is similar to that performed by mail service couriers and mail mobile letter carriers. It also engages highway service contractors to transport mail between provinces and major facilities.

Although contractors have historically been relied upon to perform a limited portion of the work, unionized employees continue to handle the vast majority of the work. Both the Urban and the RSMC agreements impose limits on Canada Post's ability to contract out work in certain circumstances.[20]

Canada Post does not propose to alter these arrangements in this round of bargaining. However, to palliate the significant limitations on the contracting out of certain bargaining unit work in the current collective agreements, Canada Post needs flexibility in other areas of its labour structure. In addition, and as further explained below, Canada Post cannot agree to new restrictions on contracting out, or obligations to contract-in, as CUPW has proposed.

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[19] *Canada Post Corporation Act*, s. 13(5).

[20] Article 39, Appendix I and Appendix T of the Urban collective agreement, and Article 28 and Appendix M of the RSMC collective agreement, establish prohibitions against the contracting out of certain work and procedural obligations where other types of work are contracted out.

5.4 Job Security Limits Canada Post's Ability to "Right-Size" its Workforce

The particular nature of the job security provisions in both collective agreements materially blocks Canada Post's agility to operate efficiently and effectively. These provisions make it challenging to maintain optimal staffing levels that match the ever-changing operational needs, leading to higher operational costs and significant financial strain. Canada Post's job security provisions also stand in stark contrast to the flexibility available to its unionized competitors, all of which have retained the management right to layoff employees.

5.4.1 Job Security: Urban

Under the Urban collective agreement, Canada Post does not have the fundamental management right to unilaterally lay off surplus employees. Rather, surplus employees always have the choice of accepting a different position or accepting a voluntary layoff.[21] Because layoff is a voluntary choice by the employee, where there are no available positions, Canada Post is required to maintain the employee's employment and salary until a vacancy becomes available in accordance with the processes under the collective agreement. In addition to being administratively complex, the practical effect of these provisions is that Canada Post must continue to pay employees that are rendered surplus even while they are not performing work. These particular contractual provisions fundamentally impair Canada Post's ability to adjust its workforce in the face of a rapidly evolving marketplace, as it is forced to delay organizational changes to rely almost exclusively on natural attrition.

Notwithstanding this rigidity, Canada Post was not proposing any amendments to the job security provisions in this round of bargaining and, in fact, agreed to CUPW's demand to update the applicable dates.

5.4.2 Job Security: RSMC

Canada Post has always resisted the Union's proposals to provide RSMC employees with the same level of job security as in the Urban collective agreement because of the unique challenges of carrying out a commitment to job security in the context of operations in rural Canada.

[21] Article 53 of the Urban collective agreement defines the process in which surplus employees can be reassigned, relocated or laid off.

The current RSMC job security provisions are already stringent. These provisions – awarded during the 2018 interest arbitration between the parties – establish that RSMC employees are eligible for job security after five years of continuous employment. Surplus employees receive pay continuance and may be assigned to vacancies of comparable routes or positions within a 75-kilometre radius of their installation. If no such vacancies exist within 75 kilometres, surplus employees may be eligible for other vacancies within the zone with pay protection until a comparable route or position becomes available. If no vacancies are available within the zone, surplus employees can be assigned to bargaining unit work in postal installations within a 50-kilometre radius of their original installation. Employees can remain classified as surplus for up to 12 months before being laid off and placed on the recall list, where they can remain for an additional 12 months. During this period, they are entitled to supplementary unemployment benefits.[22]

Because of the remoteness of many RSMC postal installations, Canada Post is very limited in its options to relocate an employee who has been declared surplus. Even the current 75-kilometre radius is challenging given that there can be very few, if any, other postal installations within that radius in the rural areas in which Canada Post operates. As such, any increase in job protection could lead to a significant increase in pay for time not worked.

It should be noted that, as part of its proposal to transition RSMCs to an hourly pay and new workload measurement system and in response to CUPW demands,[23] Canada Post committed, where practicable, to maximizing 40-hour weekly schedules and eight-hour daily schedules. However, CUPW is seeking fewer and longer routes while simultaneously insisting on full job security for employees who may become surplus as a result. Canada Post needs the ability to right-size the workforce. It is crucial for the Corporation to avoid creating additional pay for time not worked scenarios, which would inevitably occur if RSMC employees were granted increased job security provisions.

Canada Post is not seeking any modification to the existing job security provisions under the RSMC agreement.

5.5 No Affordable Weekend Delivery Solutions

Canadians' needs are changing. Canadians now have heightened expectations for service performance, delivery speed and flexible delivery options, including weekends, same-day and next-day delivery. As noted above, weekend delivery and next-day delivery are expected to grow faster than the broader market in the coming years, while being driven by gig-labour carriers who are raising consumer expectations surrounding frequency and costs of services.

However, the rigidity and high labour costs in both the Urban and RSMC collective agreements prevent Canada Post from offering competitive weekend delivery at affordable rates. While Canada Post is not interested in adopting a gig economy model for its workforce, it must still explore ways to enhance the competitiveness of its service offerings.

[22] Article 23 of the RSMC collective agreement defines the process in which surplus employees can be reassigned, relocated or laid off.

[23] This proposal is discussed in further detail in section 6.5 below.

CUPW has suggested that Canada Post already has the means to deliver parcels on the weekend (citing Appendix JJ, Appendix S and voluntary overtime per clause 17.01). However, the available options have significant limitations that prevent Canada Post from implementing an affordable weekend delivery solution.

5.5.1 Appendix JJ of the Urban Agreement

Appendix JJ was introduced into the Urban agreement in the 2016 round of bargaining to engage growth opportunities in the parcel delivery market outside of the regular delivery network. There was recognition at the time, even pre-pandemic, that a parcel delivery solution was required outside of the existing Monday to Friday delivery framework permitted by the collective agreement. The parties implemented pilot projects using the Appendix JJ model in select Toronto and Montréal operations. However, these projects revealed significant challenges:

1. Appendix JJ does not provide a mechanism for Canada Post to deliver any existing parcel products on weekends. It only applies to new products and service offerings. Further, Appendix JJ applies “outside of the daily delivery network” and therefore cannot be used to support fluctuating volumes during the week.

2. Whenever a new product is introduced, Canada Post’s commercial customers must take steps to integrate those products into their own processes and sales offering. This typically includes contract updates, legal reviews and IT changes, amongst other things. To participate, commercial customers need to make changes to multiple systems: not only in their backend warehouse shipping systems, but also in multiple shipping systems that they use for Ship from Store, 3PLs, consolidators, Direct Ship vendors, etc. Making these changes has taken customers upwards of 18 months. These present significant barriers, and for many customers, in addition to a poor customer experience, it is too costly. Other courier companies do not have these requirements.

3. From an operations perspective, because Appendix JJ only applies to “new” product, Canada Post must segregate new and existing products in its facilities late in the week so that only the “new” products are identified for weekend delivery. This is time consuming, labour intensive, impractical and costly.

Furthermore, Appendix JJ expires at the end of the collective agreement. This condition makes it difficult, if not impossible, for Canada Post to offer weekend delivery as a guaranteed service. Appendix JJ is simply not a reliable or practical solution for Canadians’ growing demand for weekend parcel delivery service.

5.5.2 Appendix S of the Urban Agreement

Appendix S was introduced into the Urban agreement in 2004. It allows Canada Post to create parcel-only routes using mail service couriers (**MSC**) in consultation with joint CUPW-Canada Post working committees. The resulting MSC routes must be structured using a structured system, with delivery areas being broken into loops with six to eight MSC per loop. These loops must be built using average parcel volumes and based on structured time values as set out in the Mail Service Courier Workload Structuring System Manual developed by the parties’ joint National Parcel Project Committee.

These MSCs are entitled to a 40-hour, five-day work week.[24] This means that during the Monday-to-Friday work week, these MSCs are only delivering parcels along their fixed loop routes – they do not deliver letter mail and direct marketing material. This prevents Canada Post from keeping all of its products in one truck during the week. While it can be valuable in some circumstances to have parcel-only delivery agents (i.e., to pick up extra work in the evenings or on particularly high-volume days), Appendix S is not designed for that purpose and instead creates significant inefficiencies by creating a model where MSCs may be delivering to exactly the same POCs as letter carriers, on the same day.

Appendix S is not a flexible or affordable weekend solution. While some load-levelling is permitted under Appendix S, it is only possible on weekdays. Similarly, flex part-time routes, which can absorb work with flexible hours, are only available during the Monday-to-Friday delivery paradigm. There are no flex part-time routes on the weekend; rather weekend part-time routes are structured to 16 hours per week, for a maximum of eight hours per day, such that they cannot be used to adequately respond to fluctuating volumes and can further exacerbate the productive time issues noted above.

Appendix S also requires Canada Post to build routes in a manner that is inefficient, because it is unable to optimize routes based on a day's actual work content. Rather, routes must be based on a base structure and there can be years between restructures given their labour-intensive nature. Similarly, the route sampling process (i.e., to determine the route type) is complicated and difficult to execute; it requires weeks of ride-along with delivery agents, conducted twice per year at high and low seasons, to obtain an average. That average must then be matched to daily volumes from customers.

Appendix S also requires two different classifications of employees to operate. One classification (PO-4 or PO-5) is needed to manually sort the parcels (including inputting these parcels into the system and relabelling them) and load the trucks, and another (MSCs) to deliver.

The result is that the Appendix S model leads to significant inefficiencies and is thus unaffordable. After attempting to use this model in certain urban centres, Canada Post determined that its cost structure makes it commercially unfeasible. Today, there are only approximately 100 routes across the country that apply Appendix S.

5.5.3 Voluntary Overtime: Urban

Canada Post can also use its Monday-to-Friday, full-time workforce for weekend parcel delivery. This requires Canada Post to solicit volunteers for the weekend work and to pay those employees overtime, at double time, per clause 17.01. This is the solution that Canada Post uses during peak season for weekend parcel delivery. However, it is cost prohibitive as a standard model. Furthermore, the voluntary nature of this work does not make it a reliable service offering.

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[24] Under paragraph 2.1(f), there may also be one part-time MSC route that is structured into full-time delivery loops and to provide vacation coverage.

5.5.4 Voluntary Overtime: RSMC

Similarly, the RSMC collective agreement provides that the normal workday and work week "correspond to the time needed each day and each week for an employee to perform the work required on any route."[25] It contains no provisions for permanently establishing a weekend parcel delivery service.[26] The expansion of service from Monday to Friday to include Saturday and/or Sunday delivery is treated as "excess work" to the normal work week, such that Canada Post must rely on employees to volunteer and be paid what is effectively double the regular rate for delivering the same "personal contact item." There is no effective or efficient means to offer weekend delivery within the existing RSMC collective agreement.

6. Solutions to Modernize Canada Post's Inflexible Operating Model

Canada Post must urgently adopt flexible staffing models for both weekend and weekday operations, which include having the ability to redistribute work based on actual work content and updating of the legacy language embedded in the collective agreement to meet the evolving needs of businesses and Canadian consumers. This includes:

- more **flexible staffing** models;
- mechanisms to be able to offer **affordable weekend delivery** solutions;
- **load-levelling of work** to have employees work for the hours they are paid (i.e., reduce unproductive "trapped" time);
- limited implementation **of dynamic routing and route design**; and
- the transition of RSMC employees to the new **hourly rate and workload measurement systems** in a way that aligns the work with current mail and parcel volumes.

These changes will put Canada Post on a path where it can enhance service delivery, compete more effectively with private carriers, and reduce operational costs. At the same time, Canada Post's proposals on these key issues aim to minimize the impact on existing employees and ensure that it continues to be an employer of choice.

Canada Post's goal remains to position itself so that it can continue to serve Canadians effectively for years to come. As a result, CUPW's proposals to further restrict Canada Post's flexibility cannot be adopted. Instead, Canada Post must:

- retain its limited **ability to contract out** work;
- maintain the **efficiencies achieved by SSD**;
- maintain Canada Post's ability to staff Group 1 employees based on a **national ratio of full-time hours**; and
- at a minimum, not exacerbate the already challenging the **job security** provisions.

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[25] Clause 13.01 of the RSMC collective agreement.

[26] At present, Article 13 and Appendix A permit ad hoc staffing of weekend work with existing regular and relief RSMC employees.

6.1 Flexible Staffing

Canada Post remains committed to providing desirable, fair and safe employment coast-to-coast-to-coast and values the importance of full-time employment. In fact, under the Urban collective agreement, Canada Post is required to prioritize maximizing full-time positions.[27] As noted above, 94 per cent of routes are currently full-time routes. While there are some part-time letter carriers, this position can only be used where a route cannot be designed to eight hours using LCRMS; it cannot be used more broadly to assist with additional workload driven by fluctuating volumes.

Canada Post requires a more robust and less rigid part-time delivery workforce in order to effectively manage fluctuations in volume and absenteeism that are driven both by market pressures and by the extensive vacation and leave entitlements provided for in the CUPW collective agreements. An expanded part-time workforce would help Canada Post achieve greater operational flexibility without causing inefficiencies or "trapped time." By allowing Canada Post to schedule part-time delivery employees based on volume, Canada Post could better maintain operational efficiency and responsiveness, ensuring that resources are optimally allocated to meet varying workload demands.

Importantly, the utilization of part-time delivery workers would not come at the expense of full-time employees. Instead, this expanded part-time delivery workforce would allow Canada Post to adapt to changing demands and implement transformational changes in the short and medium term. As parcel volumes increase and stabilize, this strategy would help facilitate the creation of additional full-time delivery positions that do not result in additional pay for time not worked.

With Canada Post's limitations on contracting out certain work, as previously explained, a flexible delivery workforce would offer Canada Post much needed assistance to the rigid staffing structure that the Urban agreement imposes.

6.1.1 RSMC: Permanent Flex Employee

For the RSMC bargaining unit, Canada Post proposes to replace the position of Permanent Relief Employee with the more flexible concept of a Permanent Flex Employee (**PFE**). Like today, the primary function of this position will be to provide coverage of vacation leaves as well as coverage of other absences. However, under the proposed new model, PFE assignments could also be created to perform parcel-only delivery or other unstructured work, including work on Saturdays and Sundays (as described further in section 6.2.1 below).

Moreover, in response to concerns raised by the Union regarding part-time work, Canada Post has agreed that PFE assignments will maintain a minimum schedule of 20 hours per week, with additional work to be assigned to a maximum of 40 hours per week where appropriate.

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[27] Clause 39.06 of the Urban collective agreement.

In some areas, Canada Post will introduce variable work week schedules for route holders and PFEs for which the scheduled hours of work may differ from one day to the next. In all cases, the number of scheduled hours on a single day will not exceed nine hours with the weekly total scheduled hours remaining constant.

Canada Post and CUPW agree in principle on the concept of the PFE.[28]

6.1.2 Urban: Part-Time Flex

To address the current rigidity in the Urban bargaining unit, Canada Post proposes to introduce a new Part-Time Flex (**PTF**) function within the PO LC-1 PT classification, as follows:

- The PTF function will be staffed with regular employees at a maximum of 15 per cent of full-time employees in the Letter Carrier classification in a postal unit or installation.[29]
- PTF employees will have a guaranteed weekly schedule of 20 hours per week (Monday to Friday), but must be available to work up to 30 hours per week, when required, and may accept up to 40 hours per week on a voluntary basis.
- PTF employees will enjoy the same benefits as regular employees, subject to eligibility requirements, including job security, pension, and generous leave provisions, fostering talent retention and stability.

This flexible staffing model not only provides opportunities for temporary employees to transition to permanent, full-time roles, but it also enables Canada Post to optimize workforce allocation and route coverage, address volume fluctuations and reduce trapped time costs, which is critical in a market where efficiency and cost management are key.

The model also allows PTF employees to handle tasks that would otherwise require letter carriers to work additional hours, thereby reducing Canada Post's dependence on overtime, by proceeding with the following changes:

- Including PTF employees in the order of solicitation for the coverage of routes in clauses 17.04, 17.06 and 17.07.
- Adjusting clause 15.08 to enable Canada Post to maximize the use of straight time hours by, amongst other things, assigning the work to PTF employees before resorting to overtime.

This PTF model also helps reduce overburdening of employees by prioritizing the allocation of work to PTF employees instead of relying on other employees to perform overtime.

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[28] As noted further below, CUPW does not agree to the proposed compensation for PFE performing weekend delivery under the current activity-based compensation model, though it was agreeable to the PFE performing weekend delivery when the parties' new compensation model comes into effect. This was the only outstanding issue regarding this proposal during this round of collective bargaining.

[29] Please note that Canada Post's original proposal was to staff based on a maximum of 30 per cent of full-time employees, however, it modified its proposal to 15 per cent based on feedback from CUPW. Canada Post had also proposed to leverage PTF employees for weekend delivery, but changed its position in response to CUPW's feedback.

Recommendation #1: Replace the position of Permanent Relief Employee with the more flexible concept of a Permanent Flex Employee in the RSMC bargaining unit. Introduce a new Part-Time Flex function within the PO LC-1 PT classification into the Urban bargaining unit.

Please see the proposed contractual for the RSMC agreement (Appendix F – Permanent Flex Employees) at Tab 6A and for the Urban agreement (Appendix New 4 – Part-Time Flex Employees and clauses 15.08, 17.04, 17.06 and 17.07) at Tab 5A.

6.2 Weekend Delivery

To seize growth opportunities efficiently and remain competitive in the fast-changing parcel delivery market, Canada Post must have the ability to deliver parcels on weekends in an affordable manner.

6.2.1 RSMC Weekend Delivery Solution

The parties should find a path to consensus to create a new PFE position (as described further above) to provide weekend parcel delivery services. Specifically, PFEs would work up to a maximum of five days per week, including Saturdays and Sundays.

As noted above, CUPW has agreed in principle to the PFE concept, including that PFEs perform weekend delivery under the parties' new compensation model, though it has yet to agree to a weekend delivery solution for the RSMC bargaining unit that would apply during the transition period, before the new compensation model is fully implemented. Canada Post believes the PFE position is that solution. Canada Post proposes that until such time as the parties' new compensation model is fully implemented, PFEs would be paid $30 per hour for work done on the weekend, which amounts to the same rate that applies today under Appendix F when a Permanent Relief Employee does not cover a route.

6.2.2 Urban Weekend Delivery Solution

Similarly to its RSMC weekend delivery solution, Canada Post proposes to have weekend delivery activities performed by part-time employees under the Urban agreement. Importantly, under Canada Post's proposal, the urban weekend delivery model will consist of unstructured work, meaning that it will not be route-based. This model will provide Canada Post with the flexibility to arrange the weekend delivery workload efficiently.

To facilitate this model, Canada Post proposes to create the Parcel Delivery Part-Time (**PD PT**) function within the Part-Time Letter Carrier classification. PD PT employees will be assigned to a designated depot and will be scheduled for at least 15 hours, primarily during the weekend, with remaining hours scheduled during the week, if any. The PD PT function will also be entitled to two consecutive days of rest.

Canada Post proposes to implement the PD PT function exclusively in areas where the weekend parcel delivery model has been implemented, with staffing levels and parcel delivery rates being based on historical data. This model will use a centralized location approach in which the PD PT employees will deliver parcels either from centralized locations, where such facilities are available, or directly from their respective delivery facilities, depending on the parcel volume. By leveraging historical data, the Corporation can anticipate workload requirements and allocate resources effectively, ensuring timely and reliable weekend parcel delivery services and adequate geographical coverage.

In contrast to the model proposed by CUPW, which relies on full-time employees volunteering to have schedules that include work on the weekend, the PD PT function ensures stability for full-time letter carriers as they will retain their Monday-to-Friday schedules. At the same time, it enables Canada Post to offer weekend deliveries in an affordable way.

Key benefits of Canada Post's proposed weekend delivery model include:

- **Staffing flexibility**: Guaranteed at least 15 hours/week, mainly performed over the weekend.
- **Centralized locations**: Employees will work from centralized locations, which may include multiple postal installations, to ensure efficient use of resources.
- **Stability for full-time letter carriers**: The introduction of this new function will ensure stability for full-time letter carriers, as they will continue to deliver Monday to Friday and not be asked to work weekends. This ensures a seamless integration of weekend services.
- **Maintain route knowledge**: By keeping letter carriers on their regular Monday-to-Friday routes, the need for relief employees to cover unfamiliar routes is minimized.
- **Operational efficiency**: The PD PT function ensures that Canada Post does not need to unnecessarily adjust the workforce with relief employees during the week to cover for employees reassigned to weekend delivery activities. This approach also provides a consistent level of service.

As noted above, CUPW's proposed weekend delivery solution relies on full-time employees volunteering to have schedules that include work on the weekend. This approach places significant operational pressure on Canada Post's weekday coverage, as some full-time employees' schedules would need to shift to cover weekend deliveries. It also relies on full-time employees with productive hourly rates that significantly exceed those of Canada Post's competitors. Further, CUPW's proposal could result in increased trapped time, making it less cost-effective and more inefficient.

Additionally, if an insufficient number of full-time employees volunteered for weekend schedules, CUPW's model mandates that less senior employees will be forced to take weekend schedules, thus negatively impacting current full-time employees. This proposal also requires employees to bid on new schedules quarterly, making it operationally complex to administer and impairing predictability for employees.

Recommendation #2: For the RSMC bargaining unit, the new Permanent Flex Employee position (which replaces the current Permanent Relief Employee position) will perform parcel-only delivery or other unstructured work on Saturdays and Sundays. For Urban bargaining unit, introduce Canada Post's weekend delivery model, including creating a Parcel Delivery Part-Time function within the Part-Time Letter Carrier classification to support unstructured (i.e., non-route-based) work.

Please see the proposed contractual text for the RSMC agreement (Appendix F – Permanent Flex Employees) at Tab 6B and for the Urban agreement (Appendix New 8 – Weekend Pickup and Parcel Delivery) at Tab 5B.

6.3 Load-levelling of Work

A critical component of adapting to changing delivery demands is being able to load-level and distribute work across scheduled hours. While the fluctuation in letter mail, parcels, and direct marketing materials cause significant variability in daily workload, there are currently no mechanisms to assign additional work to a letter carrier to maximize the productive use of their scheduled hours under the Urban agreement. To the contrary, the current rigid relationship between static routes and employees means that some employees finish work early and go home with a full day's pay while others work overtime at premium rates.

Canada Post requires a solution to remove the current restrictions around the ownership of work and the ability to reassign work to use the scheduled hours of its delivery workforce more effectively. Specifically, Canada Post proposes to implement load-levelling of work that would create significantly less trapped time and unnecessary overtime under the Urban collective agreement.

Load-levelling of work requires changes to the language of clauses 13.02 and 15.08 of the Urban agreement and clause 13.01 of the RSMC agreement to specifically allow Canada Post to reallocate any collection and delivery activities to employees to optimize the use of scheduled hours and assign any collection and delivery activities to employees who have unused scheduled hours, notwithstanding the employees' route.

Canada Post's intent with respect to the proposed contractual text is not to arbitrarily reassign work on a daily basis. Letter carriers and route holders will still maintain predictable work schedules and areas of delivery. In normal circumstances, route holders and employees assigned to a route are responsible to complete the work assigned to their route. This new approach, however, would provide Canada Post the flexibility to proactively manage workload in both low- and high-volume situations and in unforeseen circumstances (i.e., unplanned absences) in a manner that maximizes the use of scheduled hours and minimizes work paid at overtime rates.

Key benefits of Canada Post's proposed load-levelling approach include:

- **Predictability and efficiency**: Canada Post will be able to avoid paying one employee to go home early while another does work at a premium rate. Work will be reassigned so that every scheduled hour is used efficiently.

- **Health and safety**: Canada Post's ability to reallocate and reassign work decreases the health and safety risks associated with overburdening on high-volume days.

Recommendation #3: Amend clauses 13.02 and 15.08 of the Urban agreement and clause 13.01 of the RSMC agreement to specifically allow Canada Post to reallocate any collection and delivery activities to employees to optimize the use of scheduled hours and assign any collection and delivery activities to employees who have unused scheduled hours.

Please see the proposed contractual text for the RSMC agreement (clause 13.01 and Side Letter – Understanding on Load-levelling of Work) at Tab 6C and the proposed contractual text for the Urban agreement (clauses 13.02 and 15.08) at Tab 5C.

6.4 Dynamic Routing

Canada Post's ability to calibrate work hours with daily volume is a key lever required to compete in the delivery market. However, the existing mechanism (i.e., the depot restructure process), is obsolete and cannot be performed in a timely manner.

The daily optimization of work hours needed to deliver the volume of products available every morning is what is referred to in the industry as "dynamic routing." Canada Post already has the information to support this process within its network:

1. Volumes of product going to each depot every day
2. Discreet delivery addresses
3. Workload associated to delivering to every address

Combining this information with the help of technology would allow Canada Post to determine workload every day, such that routes can be adjusted and the path of delivery optimized in what is effectively real time.

During the 2017 round of bargaining, the parties agreed to a pilot project under Appendix AA of the Urban agreement, the Dynamic Routing Pilot, the objective of which was "to test flexible dynamic routing delivery models (motorized and foot walks) that maximize a predictable workday for employees, enable predictable delivery for customers and enhance the overall employee and customer experience."

In particular, the parties developed and ran a pilot project to test dynamic routing software that had the capabilities to develop base routes that reflect a variety of different scenarios (i.e., higher volume days vs. lower volume days, seasonal variations, etc.), and that allow for real-time changes to those routes to reflect actual volumes. The pilot assessed the feasibility of adjusting routes on a daily, weekly and/or seasonal basis, including a 40-hour work week with more scheduled hours on higher volume days and fewer on lower volume days.

Unfortunately, due to a lack of agreement between the parties on many of the components of the pilot itself, Canada Post was unable to test a fully dynamic routing model. Instead, the model that CUPW ultimately agreed to test included various limitations, including restrictions on letter carrier start times, limits on load-levelling between routes, and new lengthy tie-out processes, which led to increased headcount, inefficiencies and costs. Canada Post cannot rely on this model to implement dynamic routing going forward.

Nevertheless, a dynamic routing model remains necessary to provide Canada Post with the agility necessary to align daily workloads, prevent overburdening of employees and respond to customer needs in a rapidly evolving ecommerce market.

Importantly, Canada Post's proposed dynamic routing model would allow for the flexible redistribution of work among letter carriers to make the most effective use of scheduled hours, without any restrictions on the type of work that can be reassigned. Additionally, under the proposed model, there will be a redesigned approach to mail preparation which will increase delivery capacity per route and improve vehicle utilization.

Implementing a dynamic routing model is a complex process that requires significant time and resources, and it is unlikely to be fully realized over the life of the next collective agreement. However, to lay the groundwork for this important transition, it is essential to proceed with the required changes to existing staffing rules that currently prevent Canada Post from establishing the necessary framework needed to support a future dynamic routing model and to provide it with the opportunity to refine the model through limited testing. Simply put, Canada Post cannot invest the significant capital and other resources required developing a dynamic routing model without first achieving the minimum collective agreement changes necessary to implement the model.

Canada Post's proposed changes to facilitate dynamic routing in the Urban collective agreement include:

- Changing the definition of assignment (clause 13.02): Changing the definition of assignment has a dual purpose, enabling both the implementation of load-levelling of work and of dynamic routing.

- Adjusting the assignment of overtime in Group 2 (clause 15.08): Adjusting clause 15.08 is essential to enable Canada Post to maximize the use of straight time hours by assigning the work to other employees before resorting to overtime. This change is not only required for the implementation of dynamic routing, but also to provide Canada Post with the ability to maximize the use of straight time hours, as described in the sections above. For example, this staffing rule modification would allow Canada Post to assign work to PTF employees before resorting to overtime (see section 6.1.2 – Part-Time Flex (PTF)).

- Volume updates (Appendix QQ): Appendix QQ enables annual updating of each route's workload to reflect changes in the volumes of mail and parcels. The current language limits these changes to increases in workload. Where volumes drop, no update is permitted. This has the effect of overstating the workload and creating trapped hours within an employee's schedule. This restriction needs to be removed to allow the workload to be updated both up and down and better reflect the actual workload on each route. Moreover, Appendix QQ needs to be amended to make the volume update process permanent.

- Amend restrictions on start times and normal departure times (clauses 48.01 and 48.02): The restrictions on start times and normal departure times in the Urban collective agreement must be amended in order to implement an efficient dynamic routing model going forward.

Canada Post proposes to implement this model to a maximum of 10 locations during the life of the new collective agreement. As explained, Canada Post's intent is not to immediately roll out dynamic routing in every installation, but rather to give itself the tools necessary to achieve the model and appropriately test it in the next few years. Looking forward, the parties will need to consult to make the necessary modifications to the LCRMS and agree on the loop structure.

Key benefits of Canada Post's proposed dynamic routing model include:

- **Adaptability**: Ensures that actual workload is assessed on a frequent basis and delivery routes are adjusted to reflect fluctuations in demand, such as delivery volumes, changing addresses, and commercial pickup requirements. This adaptability ensures that resources are allocated efficiently and also prevents overburdening of staff.

- **Increase operational efficiency**: By leveraging current data, Canada Post can plan routes that maximize vehicle capacity, minimize travel time, and adjust staff to workload. This optimization results in more efficient use of resources, better time management, and lower environmental impact, contributing to both cost savings and sustainability goals.

Recommendation #4: Amend clauses 13.02, 15.08, 48.01, 48.02, 48.03 and Appendix QQ of the Urban agreement as proposed by the Corporation in order to lay the groundwork for dynamic routing and adopt Appendix New 7, Side Letter to permit limited testing of a dynamic routing model in up to 10 locations.

Please see the proposed contractual text (clauses 13.02, 15.08, 48.01, 48.02, 48.03 and Appendix QQ, Appendix New 7, Side Letter regarding Dynamic Routing) at Tab 5D.

6.5 RSMC Hourly Rate and Workload Measurement System

The current compensation model in the RSMC collective agreement inherently creates the potential for significant trapped time and has led to an inefficient operational structure.

Pursuant to the 2021 Renewal Agreement between Canada Post and CUPW, the parties agreed to transition RSMC employees to an hourly rate of pay system conditional upon the development of an updated approach to the RSMC's workload measurement system. Transitioning from an activity-based compensation model to an hourly rate requires to restructure routes with appropriate time values that accurately reflect the work performed by RSMC employees. However, the current activity-based compensation model does not systematically measure or capture work content. Therefore, Canada Post needs to implement a workload measurement system to design new RSMC routes suited to hourly remuneration, similar to the LCRMS used in the urban context.

The parties have agreed in principle to many of the elements required to transition RSMCs to an hourly rate of pay under a new workload measurement system. Key features include:

- **Route structure**: The parties agreed to the criteria and formula for determining RSMC route structure. In post offices with ten or more routes, Canada Post will apply these criteria to determine the number of 40-hour weekly schedules and eight-hour daily schedules. In all other post offices, Canada Post will maintain and maximize 40-hour weekly schedules and eight-hour daily schedules.

- **Scheduling model**: All routes shall have fixed schedules with start and end times and include meal and rest periods, as applicable. Employees will be paid for all hours worked, with access to overtime compensation at the same rates as Urban employees, and access to compensatory time. In some cases, employees will have variable work weeks pursuant to the model described in section 6.1.1 above.

Canada Post has created an entirely separate collective agreement to be applicable to RSMC employees once they have transitioned to the new hourly pay and workload measurement systems, which concept has already been tentatively agreed to by the parties.

On the workload measurement system itself, the parties have spent the last several years working towards the development of the new system. Consistent with the previously established shared objectives of the parties, Canada Post's approach to finalizing the new workload measurement system was rooted in leveraging the time value-based approach used in Urban letter carrier route design, relying on available data, and using state-of-the-art technology to establish data capture methods that are not administratively burdensome.

The parties have tentatively agreed to many elements of the new RSMC workload measurement system, as detailed in the following reports:

- Time values report
- Volume report
- Application rules report
- Appendices for time values report

Canada Post proposes that outstanding items[30] shall be subject to a joint validation process to determine final time values that accurately reflect the work that RSMC employees perform. Any time values that remain unresolved following the validation process shall be subject to an adjudication process administered by a jointly selected arbitrator.

To ensure parity between the RSMC and Urban bargaining units, Canada Post proposes a seven-step wage progression, with exceptions for on-call relief employees, and with new employees starting at 75 per cent of the maximum wage.

> Recommendation #5: Transition RSMCs to an hourly rate of pay compensation model in accordance with Canada Post's proposal and adopt the proposed workload measurement system, including that outstanding items be subject to a joint validation process (subject to an adjudication process if the parties are unable to agree).

Please see the proposed contractual text (clauses 13.new, 13.01, 13.03, 13.04, Memorandum of Agreement – Implementation of New Rural and Suburban Mail Carrier Workload Measurement System and Side Letter – Wage Progression Transition) at Tab 6D and the associated reports (Time values report, Volume report, Application rules report and Appendices for time values report) in the document entitled "RSMC Reports."

6.6 CUPW's Proposals to Further Restrict Flexibility are Unacceptable

CUPW advanced several proposals in this round of bargaining that would impose additional restrictions on Canada Post's already inflexible operations. These include restricting Canada Post's ability to implement SSD, expanded job security for RSMCs, the contracting in of all work that CUPW members can perform with no ability to contract out, the expansion of technological change provisions and further restrictions in Group 1 staffing rules.

- **Separate sort from delivery (SSD)**: As explained above, SSD is critical to improving operational efficiencies and optimizing asset utilization. A CUPW grievance challenging SSD was rejected by Arbitrator Bergeron. CUPW nonetheless continues to demand that the tasks of obtaining, sorting and preparing mail be performed by the letter carriers. In this round of bargaining, Canada Post has proposed to address some of CUPW's irritants with the SSD model.[31] However, CUPW's attempts to end SSD[32] or to further restricting Canada Post's ability to implement it are not reasonable in Canada Post's current circumstances.

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[30] The list of outstanding issues are outlined in the MOA (Implementation of New Rural and Suburban Mail Carrier Workload Measurement System) attached at Tab 6D.

[31] See Canada Post Global Offer – Urban Bargaining Unit, dated October 29, 2024, Tab 2A, at p. 3.

[32] In CUPW's December 9, 2024 offer, it abandoned its position to eliminate SSD in bargaining. However, CUPW is still pursuing the judicial review of Arbitrator Bergeron's decision that it is within Canada Post's management rights to implement SSD.

- **RSMC job security:** CUPW sought parity for RSMC employees relative to Urban employees in all aspects of employment, including job security. CUPW's demand for a "cut-and-paste" of the restrictive Urban job security provision to the RSMC collective agreement would significantly impede Canada Post's ability to realize any potential cost savings associated with the new compensation model and work measurement system. Moreover, CUPW's job security demand is antithetical to its request that Canada Post maximize 40-hour weekly routes, which CUPW itself acknowledged would reduce the total number of routes. In essence, CUPW sought fewer and longer routes, while simultaneously insisting on full job security for employees who may become surplus as a result.
- **Contracting in and no contracting out**: CUPW had demanded contracting in of work that CUPW members can perform and to include a wholesale prohibition on contracting out. This further reduction in Canada Post's ability to efficiently organize its operations is unacceptable, including impacting its existing contractual relationships with third parties, such as its highway service contractors, and runs directly counter to the Corporation's need for greater flexibility.
- **Technological change:** CUPW has proposed the expansion of technological change provisions, which would interfere with Canada Post's ability to ability to implement, not only technological improvements, but also critical organizational changes, even where no adverse effects are anticipated. In effect, the proposed changes would result in Canada Post having to consult CUPW before implementing virtually any change and, failing agreement, refer the matter to arbitration for determination.
- **RSMC corporate vehicles:** CUPW is demanding corporate vehicles for RSMCs, many of whom provide their own vehicles today and receive a corresponding annual vehicle expense. Canada Post has costed CUPW's most recent proposal at approximately $100 million. This request is simply too costly in light of Canada Post's current financial crisis.
- **Group 1 staffing:** CUPW has proposed the removal of the preamble of clauses 39.02 and 39.03. Together, these provisions currently protect Canada Post from an avalanche of grievances related to the sufficiency of the national, annual full-time employee ratio. Without these protections, Canada Post could face hundreds of grievances annually. In 2023 alone, Canada Post received approximately 1,392 grievances on Appendix P and clauses 39.02 and 39.03, 1,122 of which were denied because of the protections that CUPW wants to remove (i.e., that these local grievances are withdrawn if Canada Post meets it national ratio). The net result of CUPW's demand, if accepted, would be to essentially negate the national Appendix P ratio for staffing in favour of a local approach through the grievance process. Additionally, CUPW sought changes to clauses 39.04 and 39.05 to implement an order of solicitation in Group 1 when extra hours are required, which would be administratively burdensome, increase overtime unnecessarily and substantially reduce Canada Post's ability to utilize temporary employees.

7. Canada Post's High Labour Costs

As set out in Canada Post's January submissions, Canada Post's business is highly labour-intensive. Labour represents Canada Post's largest cost, both as a percentage of revenue from operations and total cost of operations. In 2023, labour and employee benefit costs consumed 70.4 per cent of revenue from operations and comprised 62.8 per cent of the total cost of operations. Relative to 2022, labour costs in 2023 increased by $242 million (up 6.5 per cent) due to wage increases, new leave entitlements and cost of living adjustments. Canada Post faces labour costs that are well above those of its competitors.

The productive hourly rate for Urban employees – which reflects wages, benefits, leaves and certain premiums – is significantly higher than any of its unionized competitors. The difference between the Urban productive hourly rate relative to other non-unionized competitors is even starker, particularly in light of the fact that the competition often uses independent contractors to deliver parcels.

7.1 COLA

Both the Urban and RSMC agreements contain Cost-of-Living Allowance (**COLA**) provisions that ensure eligible employees receive a payment to counteract the effects of rising prices in the economy. COLA payments may occur on a quarterly basis when inflation is greater than a certain threshold. COLA is paid as a lump sum, is not pensionable and not intended to continue on an ongoing basis.

While beneficial for employees, COLA provisions shift the risks associated with high inflation to Canada Post, often at great cost. Nor does Canada Post get the corresponding benefit when the negotiated wage increases exceed inflation. By way of illustration:

- Between 2001 and 2020, the CUPW bargaining units received cumulative negotiated wage increases of 54.8 per cent. During the same period, cumulative inflation was only 43.6 per cent.
- Over the period of 2021, 2022 and 2023, the CUPW bargaining units received cumulative negotiated wage increases of 7.06 per cent. During the same period, cumulative inflation was 14.7 per cent. Therefore, the CUPW bargaining units received COLA adjustments that helped partially mitigate inflationary pressure.

By way of example, despite a loss before tax of $750 million in 2023, Canada Post incurred COLA expenses of approximately $78M in respect of the Urban and RSMC bargaining units – above and beyond the wage increases it was already paying to the same employees.

7.2 Extensive Vacation and Leave Entitlements

Employees in both the Urban and RSMC bargaining units receive extensive paid leave entitlements that not only exceed the requirements of the *Canada Labour Code*, but also exceed the entitlements enjoyed by employees of Canada Post's unionized competitors:

- **Vacation leave**: Employees receive vacation leave beyond what the *Canada Labour Code* mandates. Currently, employees are entitled to 3 weeks of vacation leave until they have 7 years of continuous employment, 4 weeks of vacation leave after 7 years of continuous employment, 5 weeks of vacation leave after 14 years of continuous employment, 6 weeks of vacation leave after 21 years of continuous employment, and 7 weeks of vacation leave after 28 years of continuous employment.[33]

- **Pre-retirement leave**: In addition to vacation leave, eligible employees receive up to six additional weeks of paid leave when approaching retirement.[34]

- **Marriage leave**: Eligible employees receive up to five paid days for the purpose of getting married.[35]

- **Leave for other reasons**: Employees may receive additional paid leave where conditions warrant it and personal days are exhausted.[36]

- **Court leave**: Paid leave for days employees are required to serve on a jury or attend various court or administrative proceedings.[37]

- **Examination leave, career development leave and personnel selection leave**: Paid leaves for the purpose of taking an examination directly related to the employee's duties or qualifications, to attend career development activities or to attend a personnel selection process within Canada Post.[38]

- **Night workers' leave (Urban)**: Eligible employees receive a paid recovery leave at the rate of two thirds of a day for each four-week period in which they work on the night shift on 12 occasions.[39]

Some of the above entitlements are substantially different from those available to other bargaining units within Canada Post and as compared to its competitors.

By way of example, Canada Post's key unionized competitors offer two weeks of vacation to new employees and offer maximum vacation entitlements of six weeks (in contrast to CUPW bargaining unit employees that start at three weeks and increase to seven weeks). Because the CUPW bargaining unit is a very senior workforce, its vacation entitlements result in an average of approximately 200 hours of paid vacation leave annually per employee. These competitors do not offer pre-retirement leave. They also provide less than half the number personal days that employees in the CUPW bargaining units are entitled to receive.

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[33] Clause 19.01 of the Urban collective agreement; clause 15.01 of the RSMC collective agreement.

[34] Clause 19.12 of the Urban collective agreement; clause 15.04 of the RSMC collective agreement.

[35] Clause 21.01 of the Urban collective agreement; clause 19.01 of the RSMC collective agreement.

[36] Clause 21.03 of the Urban collective agreement; clause 19.03 of the RSMC collective agreement.

[37] Clause 27.03 of the Urban collective agreement; clause 19.04 of the RSMC collective agreement.

[38] Clauses 27.04, 27.06, and 27.07 of the Urban collective agreement; clauses 19.05, 19.06, and 19.08 of the RSMC collective agreement.

[39] Clause 33.18 of the Urban collective agreement.

7.3 Unproductive Time

The Urban collective agreement contains various entitlements to paid, unproductive time. While seemingly negligible on an individual scale, taken together across the organization they create significant inefficiencies and are important drivers of Canada Post's high productive hourly rates. By way of example:

- Clauses 14.20 and 15.02 of the Urban agreement provide for five minutes of paid wash-up time to allow employees to wash their hands before a meal period when the nature of their work makes it necessary.

- Clauses 14.05, 14.06 and 14.07 of the Urban agreement entitle full-time employees to a 30-minute paid lunch. This entitlement is also extended to part-time employees who work eight hours.

Taken together, paid breaks and lunch represent approximately 10 per cent of a full-time employee's paid eight-hour day that is not productive. Canada Post's key unionized competitors, in contrast, do not offer either paid wash-up time or meal allowances.

7.4 Volatile Pension Obligations

In 2000, Canada Post assumed responsibility for the defined benefit pension plan (**DB Plan**) after the federal government separated it from the main government-sponsored Superannuation Plan.

While Canada Post has since implemented a defined contribution pension plan for newly hired management and employees represented by its other unions, employees represented by CUPW, including new hires, continue to participate in the DB Plan.

Over 105,000 individuals depend on the continued success of the DB Plan: in 2023 CUPW alone had approximately 45,000 of the DB Plan's 52,071 active members and approximately 40,000 of the DB Plan's 53,474 retired and deferred members, survivors and beneficiaries.

With approximately $30.9 billion in plan assets as of December 31, 2023, the DB Plan is one of the largest single-employer sponsored pension plans in Canada and is significantly larger than Canada Post itself.

Canada Post has benefited from solvency funding relief over the years as the *Canada Post Corporation Pension Plan Funding Regulations* provided Canada Post with temporary relief from its solvency funding obligations until December 31, 2024. Without this relief, Canada Post would have been required to make special solvency payments of $794 million for 2022 and $354 million for 2023.

As Canada Post's December 31, 2022 going concern and solvency positions exceeded legislative thresholds, employer current service contributions were not permitted once the valuation was filed in 2023. However, funding relief does not reduce or eliminate Canada Post's obligation to fully fund the DB Plan, and it remains responsible for funding any deficits.

However, the size of the DB Plan as compared to Canada Post increases the impact of the volatility of the DB Plan on the Corporation. Volatility is caused by fluctuations in discount rates, investment returns and other actuarial assumptions, resulting in sizeable financial and long-term liquidity risks to Canada Post. Even small changes in the accounting discount rate can cause significant swings in employee benefit expenses.

While discount rates have been relatively high in recent years, rates are projected to decline in the foreseeable future. It is notable that a 0.5 per cent drop in the discount rate will have a roughly $160 million negative impact on earnings.

7.5 Costly Post-Retirement Benefits

Currently, over 26,000 CUPW retirees are receiving Post-Retirement Extended Health Care Benefits, an increase of 45 per cent since 2016. The average age of Canada Post's current active employee population is approaching 50 years old. With the aging of its current workforce, Canada Post expects that the number of employees receiving Post-Retirement Extended Health Care Benefits – and the associated costs to Canada Post – will increase significantly in the coming years. Because health care inflation is traditionally higher than the consumer price index (CPI), these cost pressures are further compounded. CUPW retirees currently pay the lowest share of cost for Post-Retirement Extended Health Care Benefits among all Canada Post retirees.

The cost-sharing premium ratio for CUPW represented members is set at 35 per cent employee and 65 per cent employer. Over the last decade, all other employee groups within Canada Post have moved to a 50-50 cost sharing ratio, while the Executive and Management group of employees pay 100 per cent of their premiums. None of Canada Post's key unionized competitors provide post-retirement benefits.

8. Solutions to Reduce Canada Post's High Labour Costs

In order to begin to reduce Canada Post's high labour cost in the near term, it seeks to:

- provide **moderate wage increases** to all employees in the CUPW bargaining units;
- **reduce benefits and pension costs** by rendering new hires eligible to benefits and pension only after they have reached six months of continuous employment as a regular employee, subject to the terms and conditions of the respective plans;
- **reduce the costs associated with post-retirement benefits** by adjusting the cost-sharing arrangement for post-retirement extended health care benefits to a 60-40 (Canada Post employee) basis for future retirees only, starting January 1, 2026; and
- **reduce unproductive time** by removing the five-minute paid wash-up time before the meal period of CUPW Urban employees.

In section 9 below, we describe the longer-term changes that will be required in order to bring Canada Post's labour costs more closely in line with those of its unionized competitors and support its journey towards financial sustainability.

8.1 Wages

Canada Post remains committed to being an employer of choice. At the same time, Canada Post's wage proposal must reflect its reality that its productive hourly rates for CUPW bargaining unit employees already significantly exceed those of its unionized competitors and that Canada Post's future is jeopardized by its current financial state.

Nevertheless, in an effort to reach a negotiated resolution with CUPW, Canada Post put significant wage increases forward:[40]

- Year 1 (2024): 5%
- Year 2 (2025): 2.5%
- Year 3 (2026): 2.0%
- Year 4 (2027): 2.0%

It is notable that inflation in Canada has been at around two per cent since August 2024 and is expected to remain at or around two per cent over the projected horizon.[41]

The cost associated with Canada Post's wage increase proposal is approximately $1.3 billion. Canada Post cannot realistically offer more, especially not at the levels demanded by CUPW, which would entail an **additional cost** of approximately $0.9 billion over the course of a four-year collective agreement.[42]

> Recommendation #6: Implement annual wage increase of 5%, 2.5%, 2% and 2% over the life of the new four-year Urban and RSMC collective agreements.

Please see the proposed contractual text for the Urban agreement (clause 35.09 – Cost of Living Allowance and Appendix A – Classifications and Wages) at Tab 5E and the proposed contractual text for the RSMC agreement (clause 33.06 – Cost of Living Allowance and Appendix A of the RSMC agreement) at Tab 6E.

8.2 Pension and Benefit Eligibility

Today, employees become eligible to receive benefits and participation in the DB pension plan effective as of the date they become regular employees.

Defined benefit pension plans for new employees are themselves anomalies; notably, all of Canada Post's other bargaining units and the majority, if not all, of its unionized competitors, offer defined contribution plans for new hires.

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40 In addition, Canada Post has agreed to CUPW's demand to renew the COLA provisions.

41 See further the Bank of Canada's Monetary Policy Report, January 2025, available online at: https://www.bankofcanada.ca/publications/mpr/mpr-2025-01-29/.

42 Based on CUPW's wage demand of 9%, 4%, 3% and 3%.

While Canada Post initially pursued a defined contribution plan for new hires in the CUPW bargaining unit as well, in an effort to reach a negotiated solution, while at the same time ensuring Canada Post's long-term sustainability and continued benefits for current employees, Canada Post proposes that newly hired employees would become eligible for pension and other benefits only after they have worked continuously for six (6) consecutive months as a regular employee.

> Recommendation #7: Amend clause 30.08 of the Urban agreement and introduce a new clause into the RSMC agreement to provide pension and benefit eligibility to newly hired employees after six (6) consecutive months of employment as a regular employee.

Please see the proposed contractual text for the Urban agreement (clause 30.08 – Benefits Eligibility for New Employees) at Tab 5F and for the RSMC agreement (clause 22.NEW – Benefits Eligibility for New Employees) at Tab 6F.

8.3 Adjustments of the Cost-Sharing Ratio for Future Retirees

To address the financial challenges posed by the current Post-Retirement Benefit plan, Canada Post needs to implement strategic adjustments to the cost-sharing structure. Due to its current financial constraints, Canada Post's initial position was to have retirees pay for 100 per cent of their premiums, but provide them with a healthcare spending account corresponding to approximately 50 per cent of the premiums.

In response to feedback from CUPW, Canada Post adjusted its position to reflect a cost-sharing arrangement for post-retirement extended health care benefits on a 60-40 basis for future retirees only, starting January 1, 2026. This adjustment aims to distribute the financial responsibility more equitably between Canada Post and the retirees, ensuring the long-term sustainability of the post-retirement extended health care benefits. Of note, all other bargaining units within Canada Post have a cost-sharing ratio of 50-50.

> Recommendation #8: Amend the cost-sharing arrangement for post-retirement extended health care benefits set out in clause 30.03 of the Urban agreement and 22.05 of the RSMC agreement to a 60-40 basis (Canada Post-retiree) for future retirees only, starting January 1, 2026.

Please see the proposed contractual text for the Urban agreement (clause 30.03 – Post-Retirement Health Care Benefits) at Tab 5H and for the RSMC agreement (clause 22.05 – Post-Retirement Health Care Benefits) at Tab 6H.

8.4 Wash-Up Time (Urban)

In pursuit of Canada Post's objective to reduce unproductive time in a manner that results in savings to the company without removing a significant benefit to employees (i.e., it does not impact their take-home pay), Canada Post proposes to remove the five-minute paid wash-up time before the meal period allocated to employees in the Urban bargaining unit.

Recommendation #9: Remove the paid wash-up time contemplated in clauses 14.20 and 15.02 of the Urban agreement.

Please see the proposed contractual text (clauses 14.20 – Wash-up Time and 15.02 – Meal and Rest Periods) at Tab 5I.

8.5 CUPW's Proposals to Increase Labour Costs Should be Rejected

CUPW's proposals that would further increase Canada Post's already unsustainably high productive hourly rates must be rejected, including:

- **CUPW's proposal to reduce the Urban wage grid from a seven-step to a five-step wage grid**: Under CUPW's proposal, the wage grid would be reduced from seven steps to five steps, with an increased starting rate of 85 per cent of the top rate (up from the current starting rate of 75 per cent).[43]

- **Ten paid medical days on top of seven personal days**: Canada Post already offers CUPW bargaining unit employees 13 personal days which can be used for any reason (seven of which are provided under the CUPW collective agreements, and six of which were added pursuant to a Canada Post policy that was adopted in response to the addition of paid medical leave to the *Canada Labour Code*) and generous short-term disability programs. CUPW is now demanding that ten additional paid medical days be included in the collective agreement, adding to the already significant paid leave available to employees in the CUPW bargaining units. Not only would this proposal add significant paid unproductive time for Canada Post, but it would also significantly impact its ability to plan for its scheduling and staffing needs.[44]

- **Increased Injury on Duty benefits**: CUPW is demanding an increase of the benefits paid to employees on Injury on Duty leave, from the current 75 per cent to 86 per cent of regular wages and the ability for employees to top up this benefit to 100 per cent of regular wages using credits and carry-over.

[43] Canada Post did agree to remove the pre-February 2013 wage grid and place impacted employees on the corresponding level of the new grid, with no decrease in pay.

[44] Canada Post is prepared to include the current six non-carry-over personal days into the collective agreement, increasing the total to 13 personal days – and for employees to have the ability to have up to five personal days paid out and to carry over up to 15 personal days with no expiry date for the purpose of covering a short-term disability qualifying period or as top-up credits. This offer is conditional on increasing the cost-sharing ratio of post-retirement benefits for future employees, as described above, and on the resolution of National Policy Grievances N00-22-00006 and N00-22-R00006.

- **Carry-over of Compensatory Time**: CUPW is demanding changes to the Compensatory Time provisions by allowing unlimited carry-over. This proposal would significantly increase the cost associated with Compensatory Time (creating an ever-growing liability) and create additional administrative burdens for Canada Post.[45]

These proposals are fundamentally disconnected from Canada Post's financial reality and its unsustainably high productive hourly rates. They would add more costs, create more unproductive time and impose greater administrative burdens on Canada Post at a time when the opposite is needed.

9. Looking Forward

Canada Post's proposals in this round of collective bargaining target its most pressing challenges. At the same time, and despite the urgency of its financial crisis, Canada Post recognized that the collective bargaining process takes time. As a result, it proposed incremental adjustments that represent first steps towards reorienting the organization towards a financially sustainable future, while minimizing the impact on current employees.

As a result, the changes that it has proposed will not fully address Canada Post's current solvency crisis. Much more work will be required to modernize the collective agreements to establish a path to financial sustainability, including by enabling Canada Post to operate and compete for market share in the parcel market. This will require clear changes that address: (1) its rigid, legacy collective agreements that were designed for a stable, letter mail era; (2) productive hourly rates that significantly exceed industry norms and therefore impair its ability to compete; and (3) its outdated regulatory and policy framework.

Canada Post will need to work with CUPW to make fundamental changes to its operating model to protect against further erosion of its share of the parcel delivery market and operate more efficiently. These include:

- Recentring the collective agreements around the rights and entitlements of employees, rather than binding Canada Post's ability to design and manage its operations. This includes **moving away from a model that restricts how Canada Post can engage in planning, staffing, workload assessment and work allocation**. These restrictions add unnecessary barriers and costs which in turn impact Canada Post's ability to innovate and compete.

- Evolving to a model where Canada Post **pays its employees for the actual hours they work** instead of a model built on average volumes and engineered time standards that generates extensive trapped time. Canada Post needs to be able to assign work efficiently without engaging in the lengthy, costly volume count and restructure process, which inevitably leads to lengthy negotiations and, in many cases arbitration, in order to make changes to letter carrier routes.

[45] Canada Post has already agreed to (a) extend the Compensatory Time provisions to the RSMC bargaining unit and (b) allow employees to be paid out compensatory time upon 30 days written notice at any time.

- **Abolishing the concept of route and work ownership.** Employee “ownership” of a fixed route or the work related to that route prevent Canada Post from being able to adjust, optimize and load balance between routes in the face of fluctuating volumes. In order to be able to effectively compete in the parcel delivery space, Canada Post requires the flexibility to assign work based on its operational needs.

- **Recalibrating the mix of full-time and part-time positions** to enable Canada Post to meet evolving market demands, including for next-day, evening and weekend delivery. The high prevalence of full-time employees in today’s model creates a fixed, high-cost workforce that cannot adapt to changing market conditions or daily volume fluctuations.

- Providing Canada Post with greater **freedom to explore alternative service delivery** as a means to optimize efficiencies.

- Facilitating an increased ability for Canada Post to **right-size its workforce**.

From a labour cost perspective, Canada Post does not aspire to be like “gig-economy” delivery companies. However, both its financial situation and its ability to provide affordable delivery solutions depend on Canada Post significantly reducing its productive hourly rates. Going forward, Canada Post will not be in a position to offer new employees the same generous terms of employment as it offers to its current employees. Instead, the terms of employment will need to align more closely with those of Canada Post’s key unionized competitors, including:

- **Moderate wage increases** to better align the productive hourly rates payable to employees in the CUPW bargaining units with those of Canada Post’s key unionized competitors.

- **Reducing the numerous and lengthy leave entitlements** currently available, including eliminating pre-retirement leave and reducing vacation entitlements for new hires.

- Controlling the costs associated with overtime, including **removing the double time overtime** rate.

- Aligning the **cost-sharing ratio for post-retirement benefits** of future retirees CUPW represented employees with the other bargaining units at Canada Post.
- Reducing its pension plan volatility and liability by transitioning to a **defined contribution plan** on a go-forward basis.

10. A Regulatory Framework Built for a Previous Era

> "In 1981, the Post Office Department was transformed into Canada Post Corporation, taking postal operations out of the hands of day-to-day government and placing them in a corporate organization as a Crown corporation financially independent of government. This initiative was widely supported in Canada as a way of making the postal operation more efficient, more effective and less costly to government, given the high deficits incurred by the Post Office throughout the 1970s.
>
> Bill C-42 directed Canada Post to provide a basic and customary service, the Universal Service Obligation (**USO**), although this was not well-defined. Bill C-42 also directed Canada Post to 'conduct its operations on a self-sustaining financial basis, while providing a standard of service that will meet the needs of the people of Canada and that is similar with respect to communities of the same size.'"
>
> - Report of the Advisory Panel to the Minister, 2008 Strategic Review of the Canada Post Corporation[46]

The dual mandate referenced by the Advisory Panel and outlined in the CPCA continues to apply today, ensuring Canada Post remains focused on the changing needs of the customers who pay for its services. However, this dual mandate necessitates a balance between Canada Post's freedom to manage its operations and government oversight to ensure the interests of Canadians continue to be met. Yet since the CPCA's implementation, successive governments have introduced policy and regulatory changes that have tipped the balance toward greater restrictions on the Corporation.

The 2008 Advisory Panel described this phenomenon as a "two-step" process in which governments have encouraged and increased Canada Post's autonomy and corporatization, "while making increasingly specific and concrete policy determinations about [Canada Post]'s social obligations and requirements." This "two-step" approach has persisted since the 2008 Advisory Panel report, with several key regulatory or policy measures remaining unchanged for decades and other new restrictions being added.

The challenges imposed by this regulatory environment are further exacerbated by the ongoing decline of letter mail volumes, changing demographics and growing competition in the delivery business in which Canada Post operates. The balance required in order for Canada Post to meet its dual mandate no longer exists.

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[46] *Strategic Review of the Canada Post Corporation: Report of the Advisory Panel to the Minister*, December 2008, available online at https://publications.gc.ca/site/archivee-archived.html?url=https://publications.gc.ca/collections/collection_2009/tc/T22-168-2009E.pdf

10.1 The Need for Greater Regulatory Flexibility

Canadians expect Canada Post and the Government of Canada to work together as stewards of the national postal service to ensure it is able to respond to their changing needs. In order to address the financial crisis facing Canada Post and to protect its longstanding role as a vital national infrastructure, urgent changes are required to modernize its regulatory and policy framework.

Canada Post needs greater regulatory flexibility and autonomy to make decisions based on the changing environment it which it operates. Providing Canada Post with greater regulatory flexibility and autonomy will empower the Corporation to better respond and align its services to the evolving needs of Canadians, while remaining subject to necessary checks and balances. This includes providing Canada Post with the regulatory flexibility, which together with modernized collective agreements, will enable it regain financial sustainability.

10.2 Prioritizing Changes to Government Policy

Canada Post's regulatory framework includes various legislation, regulations and government policy. However, government policy decisions, including those contained in the *Canadian Postal Service Charter*, are often the most restrictive as they limit the Corporation's ability to evolve as needed.

While this should not preclude a review of the CPCA and its associated regulations for further flexibility, prioritizing changes to government policy is expected to provide the most significant, immediate impact and represent a much-needed step towards restoring the balance required to meet Canada Post's dual mandate.

In order to provide Canada Post with the autonomy needed to respond to the current and future needs of Canadians in a financially sustainable way, Canada Post requires:

- **Recommendation #10:** The government engage with Canada Post to conduct timely and thorough consultations and a comprehensive review of the *Canadian Postal Service Charter*. The goal should be to make significant changes to ensure the Service Charter reflects the current and future postal needs of Canadians. This includes a focus on updating service standards and delivery frequency to match evolving needs, and transitioning from a proximity-based model to a modern, service-based model for retail post offices.
- **Recommendation #11:** An updated process should be implemented for calculating and setting regular letter mail price increases on an expedited timeline, while ensuring proper consultation, government oversight and advance notice for customers. This process would need to be reflected in changes to the CPCA, its regulations and the *Canadian Postal Service Charter*.

- **Recommendation #12:** The moratorium on rural post office closures should be replaced with a modern policy approach that continues to protect rural service while:
    - using current demographic and census data to accurately define rural areas and allowing for adjustments as demographics change; and
    - reflecting the existence of more cost-effective ways to serve and offer greater convenience to Canadians than traditional post offices. These include dealer models, regional community hubs and self-serve options.
- **Recommendation #13:** The government should end the moratorium on community mailbox conversions. The moratorium protects a costly, premium service for less than 25 per cent of Canadian households. Meanwhile, more than 70 per cent of addresses receive delivery to a centralized location.

10.3 Updating the Canadian Postal Service Charter

Recommendation #10: The government engage with Canada Post to conduct timely and thorough consultations and a comprehensive review of the *Canadian Postal Service Charter*. The goal should be to make significant changes to ensure the Service Charter reflects the current and future postal needs of Canadians. This includes a focus on updating service standards and delivery frequency to match evolving needs, and transitioning from a proximity-based model to a modern, service-based model for retail post offices.

As set out in Canada Post's January submissions, the Government of Canada has articulated its vision of the USO through service standards outlined in the CPCA and further detailed in the *Canadian Postal Service Charter*.

The Service Charter reaffirms the government's expectation that Canada Post will operate in a financially self-sustaining manner while meeting the obligations and expectations set out in earlier directives. The Service Charter includes:

- the obligation to deliver to every address in Canada;
- a reaffirmation of the moratorium on rural post office closures;
- the requirement that letter mail be delivered five days a week;
- a service standard that mandates delivery of letter mail:
    - within a community within two business days;
    - within a province within three business days;
    - between provinces within four business days.

- the requirement that post office coverage is such that:
    - 98 per cent of consumers have a postal outlet within 15 kilometres;
    - 88 per cent of consumers have a postal outlet within 5 kilometres;
    - 78 per cent of consumers have a postal outlet within 2.5 kilometres.

10.3.1 Service Charter Unchanged Since 2009

The Service Charter has not changed since it was implemented in 2009. The Service Charter's requirements and service standards were therefore established for a time when the country – and the economy – relied much more heavily on letter mail. While the government is required to review the Service Charter every five years, the last review was conducted in 2018 and a new review is therefore due.

As part of this review, the Service Charter needs to be modernized to provide the Corporation with a clear path to financial sustainability and greater operational flexibility to meet its dual mandate. The current one-size-fits-all approach no longer works.

The current delivery service standards were first put into place in 1998 and reaffirmed in the Service Charter in 2009. Letter mail remains important, but the effort and cost required to deliver within the service standards upon which the postal service is measured no longer aligns with the expectations of the receiving customer. For example, a letter from Halifax to Vancouver must be delivered within four business days. To meet this standard, it must be sent by plane at a higher financial and environmental cost than by rail or ground.

The Service Charter also focuses on post office proximity to Canadians, rather than evolving the footprint and service offerings to align with the needs of Canadians, and where they work and shop.

Because it has not evolved, there are now several areas where the Service Charter unduly restricts Canada Post's ability to restructure and operate to meet its dual mandate of delivering on the postal needs of Canadians in a financially sustainable way. These include:

- **Access to postal services**: The proximity-based requirements for post offices contained in the Service Charter and the moratorium on the closure of rural post offices[47] do not reflect the evolving needs of Canadians, or the existence of more effective and efficient ways to provide access to postal services where Canadians live, work and shop. These requirements also fail to reflect changing demographics and population density as a percentage of census data, and restrict Canada Post's ability to effectively manage its own retail network.

[47] As noted in Canada Post's January submissions, in 1994, the Canadian government adopted a moratorium that prevents Canada Post from closing or franchising post offices that were identified as being in rural areas in 1994.

- **Delivery frequency and standards**: Letter mail remains important, but the effort and cost required to deliver within the current service standards no longer aligns with customers' expectations. Canada Post has heard from its customers that Canadians are open to less frequent letter mail service if it means more sustainable costs. At the same time, more frequent parcel service, which is now expected in the market, is required to generate other revenues to help fund postal services. Canada Post needs the flexibility to operate in ways that meet Canadians' needs.
- **Service Charter reviews**: Canada has long since moved past the era when letter mail volumes remained stable and policies could be left unchanged for extended periods. In light of the rapid pace of change, the review process must also be modernized, including a proper consultation process, and occur more regularly. This would better allow Canada Post to raise issues and ensure the Service Charter reflects the evolving needs of Canadians in a timeframe that more accurately reflects the rapidly changing nature of the business.

10.3.2 Service Standards and Access to Postal Services

Most importantly, the delivery service standards and access to postal services requirements contained in the Service Charter must be updated to better reflect Canada Post's current reality.

With respect to service standards, the Service Charter should allow for:

- the flexibility to adjust service standards and delivery frequency to better align with the evolving needs of Canadians, while ensuring cost effectiveness;
- the ability to offer a baseline level of service to all Canadians, while also providing the flexibility and discretion to outperform service standards or delivery frequency where it is advantageous, such as for parcel products; and
- the discretion to transport all products in a manner that Canada Post determines, whether that be by road, rail or air.

With respect to access to postal services, the Service Charter should be updated to provide Canada Post with the ability to:

- provide access to essential postal services through retail postal outlets and other solutions, including kiosks and self-service outlets;
- equalize postal service access to align with community needs;
- redefine service accessibility to focus on the ability of Canadians to access essential postal services, rather than proximity-based metrics; and
- self-determine whether corporate-owned post offices are required in certain areas or whether dealer-owned post offices are more appropriate.

Customers continue to value Canada Post's retail services, but they use them differently. Canada Post is seeing fewer sales transactions while non-sales transactions, such as parcel pickups and returns, have significantly increased. By 2030, 75 per cent of retail counter transactions are expected to generate no sales revenue at all.

Consumer preferences are also shifting towards self-serve options and more choice in retail experiences. Recent customer research has found:

- 56 per cent of customers prefer companies that offer a smooth transition between digital self-serve options and in-store experiences;
- 26 per cent prefer to self-serve as much as possible; and
- 27 per cent prefer a combined approach to self-serve and assisted services.

All of this reflects a need for the government to engage with Canada Post, and in consultation with Canadians more broadly, to conduct a timely, comprehensive review of the *Canadian Postal Service Charter* to align it with modern realities and the expectations of Canadians.

10.4 Regulated Rate Action

Recommendation #11: An updated process should be implemented for calculating and setting regular letter mail price increases on an expedited timeline, while ensuring proper consultation, government oversight and advance notice for customers. This process would need to be reflected in changes to the CPCA, its regulations and the *Canadian Postal Service Charter*.

The mandated process outlined in the CPCA for increasing stamp prices is lengthy and cumbersome. It can take six to nine months from the date Canada Post proposes a price increase to the date it comes into effect. By way of illustration, Canada Post is required to publish proposed rate increases for letter mail items, international letter-post items and special services and fees in the *Canada Gazette*. Following publication, a reasonable opportunity must be afforded to interested persons to make representations with respect to the proposed increase. Governor in Council approval of the new rates is ultimately required before they can take effect. This approval process often takes between six and nine months.

In addition, under the Government of Canada’s regulated rate action policy, Canada Post cannot increase stamp prices higher than the rate of the consumer price index (**CPI**), unless a higher rate action is approved as part of its Corporate Plan or by the minister responsible for Canada Post.

While the CPI has increased, this government policy of tying stamp-price increases to CPI does not provide enough flexibility to price our stamp and letter mail products at rates that cover the cost of delivering them. Yet, Canada Post’s delivery costs continue to increase due to inflationary pressures, rising labour costs and the growing number of addresses served, amongst other things.

Current approval process for increasing stamp prices

Timeframe: Six to nine months

Canada Post's regulatory affairs team engages its pricing team to establish proposed pricing.

Regulations with the proposed rates are drafted.

Canada Post engages the Treasury Board Secretariat and Department of Justice to seek approval to begin the regulatory amendment process.

The complete package of proposed rate increases is submitted to Canada Post's Board of Directors for internal approval.

Once approved by its Board of Directors, the proposed rate increases are published in Part I of the *Canada Gazette*. This opens a 30-day window for customers and other interested parties to make representations about the proposed increase.

At the end of the 30-day representation period, the proposed rate increases and a detailed report on all representations are submitted back to the Board of Directors.

After Board approval, the proposed rate increases are forwarded to the Minister of Public Services and Procurement, who then submits the proposed increases to the Governor in Council.

The Governor in Council has 60 days to approve or reject the proposed rate increases.

Once approved by the Governor in Council, the rate increases are published in Part II of the *Canada Gazette*.

The new rates come into effect.

Canada Post's lack of pricing autonomy is exacerbating the erosion of revenue from declining letter mail volumes. For example, the regulatory process resulted in postage rates being maintained at 2020 levels through 2023. As a result, stamp prices fell significantly behind the rate of inflation, which had a substantial negative impact on Canada Post's overall finances.

In short, stamp prices have not kept pace with the rising cost of delivery and operations as a whole. They have also not kept pace with the growth in Canadian wages and the GDP. They are underpriced in comparison with other Western postal administrations, relative to comparative norms and the value they deliver.

This lack of flexibility prohibits Canada Post from responding quickly and aligning its prices with the changing economic environment.

10.5 Moratorium on Rural Post Office Closures

Recommendation #12: The moratorium on rural post office closures should be replaced with a modern policy approach that continues to protect rural service while:

- using current demographic and census data to accurately define rural areas and allowing for adjustments as demographics change; and
- reflecting the existence of more cost-effective ways to serve and offer greater convenience to Canadians than traditional post offices. These include dealer models, regional community hubs and self-serve options.

Canada Post understands how important its network of post offices is to Canadians across the country, especially those living in rural and remote regions. However, the moratorium on the closure of rural post offices has challenged its ability to serve their changing needs and is a material root cause for some of the financial challenges facing the organization.

The moratorium was adopted by the federal government in 1994 and incorporated into the *Canadian Postal Service Charter* in 2009. It prevents Canada Post from closing or franchising nearly 3,600 post offices that were identified as being in rural areas in 1994. The list of applicable post offices was created by the federal government, not Canada Post.

The moratorium prevents the conversion of post offices to franchise outlets. Managed by retail partners such as pharmacies, franchise postal outlets often provide better hours and more convenience for customers.

Canada has changed dramatically since 1994. In that time, the country's population has increased from 29 million to more than 40 million people. Many areas that were considered rural in 1994 are now part of cities or developed suburbs. For example, the moratorium on the closure of rural post offices applies to post offices that are now clearly in urbanized areas such as Milton, Stittsville and Richmond Hill, in Ontario. In fact, nearly 30 per cent of post offices located in areas deemed rural in 1994 are now in areas classified as urban, according to the most recent Statistics Canada census data. However, the moratorium on the closure of rural post offices has not changed since its inception.

Today, Canada Post has approximately 5,800 corporate and dealer post offices across the country. Of those, approximately 55 per cent are in designated rural areas and 45 are in urban areas. The costs of providing this rural retail network are much greater than the revenues generated from the rural retail network.

The moratorium on the closure of rural post offices means that Canada Post is only able to close a rural post office in situations outside of the Corporation's control. This can include the departure of a postmaster or changes to a property, such as a fire or the termination of a lease. Even in such situations, closing a post office is always a last resort after all other options are exhausted. Canada Post conducts a comprehensive process to find a way to maintain the post office. It also works closely with the local community to find suitable alternatives.

Between 2019 and 2024, 634 rural post offices were affected by the departure of a postmaster or an issue with the property. In each instance, Canada Post held community consultations and, where a new postmaster was needed, a recruiting process occurred. Canada Post was able to maintain service at 563 affected post offices while the remaining 71 were closed and service shifted to a neighbouring post office or community mailboxes, as decided with the local community. This means that over the last five years, 98 per cent of the post offices covered by the moratorium on the closure of rural post offices remained open while two per cent were closed for reasons beyond Canada Post's control.

The cost of providing post office service in rural communities means service hours are limited in these locations. There is also a cost to keeping traditional post offices open in areas that are no longer rural, and where other dealer options are available nearby.

Both the independent Task Force appointed by the government to review Canada Post in 2016 and the Standing Committee on Government Operations and Estimates (**OGGO**) in 2024 recommended updating the moratorium on the closure of rural post offices to reflect demographic changes and ensure it applies to actual rural communities. However, the government has not changed the moratorium as of yet.

In its report to Parliament, the OGGO noted the moratorium on the closure of rural post offices "might have had unintended consequences: by imposing inflexible parameters on the Corporation, it may have exacerbated the problems it set out to resolve by preventing Canada Post from allocating resources to rural and remote communities that need it the most." It is therefore time to replace the moratorium on rural post office closures with a modern policy approach that continues to protect rural services.

10.6 Moratorium on Conversion to Centralized Delivery

Recommendation #13: The government should end the moratorium on community mailbox conversions. The moratorium protects a costly, premium service for less than 25 per cent of Canadian households. Meanwhile, more than 70 per cent of addresses receive delivery to a centralized location.

In 2016, the independent Task Force appointed by the government to review Canada Post in 2016 described community mailbox conversion as the Corporation's greatest savings opportunity. The Task Force also reviewed evidence that suggested most Canadians were very satisfied receiving their mail at a community mailbox, and projected potential annual savings from restarting the conversion program at $400 million to $450 million.[48]

[48] Task Force for the Canada Post Corporation Review, *Canada Post in the Digital Age – Discussion Paper 2016*, Tab 5, p. 61.

For the past 40 years, homes built in new developments have received delivery to a community mailbox. Canada Post has not added any new addresses with door-to-door delivery during that same time period. As a result, the share of households receiving letter mail at their door has continued to fall, from one third to less than one quarter over the past 10 years as new housing developments expanded.

With parcel volumes on the rise, community mailboxes make even more sense as a delivery option than they did 10 years ago. For customers, their parcels are safe from “porch pirates” and they can collect their mail and parcels at their convenience.

In spite of this compelling information, the moratorium on community mailbox conversions continues to have a significant financial impact on Canada Post. About 40 per cent of delivery costs go to serving less than 25 per cent of Canadian addresses – often in affluent, single-family home neighbourhoods.

As far back as 2014, after a lengthy national consultation on the future of Canada Post, the Corporation began a five-year program to convert the one third of Canadian addresses (roughly five million addresses) that still had delivery to the door to community mailboxes.

This transition was expected to generate the largest financial benefit of Canada Post’s Five-point Action Plan, which launched in 2013, with forecasted savings at that time was an order of magnitude of between $400 million and $500 million a year.

Recognizing that some senior Canadians and Canadians with disabilities would need viable alternatives to community mailboxes, a personalized Delivery Accommodation Program was established and continues to support Canadians.

The Delivery Accommodation Program is offered year-round, temporarily or seasonally. It supports residential customers with functional limitations or health conditions who may face barriers accessing their parcels and mail. These accommodations included mailbox key turners, sliding mail trays, height/location adjustments to the mailbox compartment, braille and weekly home delivery. Customers can request more than one accommodation to ensure that their needs are met. As of 2023, 16,753 addresses were receiving some form of accommodation.

Canada Post completed approximately 830,000 conversions in 78 municipalities in the year after the Community Mailbox Program was introduced, leading to annual savings of approximately $80 million. The Corporation also achieved its best-ever safety performance as employees delivering to community mailboxes reported fewer injuries resulting from slips, trips, falls, strains, sprains and animal bites than peers delivering door-to-door.

However, despite extensive community engagement efforts, safety and accommodation improvements and much-needed savings beginning to accrue for the Corporation, the community mailbox conversion program became a 2015 federal election issue.

Following the election, Canada Post temporarily suspended the Community Mailbox Program at the government's request. The government later reaffirmed the moratorium in 2018: addresses that had already been converted would continue to collect mail and parcels at their community mailbox, but all future conversions were placed on hold.

Today, one in four Canadians addresses receive mail delivery to their door – at a much higher cost than any other form of delivery. In fact, delivering to the door costs 75 per cent more than delivering to a community mailbox: $284 per address per year compared to $162. In 2023, that meant approximately 40 per cent of the annual cost of delivering went to door-to-door service for less than a quarter of Canadian households.

For the reasons set out above, the time to end this moratorium is now.

11. Conclusion

The collective agreement and regulatory constraints binding Canada Post fundamentally impair its ability to meet the mandate given to it by Canadians of remaining financial self-sustainable.

This Commission therefore comes at a critically important time for Canada's postal service. The stakes are extremely high for Canada Post, CUPW, the roughly 68,300 employees of the Corporation and, ultimately, all Canadians who count on Canada Post's ongoing financial sustainability, viability and success. This Commission is therefore a welcomed opportunity to examine the fundamental challenges facing Canada Post and to develop recommendations that enable its path towards becoming a sustainable service provider for Canadians.

Canada Post is part of Canada's national infrastructure, with a reach that touches all corners of the country and every community. As Canada's postal service, Canada Post is required to provide basic and customary postal services to all Canadians, while conducting its operations on a self-sustaining financial basis through revenue generated by the sale of its postal products and services.

It is therefore vital that the recommendations of this Commission chart a path for Canada Post and CUPW that begins to reorient the organization towards a financially self-sustainable future.