

CHAPTER 6 — CANADA POST AND ITS COMPETITORS

Canada Post's business is an amalgam of monopoly and competitive services. The Corporation's monopoly allows it to carry most of the letters sent in Canada, some 4.5 billion in the 1988–1989 fiscal year; yet, a significant amount of the Corporation's business is subject to competition.

The *Canada Post Corporation Act* gives the Corporation the exclusive privilege to collect, transmit and deliver letters within Canada. This privilege, however, does not apply to parcels, books, or magazines and is subject to certain statutory exceptions, some of the more important of which are the delivery of time-sensitive mail for a fee that is at least three times the postal rate for a letter weighing 50 grams, and letters transmitted by electronic or optical means.

The Corporation's competitors are as numerous as they are diverse and include couriers, bus companies, trucking companies, airlines, advertising media and newspapers, among others. Moreover, facsimile machines and other modes of electronic transfer of information pose a growing threat to the Corporation's exclusive privilege over letter mail. In its brief to the Committee, NAMMU questioned the relevance of the Corporation's monopoly on first class mail, noting that facsimile transmission, electronic transfer of funds, data processing networks and private door-to-door delivery services are all in competition with the postal service.

The drive to achieve financial self-sufficiency, together with an increase in the number of competitive services, has resulted in the Corporation's more aggressive approach to the marketplace. In the past few years, it has been competing vigorously for a larger share of the unaddressed "admail" market (retail sales flyers, sales brochures, coupons, catalogues, leaflets), the courier market and the parcel market. Canada Post's latest *Annual Report* reveals that for the 1988–1989 fiscal year, its unaddressed admail volume increased by 13% over the previous year while its Priority Post Courier/EMS business grew by nearly 36%. Parcel volume, however, was down by 3.5%.

A. Cross-Subsidization

A number of witnesses before the Committee suggested that Canada Post would have an unfair advantage over its competitors if the revenues from its monopoly services were being used to cross-subsidize its competitive operations.

The Canadian Community Newspapers Association (CCNA), whose members compete with the Corporation for the delivery of retail sales flyers, alleged that Canada Post is subsidizing its rates for unaddressed admail from other postal revenues and is thus