

Canada Post Corporation
Opening Remarks and Proposals
(PSAC/UPCE Negotiations)
October 19, 2016

I would like to begin by welcoming all of you to this round of collective bargaining between the parties. While the negotiations process can be challenging and I expect that we will face some difficult discussions, I want to express my sincere hope that we can engage in open, constructive, and respectful dialogue. The relationship between the parties is of great importance to me, to my team, and to the Corporation and I am optimistic that we can maintain this relationship during and after the bargaining process.

We have spent time together this week hearing about our business results, and about the future of parcels and Smartmail marketing. I hope that these sessions were informative for you, and that they helped bring some clarity to our current business reality. It is critical that we have a common understanding of our business in order to have productive conversations about the challenges that we are facing as a company.

These negotiations are taking place during a time of great change for Canada Post. The Corporation's mandate to be financially self-sustaining while providing affordable and universal postal service to all Canadians remains a challenge. We continue to face the reality of a shifting landscape, as Canadians continue to move away from Transaction Mail towards digital alternatives. We have been tremendously successful in the parcel industry, becoming the number one parcel business in Canada.

Transaction Mail, our core business, has declined for eight consecutive years. Many of you have no doubt converted to online bill payments, or have been encouraged to switch to receiving bills digitally. At the same time, the number of addresses we serve has increased every year. Since 2006, the number of addresses that we deliver to has increased by 1.5 million, while since 2007 the number of pieces of mail we deliver to each address has decreased by 38.7%.

While the future of Canada Post lies in parcels and direct marketing, both of these lines of business operate in a fiercely competitive environment, forcing us to be lean and flexible to respond to the changing marketplace. For every dollar Canada Post earns, approximately two-thirds goes to labour. Our labour costs are much higher than our competitors, and other posts around the world. We must ensure that we are as cost-competitive and as nimble as possible. The Defined Benefit Pension Plan is a significant financial pressure that puts the Corporation in a vulnerable position. While the Plan has a going concern surplus of \$1.6 billion, we have a solvency deficit of \$8.1 billion. The Plan is significantly larger than the Corporation, and the liability is growing faster than the revenue of the Corporation.

All of the challenges we are facing make it critical that we work together to provide the best and most cost effective services for our customers. Labour stability is part of that equation. You are no doubt aware of what has transpired in the recent round of collective bargaining with the Canadian Union of Postal Workers. In the interest of coming to a negotiated collective agreement quickly, and without threat of a labour disruption, we have considerably tempered our list of proposals. We believe that this is in the best interest of our business, our customers, and our employees. With this in mind the Corporation is putting forth a short list of proposals that encompasses our most significant priorities for the UPCE bargaining unit as well as what we believe is fair in terms of improvements for our employees. With this all-encompassing list of specific proposals we are demonstrating to you and to our employees that we are serious about moving forward to face our challenges together.

The following is an overview of the proposals that the Corporation intends to make during collective bargaining.

PAY

Rates of Pay (Appendix A)

The Corporation is prepared to provide wage increases.

Pay Administration (Article 31)

In order to minimize pay errors and reduce employee frustration, the Corporation proposes to move to a system where employees are paid in arrears.

BENEFITS

Benefit costs for active and retired employees are a significant component of labour costs and therefore need to be carefully managed. The challenge for Canada Post is to achieve the right balance of maintaining benefits for its employees while controlling the financial implications underlying the benefits provided.

Post-Retirement Benefits (Article 37)

The existing post-retirement benefit plan provides unprecedented commitments to retirees versus competitors in the Canadian market. With an increasing number of employees retiring and accessing this plan, the cost of the plan will continue to increase. The Corporation will be proposing an increase to the employee share of post-retirement benefit premiums.

Health Care, Hospital Insurance and Dental Plan (Article 37)

In order to provide equitable benefits coverage to employees, the Corporation will propose increases to specific benefits. These benefits include Out of Country Coverage, Major Dental Services, Hearing Aids, and the Dental Fee Guide.

SHORT TERM DISABILITY & PERSONAL DAYS

Short Term Disability (Article 43/Appendix U)

In order to bring consistency to the application of the Short Term Disability Program between the bargaining units, and further to resolve National Policy Grievance 99999-14-00005, the Corporation will be making proposals regarding the administration of the Short Term Disability Program. These proposals will include changes to the process for selection of the independent occupational health specialist, and a change to the process for submission of medical information.

Personal Days (Clause 42.11)

As with the Short Term Disability Program, the Corporation wishes to ensure consistency between the bargaining units with respect to the application of Personal Days. Accordingly, the Corporation is proposing to move the calendar for Personal Days from January 1 to December 31 to be from July 1 to June 30 and will also propose a transition period for this change. Further, the Corporation wishes to increase the payment of unused Personal Days from 5 days to 7 days.

RESOLVING SURPLUS & JOB SECURITY

Canada Post offers job security provisions that are unparalleled, providing employees whose jobs have disappeared the opportunity to maintain indefinite surplus status. This reality is not sustainable in the current competitive business environment. There are a significant number of employees currently on the surplus list, and many of these employees have been surplus for a number of years. It is no longer feasible to maintain employees in this status indefinitely.

Job Security – Addressing Surplus (Article 28)

In order to find a way to manage the ongoing issue of employees on the surplus list in a way that is fair to the employees, cost effective, and in line with our business reality, the Corporation will be proposing a new model for managing existing and future surplus situations.

Service Expansion Innovation and Change Committee (Appendix M)

As the Corporation is proposing to remove the Service Expansion Innovation and Change Committee (Appendix M), we will be tabling a proposal to move the contracting out provisions contained within this appendix to a new appendix.

DURATION AND FINAL OFFER SELECTION

Duration (Article 55)

The Corporation believes that having a collective agreement of four (4) years would be beneficial as it would provide stability for all stakeholders.

Final Offer Selection (Article 55 – NEW)

The Corporation will table a proposal regarding the addition of a final offer selection provision as a way of resolving collective bargaining impasses. Labour unrest has a negative impact on both the Corporation and Alliance members. This dispute resolution mechanism, which is currently being used by the Canadian Postmasters and Assistants Association and the Association of Postal Officials of Canada, would be beneficial to the Alliance, the Corporation, our employees and our customers as it would remove the possibility of strike or lockout action and replace it with an agreed upon forum for resolving impasses.

MISCELLANEOUS

FI Classification (Clause 25.09)

The Corporation proposes to remove the provision that employees in the FI classification work only 36 ¼ hours per week in comparison to the rest of the bargaining unit that has a 37.5 hour work week. We believe that this special provision for this group of employees is no longer necessary or appropriate in the current work environment.

Staffing (Article 27 & NEW)

The Corporation intends to propose a number of changes to Article 27 in order to streamline the staffing process. Among others, these changes will include proposals to change or create timeframes for various stages in the staffing process, changes to the posting process, and changes to the process for considering part-time employees.

Performance Management (NEW)

The Corporation is currently piloting a new performance appraisal process with certain groups of management employees. We will be proposing a side letter to facilitate dialogue between the parties in the event that the Corporation determines that it wishes to expand this new process to UPCE members.

ADMINISTRATIVE

The Corporation has identified a number of grammatical and typographical errors within the current collective agreement. Accordingly, we wish to propose that these be reviewed and addressed. These items are listed in Appendix "A" hereto.

The Corporation will discuss a number of issues which we consider to be housekeeping. These issues include:

A) Articles

- **Other Leave With or Without Pay (Article 42):** The Corporation is proposing amendments for consistency with legislative changes.

B) Appendices

- **New Job Evaluation Plan (Appendix D):** The Corporation believes that administrative changes are required to this appendix in order to ensure that it is current.
- **Standby (Appendix E):** The Corporation will be proposing administrative updates to this appendix.
- **Corporate Team Incentive and Individual Performance Incentive (Appendix K):** The Corporation intends to update this appendix to be reflective of the current rating system being used since 2012.
- **Human Rights & Workplace Conflict (Appendix S):** The Corporation wishes to propose changes to this appendix to facilitate the provision of e-learning.

The Corporation will discuss the renewal of the following appendices, subject to any amendments associated with other proposals:

- **Appendix B – Car Allowance**
- **Appendix C – Bilingual Bonus**
- **Appendix F – Dental Plan Agreement**
- **Appendix G – MGT/XMT Life Insurance Plan**
- **Appendix H – Child Care Fund**
- **Appendix I – Union Education Fund**
- **Appendix J – Consultative Committee on Benefits**
- **Appendix N – Job Security**
- **Appendix O – Extended Health Care Plan, Corporate Vision and Hearing Plan and Dental Plan**
- **Appendix P – Co-op Program**
- **Appendix Q – Eligibility List Form**
- **Appendix R – Surplus Employees Assigned Outside the PSAC/UPCE Bargaining Unit**
- **Appendix T – International Postal Communications Fund**
- **Appendix V – Definition of Projects Approved by the Corporation**
- **Appendix W – Clothing and Protective Footwear for Indeterminate Samplers**

In accordance with clause 1.02, where not specifically renewed, all documents, letters, memoranda of understanding or agreements, whether verbal or written, are null and void.

The Corporation is making the list of proposals above with the objective of reaching a negotiated agreement in a timely manner and without a threat of a labour disruption. We believe that our proposals are fair and demonstrate our interest in maintaining a positive relationship with the Union and its members, while also being mindful of our numerous ongoing business challenges. We also believe that our proposals demonstrate our desire to move this round of bargaining forward expeditiously in order to reduce uncertainty for our employees and customers.

Throughout the course of negotiations, the parties will no doubt agree, in recognition of progress being made, to set aside certain issues. The Corporation wishes to provide specific notice that, throughout negotiation, any potential movement made by the Corporation will be made on the “full package deal basis”. Further, the Corporation reserves the right to modify or adjust its proposals to reflect the demands of the Alliance and the overall package it will present.

In addition, there may be instances where additional operational improvements and flexibility will be required in order to offset the added cost of any given demands being sought by the Alliance as part of their program of proposals. The Corporation may therefore need to adjust its proposals in order to be able to entertain some of the Alliance’s proposals.

Finally, in the regrettable event that the parties find themselves entering a phase where there is a public threat of, and/or, an actual work disruption, the Corporation will likely find itself in the unfortunate position of not being able to conclude an agreement based on the proposals listed in this document.

As in any other round of collective bargaining, we look forward to discussing ways to make improvements to the collective agreement and find solutions that are beneficial to all parties.