Canada Post segment posts $270 million loss for 2018

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Canada Post is reporting a loss before tax of $270 million for 2018. Three main non-recurring items factor into the result: the $280 million cost of resolving pay equity and the estimated $135 million net impact of the labour disruption in the fall, partially offset by a $48 million gain after an actuarial update to workers compensation liabilities. Had it not been for these non-recurring factors, Canada Post would have recorded a profit in 2018. The segmentâ€™s $270 million loss is a decline of $346 million compared to 2017.

In the larger context of the business, two important trends continued in 2018: the strong growth in parcels and the significant decline in mail volumes.

Pay equity is a basic human right and any pay disparity on the basis of gender is unacceptable to Canada Post. Canada Post and the Canadian Union of Postal Workers (CUPW) agreed to use arbitration to resolve pay equity for Rural and Suburban Mail Carriers in 2016. In 2018, the arbitrator's final ruling resulted in significant pay and benefit improvements retroactive to 2016. In 2018, resolving pay equity cost an estimated $420 million, of which $280 million related to previous years. Going forward, Canada Post estimates the changes will cost $140 million a year.

Several months of negotiations with CUPW toward new collective agreements created uncertainty for customers, followed by rotating strikes from October 22 to November 27. As a result, some customers found alternatives to using Canada Post. This reduced volumes in the fourth quarter and created an estimated revenue shortfall of $195 million, which resulted in an estimated $135 million net impact to the loss before tax in 2018.

The ongoing decline in letters, bills and statements caused Transaction Mail revenue to fall by 5.5 per cent or $151 million compared to 2017.1

Despite the disappointing outcome to a difficult year, the 2018 results confirm the strength of Canada Post's core strategy: to grow the business by being Canada's parcel delivery leader. Canada Post's revenue from its Parcels business grew significantly in 2018, and exceeded $2.5 billion. Parcels generated 38 per cent of the segment's revenue in 2018,

compared to 34 per cent in 2017 and only 21 per cent in 2011.

Source: Canada Post

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