CANADA POST SEGMENT POSTS $270 MILLION LOSS FOR 2018

Costs of resolving pay equity and impact of labour disruption surpassed the solid growth in Parcels revenue

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 segment'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.

Parcels results

In 2018, Parcels revenue increased by $308 million or 13.6 per cent compared to 2017.1 Total Parcels volumes increased by 54 million pieces or 21.7 per cent, while Domestic Parcels volumes grew by 20 million pieces or 10.9 per cent, compared to 2017.1 Domestic Parcels revenue increased by $254 million or 15.3 per cent compared to 2017.1

Transaction Mail results

Volumes fell by 6.2 per cent or 187 million pieces in 2018 compared to 2017.1 Most of this decline was within Canada, as Domestic Lettermail volumes fell by 125 million pieces or 4.6 per cent compared to 2017.1 This drop in domestic mail represents a revenue decline of $62 million or 2.7 per cent compared to 2017.1 Canadians mailed 2.4 billion (44 per cent) fewer pieces of mail in 2018 than in the peak year of 2006.

Transaction Mail generated $2.8 billion in revenue in 2018, or 42 per cent of the segment's revenue (it was 55 per cent in the peak volume year of 2006).

Direct Marketing results

In 2018, Direct Marketing revenue decreased by $23 million or 2.4 per cent, while volumes fell by 169 million pieces or 3.9 per cent compared to 2017.1 Volumes and revenue were negatively affected by the labour disruption in the last quarter.

The Direct Marketing line of business generated $1.1 billion or 17 per cent of the segment's revenue in 2018.

Group of Companies results

For the first time in five years, in 2018, the Canada Post Group of Companies2 reported a loss before tax of $110 million. This compares to a profit before tax of $204 million in 2017, a decrease of $314 million.1 The Purolator segment recorded a profit before tax of $162 million in 2018, which was an increase of $39 million or 31.5 per cent over the 2017 results.1

Durham Region Community Leaders Begin Their Battle for Epilepsy and Crown for Best Golf Foursome While Raising $72,000 for Pediatric Management Program

On May 9th, 2019, 10 local teams of four will come out swinging to claim not only the best round of golf, but also the distinction of the greatest fundraisers to benefit the 1 in 100 people in Durham Region that are affected by epilepsy.

ABOUT THE EPIC GOLF CHALLENGE

This is not your ordinary charity golf event; it's an 'Epic Challenge' 36 hole marathon consisting of both Ryder Cup and Masters formats, on course antics, and prizes all throughout. This year, the event will be held at Royal Ashburn Golf Course, where we are excited to play the course like it's never been played before.

"First off, this is the most fun golf event I've ever attended. And I've been to A LOT. I highly recommend Epilepsy Durham Region's EPIC Golf Challenge for anyone thinking of giving something back into the community. I knew NOTHING about epilepsy until I attended this event." - Jay, fifth year participant

With 40 golfers, the goal is to raise $72,000 to help support Epilepsy Durham Region's Pediatric Management Program and Clinic to Community Epilepsy Clinic. In its short time the Epic Golf Challenge has raised $389,119 and counting; needless to say, the consequence of hard work and a belief in what they played for has been a hole in one type of experience.

Due in part to the unwavering support of the Epic Golf Challenge Participants the event has assisted Epilepsy Durham Region in supporting nearly 100,000 families and individuals living with epilepsy. "This is a tangible effort to ensure that residents of Durham Region living with epilepsy have access to the care that they need in their community", says CEO, Dianne McKenzie. We are grateful for the support and generosity of our community and participants.