

CHAPTER 3 — THE RETAIL NETWORK

In early 1987, Canada Post began to re-organize its corporate retail network in both urban and rural Canada, in the process committing a greater share of its operating and capital expenditures to mail collection, processing and distribution. The year 1996 was set as the target for the closure and/or conversion to private-sector outlets of most of the 5,221 rural post offices and the 734 offices in larger urban centres. Many of the new private outlets, known simply as retail postal outlets (RPOs), were to become franchise operations that generally would provide services similar to those of the corporate outlets they were designed to replace.

Behind this plan was the Corporation's desire to realize operational savings—some \$1 billion over 10 years—as a result of cuts in wages, overheads and capital costs through the conversions of employee-staffed outlets. An equally important objective was to shift post offices to more convenient locations and increase the accessibility of Canada Post's services to the public through improved hours of operation. The conversion program has not developed as quickly as the Corporation originally hoped. It is now expected that some 300-350 conversions will be initiated in urban and rural Canada each year.

At the same time, the Corporation intends to expand its total retail network by a third over the next few years, to some 20,000 outlets. This would be accomplished through contracts entered into with private firms.

The use of the private sector in postal retailing is common practice in many urban areas of Canada, where sub-post offices already make up a significant proportion of total outlets. For rural Canadians, however, the change in direction is quite significant and the most adverse response to these proposals has come from them.

Though we sympathize with those Canadians who are reluctant to accept the changes, we believe that the Corporation's comparative advantage lies in gathering, processing and delivering mail and that it is also important for Canada Post to continue to reduce its costs. By using the private sector's proven retail experience cost-effectively, the Corporation will be able to provide customers with many more convenient retail locations. We therefore support the Corporation's current plans to improve its retail network through contractual arrangements with private retailers and recommend that :

Canada Post discontinue its retail postal business and devote its resources to the collection, processing and delivery of mail.

Quality of service, however, need not be jeopardized by these changes. We concur with arguments in the recent report of the PSRC that to ensure that customers receive