

Canada Post segment reports a profit before tax in 2016 of \$55 million after solid growth in parcels

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The year-end results were a positive sign considering the significant challenges facing the company. With declining mail volumes, less than half of the segment's revenue in 2016 was generated by Transaction Mail, or letters, bills and statements. In addition to that issue, the Corporation is faced with the challenges of significant pension obligations, labour costs and the need to invest in network capacity to keep up with growing parcel volumes.

Parcels revenue has grown \$521m since 2011, reflecting the tremendous impact of Canada Post identifying e-commerce as the anchor of its growth strategy. The Canada Post segment delivered 1m parcels on 34 separate days in 2016. It had first reached the one-million-parcels-a-day milestone in 2012, when it occurred twice. On December

5, 2016, the Corporation delivered 1.52m parcels, an all-time one-day record. The Corporation is also the only delivery company to deliver across Canada to all addresses, which surpassed the 16m mark in 2016.

Parcels results

In 2016, Parcels revenue from the Canada Post segment increased by \$92m or 5.6% compared to 2015. At 195m, volumes increased by 14m pieces or 7.7% compared to 2015. Domestic Parcels volumes grew by 11m pieces or 9.0% compared to 2015. Inbound Parcels volumes – from the US and the rest of the world – increased by 8.4% compared to 2015, driven particularly by strong growth from Asia Pacific countries.

Parcels continue to generate an increasing proportion of Canada Post's revenue. Parcels generated 28% of the segment's revenue in 2016; by comparison, Parcels generated 26% of revenue in 2015 and only 21% in 2011.

Transaction Mail results

Volumes in Transaction Mail, the Canada Post segment's largest line of business, continued their decade-long decline in 2016. Volumes fell by 286m pieces or 7.8 per cent compared to 2015. Revenue fell by \$153m or 4.8% compared to 2015. At \$3.0bn in 2016,

Transaction Mail generated 49% of the Canada Post segment's operating revenue of \$6.2bn. In 2011, Transaction Mail had generated 53% of the segment's revenue. Canadians mailed 1.8bn fewer pieces of Domestic Lettermail or 37% less in 2016 than they did in 2006, the year that mail volumes reached their historic peak.

Direct Marketing results

In 2016, Direct Marketing revenue fell by \$67m or 5.6% to \$1.14bn, and volumes decreased by 261m pieces or 5.3% compared to 2015. In another sign of the ongoing disruption of a paper-based industry by digital

technology, Publications Mail volumes fell 9.6% in 2016, as mailed subscriptions of magazines and similar material continued to decline.

Group of Companies

In 2016, for a third consecutive year, the Canada Post Group of Companies reported a profit before tax. The profit before tax of \$114m in 2016 is a decrease of \$22m compared to the profit before tax of \$136m in 2015. Purolator's profit before tax of \$67m in 2016 was \$11m higher than its 2015 profit before tax of \$56m.

Source: [Canada Post](#)