

CHAPTER 5 — CANADA POST'S RELATIONSHIP WITH LARGE-VOLUME MAILERS

Canada Post relies heavily on business users for volume and for revenue. In the fiscal year 1988–1989, 80% of its total mail volume was generated by business, and more than 60% of this by large-volume mailers. An even greater proportion of first-class mail, some 90%, originated with business. Business mail also accounted for 83% of the Corporation's postal revenue.

A significant inter-dependency exists between Canada Post and the major mail users. Just as large-volume mailers are the backbone of the Corporation's business, postal services are essential to mailers' ongoing business. The importance of the relationship explains, in part, the amount of cooperation and consultation between the Corporation and the users' organization, the National Association of Major Mail Users Inc. (NAMMU). Often, NAMMU members play a role in the testing and application of postal service innovations and in the formulation and modification of postal policies and regulations.

In the past, business users have been highly critical of Canada Post's performance. The efficiency and reliability of the service were major concerns. Work stoppages created significant problems for organizations depending on the mail for the conduct of business. According to NAMMU, the quality of the service has improved dramatically and the Corporation has become more responsive to the needs of its major users.

Canada Post offers rate discounts for large-volume mailings, and for pre-processing and pre-sorting by the sender. These discounts are authorized by the *Canada Post Corporation Act*, which allows the Corporation to make regulations respecting the reduction of postage rates on mail prepared according to prescribed specifications (incentive letter rates) and to enter into rate agreements with users who mail in bulk or prepare their mail in a manner that facilitates processing.

In its presentation to the Committee, NAMMU, whose members are the principal beneficiaries of the rate discounting system, contended that a regulated rate structure was inappropriate for a "customer-driven supplier" such as Canada Post and suggested that the regulations be revoked in order to enable Canada Post to enter into comprehensive service agreements with major users. The Retail Council of Canada also called for improvements to the discount rate structure to allow smaller businesses to take advantage of reduced rates.

Recently, the federal Cabinet approved Canada Post's proposal for the deregulation of incentive letter rates. The Committee believes that this decision will give the Corporation added flexibility in serving its large-volume customers. It may even allow for an extension of the discounting system to smaller mailers.