After Billions of Dollars in Losses, Canada Post Warns It May Run Out of Cash

While the post office considers plans to revamp its business model, any major fixes are likely to be politically vexing.

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By Ian Austen

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Canada Post ended the week with more grim financial news, announcing an operating loss of 221 million Canadian dollars for the first three months of the year. That came on top of an announcement at the beginning of the month that it had lost 748 million dollars last year.

In its 2023 annual report, Canada Post warned that its financial situation was "unsustainable." Ian Austen/The New York Times

The government-owned postal service has now accumulated more than 3 billion dollars in losses since 2018, and it offered a bleak look ahead in the 2023 annual report it released this month.

“We forecast larger and increasingly unsustainable losses in future years,” it wrote, adding that without borrowing another 1 billion dollars and refinancing 500 million dollars in current debt, it would run out of cash early next year.

“Canada Post is at a critical juncture in its history,” the company wrote, with a bluntness not usually seen in annual reports. “With financial pressures mounting, its longstanding role as a vital, publicly owned national infrastructure for Canadians and Canadian businesses is under significant threat.”

For decades, the post office’s biggest problem has been that increasingly, people and businesses don’t send any letters, once its major source of income. In 2006, Canadian homes received seven letters a week on average. Last year, that figure was two.

Online shopping offered some hope during the pandemic, when it became the only way to buy many products. Though Canada Post lost 779 million dollars in 2020, much of it in pandemic-related costs, parcel shipments rose by 50 percent over the previous year, and demand from shippers outstripped capacity.

Those gains proved fleeting, in part because the rise in the parcel business brought with it a new form of competitor. In addition to unionized companies like UPS Canada, which have a similar cost structure, Canada Post is now up against a growing number of small firms that rely on poorly paid gig workers, who don’t receive benefits.

Just before the pandemic, the post office delivered 62 percent of all parcels in Canada. Now, it handles just 29 percent. That business is being squeezed at both ends. On top of the price pressure from competitors, parcels cost the post office much more to handle and deliver than letters, and demand substantial investments in equipment. So profit margins are slim.

Canada Post’s chief executive, Doug Ettinger, said in a statement that the service would need to revamp and that it was discussing plans with the government.

“Canadians understand our business model must change,” he wrote, adding that “an operating model designed to deliver nearly 5.5 billion letters in 2006 cannot be sustained on the 2.2 billion letters we delivered last year.”

Canada Post has lost parcel market share to new low-cost competitors. Credit...Ian Austen/The New York Times

Mr. Ettinger did not say what form those changes might take. When I asked Canada Post for more details, it replied in a statement that “any discussions regarding delivery or other major changes are only in their preliminary stages.”

In 2016, a government-ordered review of Canada Post offered many suggestions that seem politically difficult. It urged an end to the moratorium on rural post office closings, which was introduced in 1994 after a public backlash. It proposed shifting large numbers of households from door-to-door delivery to community mailboxes — a return to the “super mailbox” program that became so unpopular that the government of Prime Minister Justin Trudeau killed it almost immediately after taking power in 2015. And a recommendation to look at wage and pension costs seemed like a formula for labor strife.

Canada Post is not alone in its struggles; other postal systems may provide a hint of what could be coming here.

Britain's Royal Mail, which was privatized in 2013, had an adjusted operating loss of 419 million pounds (about 729 million Canadian dollars) last year. A regulator recently proposed cutting deliveries from six days a week to as few as three.

But as soon as the idea was out, Prime Minister Rishi Sunak said he was "absolutely committed" to the six-day-a-week schedule required by law.

(Britain's Post Office, which operates postal outlets and remains owned by the government, is enmeshed in a scandal and under official inquiry after hundreds of branch managers were wrongly accused of theft because of software problems.)

While Britons, like Canadians, make far less use of the mail these days, the idea of fewer deliveries remains very unpopular. That might have influenced the immediate rejection of the proposal by Mr. Sunak, who this week called an election for July that seems likely to remove his party from power.

Any substantial change at Canada Post is sure to be similarly fraught. Whether Mr. Trudeau, another leader behind by double digits in polls, will want to take that on, with an election expected within the year, remains unknown.

A native of Windsor, Ontario, Ian Austen was educated in Toronto, lives in Ottawa and has reported about Canada for The New York Times for two decades.

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