Canada Post segment reports $378-million loss before tax in second quarter

21-08-2020

Loss is primarily due to impacts of COVID-19, as well as higher costs from arbitration ruling for new agreements with CUPW

Canada Post recorded a loss before tax of $378 million in the second quarter of 2020. This increased loss was largely due to the significant impact COVID-19 had on revenue and costs, combined with the added costs stemming from the June 2020 arbitrator's ruling. The ruling resulted in new collective agreements with the Canadian Union of Postal Workers (CUPW).

As the country responded to COVID-19, Canadians turned to Canada Post to provide an essential service. With people at home and businesses closed, the Corporation saw a dramatic shift in what it was asked to deliver. Online shopping drove unprecedented growth in Parcels volume and revenue, but because Canadians and businesses mailed and advertised less, the Transaction Mail and Direct Marketing volume and revenue decline exceeded the growth in Parcels. The estimated total revenue shortfall due to COVID-19 was $46 million while increased costs related to COVID-19 were an estimated $118 million. The total negative financial impact due to COVID-19 was an estimated $164 million.

The arbitrator's ruling on June 11, 2020 concluded a comprehensive process that followed weeks of rotating strikes in late 2018. The new collective agreements, one for urban employees and another for Rural and Suburban Mail Carriers (RSMCs), added net costs of $114 million in the second quarter. Most of this was related to expanded eligibility for post-employment healthcare benefits for RSMCs.

The segment recorded a loss before tax of $444 million on revenue of $3.3 billion for the first two quarters of 2020. That compares to a loss before tax of $27 million, also on revenue of $3.3 billion, for the first two quarters of 2019. Although COVID-19 and the new collective agreements with CUPW contributed to the loss, the Canada Post segment would have still incurred a loss without these factors.

Parcels results

Early in the second quarter, Parcels volumes were as high as in past peak Christmas seasons as, with physical stores closed due to COVID-19, Canadians met their needs by shopping online. Parcels revenue grew by $226 million, or 35.411 per cent, in the second quarter and by $279 million, or 23.3 per cent, for the first two quarters, compared to the same periods in 2019. Volumes grew by 26 million pieces or 35.5 per cent in the second quarter, and by 30 million pieces or 21.2 per cent in the first two quarters of 2020, compared to the same periods in 2019.

Transaction Mail results

Transaction Mail is mostly letters, bills and statements. Ongoing revenue and volume declines accelerated as businesses and Canadians used digital alternatives even more during COVID-19. In the second quarter, Transaction Mail volumes fell by 102 million pieces or 14.7 per cent and revenue decreased by $104 million or 15.4 per cent, compared to the same period in 2019. Over the first two quarters of 2020, Transaction Mail volumes fell by 132 million pieces or 8.2 per cent, and revenue fell by $120 million or 7.7 per cent, compared to the first two quarters of 2019.

Direct Marketing results

Customers were already delaying or cancelling marketing campaigns due to COVID-19 as the quarter began, adding to the impact of ongoing digital substitution. Direct Marketing revenue declined by $126 million or 46.4 per cent in the second quarter and by $152 million or 28.2 per cent for the first two quarters of 2020, compared to the prior year. Volumes fell by 652 million pieces or 53.4 per cent in the second quarter and by 778 million pieces or 33.7 per cent in the first two quarters, compared to the same period last year.

Group of Companies results

The Canada Post Group of Companies reported a loss before tax of $333 million in the second quarter of 2020, which was a $344 million change from a profit before tax of $11 million for the same quarter in 2019. This loss was due to the Canada Post segment. For the first two quarters of 2020, the Group of Companies recorded a loss before tax of $386 million, a decrease in profitability of $436 million, compared to the same period in 2019. It is estimated that COVID-19 contributed $194 million to this loss.

The Purolator segment recorded a profit before tax of $39 million in the second quarter of 2020, a decrease of $13 million compared to the same period last year. For the first two quarters of 2020, Purolator recorded a profit before tax of $49 million, a decrease of $15 million compared to the same period last year.

Background

The operations of the Canada Post Group of Companies are funded by the revenue generated by the sale of its products and services, not taxpayer dollars.

1All per cent values in this news release have been adjusted for business and paid days and are calculated on unrounded values. In the second quarter of 2020, there was no difference in the number of business days or paid days compared to the second quarter of 2019. For the year-to-date period of 2020, there was one less business day and one less paid day compared to the same period in 2019.
2The Canada Post Group of Companies consists of the core Canada Post segment and its three non-wholly owned subsidiaries, Purolator Holdings Ltd., SCI Group Inc. and Innovapost Inc.

Source: [Canada Post](#)