

Canada Post segment posts \$779-million loss for 2020

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Canada Post recorded a loss before tax of \$779 million in 2020, even while delivering record-high Domestic Parcels volumes. The postal service had reported a year-to-date \$709 million loss before tax in the third quarter of 2020.

Costs related to COVID-19 are estimated at \$292 million. A significant portion of this was due to special leaves put in place to support higher-risk employees and those providing child and elder care, as well as increased overtime expenses. The company also incurred additional collection, processing and delivery costs due to increasing parcel volumes. There were also additional costs to keep people safe, which included redesigning work centres to maintain physical distancing in facilities that were never meant to keep people 2 metres apart. Significant revenue declines of \$230 million in Transaction Mail and \$257 million in Direct Marketing, compared to 2019, occurred as marketers cancelled or delayed mailings due to COVID-19 and mailers increasingly turned to digital alternatives. It is estimated that \$382 million of that \$487 million decline in Transaction Mail and Direct Marketing revenue is due to COVID-19. The net negative impact of COVID-19 was \$194 million, when factoring in the growth of Parcels revenue.

There were other factors apart from COVID-19's impact. For one, it costs significantly more to process and deliver parcels than it does letters. Canada Post also incurred an additional \$127 million in costs stemming from the June 2020 arbitrator's ruling that resulted in new collective agreements with the Canadian Union of Postal Workers. The segment would have still incurred a loss without the impact of COVID-19 and the new collective agreements

with CUPW.

With its strong cash position, Canada Post is able to make significant investments in capacity and service. These are needed in response to the accelerated growth in online shopping that began during the pandemic and is widely expected to have a sustained impact on demand for parcel delivery.

Parcels results

Canada Post's Parcels business experienced record growth in 2020 as Canadians shopped online far more often during COVID-19. With Canadians' accelerated adoption of online shopping, Canada Post set several records, including most parcels delivered on a single day (2.4 million on December 21) and the most consecutive days of delivering one million or more parcels (181 consecutive delivery days from mid-April to the end of the year). Total Parcels revenue grew by \$699 million, or 25.0 per cent, compared to 2019.¹ It is estimated that \$471 million of that increase is due to COVID-19. Total volumes grew by 69 million pieces or 21.0 per cent in 2020, compared to 2019. Domestic Parcels revenue increased by \$613 million or 29.1 per cent, while Domestic volumes increased by 70 million pieces or 30.9 per cent, compared to 2019. Inbound Parcels volumes declined slightly, in part due to fewer flights from Europe and China during COVID-19.

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 2020, Transaction Mail volumes fell by 286 million pieces or 10.5 per cent and revenue fell by \$230 million or 8.9 per cent, compared to 2019. Of that decline, \$146 million is estimated to be due to accelerated volume erosion due to COVID-19.

Direct Marketing results

Customers delayed or cancelled many marketing campaigns during the pandemic, adding to the impact of an ongoing move to digital channels. In 2020, Direct Marketing revenue declined by \$257 million or 24.3 per cent. An estimated \$236 million of that decline is attributed to COVID-19. Direct Marketing volumes fell by 1.3 billion pieces or 27.7 per cent, compared to 2019.

Group of Companies results

The Canada Post Group of Companies² reported a loss before tax of \$626 million in 2020, compared to a loss before tax of \$23

million in 2019. An estimated \$174 million of this loss is due to the impact of COVID-19. The Group of Companies' 2020 results are due to a loss in the Canada Post segment, which was partially offset by Purolator's profit.

The Purolator segment recorded a profit before tax of \$176 million in 2020, compared to a profit before tax of \$152 million in 2019, an increase of 15.4 per cent.

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.

¹.In 2020, there was one additional business day and one additional paid day compared to 2019.

².The 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](#)