

## CANADA POST OPENING COMMENTS & PROPOSALS

### 2010-11 Negotiations

This round of bargaining must be connected to the evolving nature of Canada Post's business – our common future is at stake and depends on it. We also believe that the *"...forecast is gloomy and Canada Post could cease to be profitable in the near future."* We strongly believe that protecting the financial viability of the Corporation in our evolving business environment is not only the right thing to do, it is our shared responsibility to employees and the Canadians we serve.

All around the world, postal administrations are facing challenges. This is not unique to Canada Post. The postal world as we know it is changing. While in the past we could count on a "secure" revenue stream from our exclusive privilege, our future revenue streams all reside in competitive arenas. Competing effectively to keep (and win) customer loyalty requires changes to collective agreement provisions that were negotiated years ago in a strong exclusive privilege environment. Our future ability to beat our competitors' offerings and remain relevant in the marketplace depends on our ability to adapt. It is also the only way to remain financially sustainable and continue investing in a strong future for employees.

Ceasing to be profitable is not an option as it could accelerate changes at Canada Post - some of which may not be to everyone's liking. Canada Post must not only continue its current level of profitability, it needs to increase it. First, we need increased profits to enable even more re-investment in the business, in new products, and improved efficiency. Second, we need to grow profits to ensure that we can continue to afford the salaries and pensions of our current employees on a go forward basis. As our pension plan liabilities are growing much faster than Canada Post's revenues, increased cash flow will be necessary to meet future pension obligations. This growing obligation cannot be left unattended. Those that have done so have seen their retirees pay a price.

From our perspective, the last few rounds of negotiations have demonstrated both parties' ability to discuss and make progress on significant issues such as parcel delivery, benefit costs and growth in direct marketing. We need to continue to build on these successes.

This round of negotiations is about changes that will reinforce the company's foundation in the short, medium and long term. As our collective future will be spent in competitive arenas, we need to gradually realign our labour cost structure. The continued need to modernize work rules, infrastructure and equipment is paramount to our future success and changes to the collective agreement are required in support of modernization. Since some provisions of our collective agreement were negotiated in a different era, we need to update those provisions while continuing to foster a culture of engagement from our employees.

The future of your organization as well as the individual security of each and every one of our employees is intimately tied to the success of the company - this is a powerful common interest that must not be forgotten.

What has allowed the parties to negotiate the type of working conditions and compensation enjoyed by our current employees is eroding. Transaction mail volumes continue to decline while the number of delivery addresses continues to grow each year. Each of these trends negatively impacts the density of our transaction mail, namely the number of letters delivered to each point of call - their combined effect makes it even worse. It is the density of that product line that has, in great part, allowed us to be successful in the past. But with the erosion of transactional mail density, Canada Post finds itself under tremendous financial pressure. While transaction mail volumes are clearly trending down, it is not likely that these types of volumes disappear overnight. If we want to avoid a crisis and phase in the required changes, the time to act is now.

With this in mind, the major theme for the Corporation in this round of collective agreement is that *“Some things have to change so that others don’t.”* This means that we are approaching this round of negotiations with an intention to limit, as much as possible, the impact of the changes on our current employees. Some of the things we don’t want to change are decent wages, pensions to current employees, and job security. But in order to adapt to the evolving nature of Canada Post’s business, we need to improve our competitiveness to maintain and gain market share in the parcel and direct marketing arenas, and improve our ability to launch new products and services. This will require changes to Canada Post’s future labour cost structure.

In the following pages, you will find a list of issues the Corporation wants to discuss and work towards mutually satisfactory solutions. We are committed to work hard to obtain a settlement prior to the expiry of the current collective agreement on January 31, 2011. We believe that customers, CUPW members - our employees, deserve and expect no less from us. More importantly, uncertainty could lead to accelerated and permanent Lettermail volume erosion, making problems worse for all of us. We are, however, entering negotiations with an optimistic view.

That being said, we must ensure that the Corporation’s interests are protected in the event our future business prospects are negatively impacted by pressure tactics or work disruptions. What could be an acceptable solution to us in today’s environment may not be sufficient tomorrow if our fragile business is permanently hurt by a work disruption. We want to be clear that we reserve the right to pursue different solutions to the issues we are bringing to the table under these circumstances. It is also why we believe that a quick and productive round of collective bargaining is in the best interests of all parties. To do so will limit the ability of competitors and large volume mailers to take advantage of this round of collective bargaining to convert consumers to on-line services or attract them away from us with competing products and services.

Still, we recognize that both parties have legal rights that they may decide to exercise during this process. The word of caution to all is to exercise those rights wisely to avoid providing advantages to our competitors.

The following proposals, grouped under general headings, represent areas where the Corporation has identified needs for improvement or change.

### **A- Pay, Benefits and Leave:**

Canada Post is committed to providing a competitive compensation package that includes items such as wages, pension, benefits and leave entitlements. In this round of negotiations, the Corporation will be bringing the following issues to the table for resolution. These matters dictate our labour cost structure which inevitably impacts our financial situation as well as our ability to compete in current and new markets. As we continue to see the erosion of our exclusive privilege revenue stream, these issues are all gaining in importance. Our ability to change and adapt to this reality will determine our future financial self-sufficiency which determines our capacity to protect promises made in terms of salary, pension and employment to our employees. It is within that context that Canada Post brings the following matters to the bargaining table:

- **A-1** Competitive wage increases and incentives.
- **A-2** With the growing number of retirees at Canada Post, retirement benefit costs have become a real concern. Solutions need to be found to address this situation if we want to protect benefits for retirees in the long run.
- **A-3** Canada Post's future growth revenue streams are all in markets where competition exists. As a company, we need to progressively adapt our labour cost structure to meet this reality. Being proactive allows the opportunity to greatly reduce the impact on our current workforce. In that vein, proposals regarding new terms and conditions for future regular employees will be brought to the table. These will include items such as, but not limited to:
  - Defined contribution pension plan;
  - New wage scale (same maximum but lower entry level);
  - New post-retirement benefits;
  - New pay for time not worked entitlements;
  - New rules regarding accessing indeterminate status;
  - Revised job security.
- **A-4** While some changes may be phased in, others need to be changed for existing employees. The current credit based sick leave program is both costly and can be ineffective in terms of protection. The Corporation will bring to the table a new short-term disability program that guarantees new levels of income protection that are not tied to an employee's level of accumulated sick leave credits. This new short-term disability program:
  - Promotes recognized best practices in disability management;
  - Offers flexible time off through the introduction of personal days, including ability to cash out unused time;
  - Provides savings that will increase once the accumulated sick leave credits enjoyed by our current employees have been exhausted.

- **A-5** The current level of pay for injury-on-duty leave is inappropriate considering the tax treatment associated with this type of income. There is a need to review this situation to ensure alignment and fairness.
- **A-6** While one of the main themes for this round of negotiations is to limit the impact of the changes on our current employees, there are changes required that will affect everyone from a pay for time not worked perspective. It is in this context that we will be bringing to the table proposals to:
  - Eliminate the 7th week of vacation for current employees that have less than 28 years of service;
  - Revise the eligibility criteria for night worker recovery leave.

### **B- Improved OH&S:**

Canada Post is investing significant amounts of money, resources and effort on improving the Health and Safety of our employees. The results speak for themselves. Over the last two years we have witnessed a more than 20% drop each year in the number of lost time accidents. The Joint Health and Safety Committees (national and local) play a vital role in Health and Safety but ultimately the Corporation holds the responsibility, as reflected in the Canada Labour Code. Canada Post will be proposing the following changes in the collective agreement to better align with the responsibilities set out in the Canada Labour Code and to update clauses that are out of date.

- **B-1** Update our Health and Safety provisions to appropriately reflect the role of Canada Post and National Joint Health and Safety Committee/Local Joint Health & Safety Committees versus union representatives.
- **B-2** Update clauses to reflect current Health and Safety practices

### **C- Business Growth and Customer Responsiveness:**

Business growth is critical to our success. Canada Post wants to build on past success in growing our admail business, and find ways to make the company more responsive to changes in the business environment. We also want to equip our retail counters with the right people and skills to sell the products/services that could make this important channel a growth area for Canada Post. To grow the retail business requires efficiencies in the way Canada Post operates.

- **C-1** Allow more flexibility in the sizes and delivery spans for Unaddressed Admail.
- **C-2** Allow for more options regarding the preparation of Unaddressed Admail for delivery.
- **C-3** Provide time certainty for changes in methods and time values.
- **C-4** Provide increased flexibility in the staffing of the retail counters from both a competency and labour mix perspective.
- **C-5** Adapt the disciplinary process to situations involving the security of the mail.

### **D- Modernizing Delivery**

Our delivery operation continues to be the single biggest cost for Canada Post and many of the pressures we face as a company are due to the uncontrolled escalation of costs related to the combined effect of point-of-call (addresses) growth and volume declines. While Postal Transformation will make significant changes in the delivery operation, additional changes are required to ensure the most cost effective operation possible.

- **D-1** Improve processes related to staffing, absence coverage, annual leave bidding and the calculation of relief in depots.
- **D-2** Maximise the benefits of Postal Transformation by reviewing restrictions to efficiencies found in the collective agreement.
- **D-3** Remove or revise appendices that are no longer needed or relevant.
- **D-4** Remove barriers to increasing the use of private vehicles.
- **D-5** Review the need to staff vacancies when future headcount reductions are certain.

### **E- Modernize Maintenance**

Canada Post has invested heavily in new equipment to modernize our operations. To ensure we maintain this equipment at a high level of quality and performance, we also need to modernize our maintenance operation.

- **E-1** Reduce confusion and exceptions in Group 3 and Group 4 language.
- **E-2** Redesign the Group 3 and Group 4 apprenticeship program to meet the needs of employees and the company.
- **E-3** Add a new job duty for P04s regarding basic upkeep of equipment.

### **F- Increase Flexibility of Work rules:**

Some of our work rules are overly inflexible creating inefficiencies or questionable outcomes as well as fostering needless conflict in the workplace. During this round of collective bargaining, the Corporation believes improvements should be made to the following areas:

- **F-1** In light of declining mail volumes, review rules specifically applicable to Group 1.
- **F-2** Enable movement of work between Group 1 and Group 2 within depots and smaller offices.
- **F-3** Allow for incidental amount of work between Groups and bargaining units.
- **F-4** Allow for greater job opportunities by allowing CUPW represented employees to try six (6) month acting assignments in a supervisory or managerial position without losing seniority.
- **F-5** Allow for 10 “working days” to take disciplinary action versus 10 calendar days.

### **G- Employee Engagement and Union Relationship:**

The Corporation is committed to increasing employee engagement and improving the overall atmosphere in the workplace. The Corporation is also committed to taking concrete actions to ensure a violence free workplace. The following measures are being proposed to make tangible improvements in this area.

- **G-1** Modernize the grievance and arbitration process by introducing a system that allows for the expedited resolution of issues as they arise and update the list of arbitrators.
- **G-2** In recognition of the Union's shared responsibility to ensure a violence free workplace, introduce consequences for inappropriate behaviours demonstrated by Union representatives in the workplace.
- **G-3** Review union grievance investigation time.
- **G-4** The Corporation needs to prioritize its expenses as it relates to paying existing Union Funds. In this context, Union Education and International Postal Funds will be brought to the table for review.
- **G-5** When results are compared to the investment made in the process, the "Clear Language Committee" has not proven to be successful – Delete Appendix JJ.

### **Housekeeping:**

- There are a number of additional housekeeping and minor items that will need to be addressed. The Corporation will be bringing these matters to the various sub-tables in the days to come.

### **Practices not covered by the collective agreement:**

- We will be providing you, early during the negotiation process, with a list of practices we do not intend to continue once a new agreement comes into effect.

To conclude, we believe that with the will of both parties, we can conclude a deal prior to the expiry of the current collective agreement. This will provide the certainty that our employees deserve and that our customers count on. It is with this intention in mind that the tempered list of proposals contained in this document was compiled.

This tempered list of proposals is presented with the objective of trying to achieve a negotiated agreement prior to the expiry of the collective agreement and without recourse to a work disruption. In this same spirit, 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 negotiations, any potential movement made by the Corporation will be made on a “package deal basis.” Further, the Corporation reserves the right to modify or adjust its proposals to reflect the demands of the Union and the overall package it would represent.

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 Union as part of their program of demands. The Corporation may therefore need to adjust its proposals in order to be able to entertain some of the Union’s demands.

Finally, in the regrettable event that we find ourselves 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.