

CHAPTER 5

LABOUR PEACE IS IN THE MAIL

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- Panelists:** **Denis Lemelin**, National President and Chief Negotiator, Canadian Union of Postal Workers
Mark MacDonnell, General Manager-Strategy and Chief Negotiator, Canadian Post Corporation, Ottawa, ON

Kenneth Swan: This panel has two speakers: Denis Lemelin is national president of Canadian Union of Postal Workers; Mark MacDonnell is manager of Labour Relations Strategy for Canadian Post Corporation. These gentlemen did not get to their present positions without a long apprenticeship.

Very briefly, in 2011—and I will tread carefully about this—there were allegedly work stoppages, allegedly rotating strikes, and an alleged lockout. Then, there really was back-to-work legislation. That legislation fixed the terms of a new collective agreement for these parties. It fixed the wages for the new collective agreement and provided for appointing arbitrators. An arbitrator was appointed. The union moved to have that arbitrator removed, successfully as it turned out, on the basis that 1) the arbitrator was not fluent in both official languages, and 2) the arbitrator had absolutely no experience whatsoever in labour relations. I hasten to point out that this was not a National Academy of Arbitrators (NAA) member. Another arbitrator was appointed. The union again moved to have that arbitrator removed on the basis of a reasonable apprehension of bias and, again, was successful. Again, I point out this was not an NAA member. Then, suddenly, there was a collective agreement. These two gentlemen have come here today to tell us exactly how that occurred. Denis Lemelin is going to begin, Mark MacDonnell will continue and, then, we are going to go to a list of questions I have prepared, which they have agreed to respond to.

Denis Lemelin: I saw the title of the workshop, “Labour Peace is in the Mail.” Unfortunately, peace is not easy to achieve when you are talking about labour relations at Canada Post. I just want to make a couple of comments before looking at the questions. I want to bring you back to 2010, to share with you the reality we were facing at the time as a labour movement and as a union. I make three points.

The first point is that the Canadian Union of Postal Workers (CUPW) has been bargaining with Canada Post for the last 45–50 years. During those years, we developed a view of the future and of the way the corporation must evolve. We call that our vision for protecting the public service, protecting the jobs in the community, and maintaining good working conditions, benefits, and pension plans. We knew that in the negotiations starting in 2010, there would be a major confrontation with Canada Post around these issues.

Everybody understands—my second point—that starting in 2008, there was a financial and political crisis in the world that had a big impact on the mail—the volume of mail was going down. The leadership of the union understood the future for the post office would be such that we would no longer have a monopoly on mail. Our future was linked to the competitive sector and we would have to compete with large private corporations, like United Parcel Service (UPS) and FedEx. That was the reality.

When you go into negotiations, you have to gauge the members’ mood and their perceptions. In 2010, Canada Post had been profitable for the past 16 years. It generated more than \$1 billion for the federal government. At the same time, Canada Post had invested \$2 billion in new technology. We knew the new technology would impact jobs and working conditions. It was difficult for our members to understand why Canada Post came to the table with so many issues because it had been so profitable. For the members, they were working hard, but their work changed with the post technological transformation. We—the union—had to find a balance point in negotiations between our members’ expectations and the new reality facing our industry.

The third point concerns the political context. In 2010, the Conservative party formed a minority government. In May 2011, the Conservative party won a majority. We knew they wanted to make changes to some of the labour codes. So, when you start negotiations as a union, you have to wait to see exactly how you can use that context. That is why we decided that the best way to start the

negotiations in 2010 was to talk about working with principles. We put forward to the employer three principles.

The first principle was the issue of respect, because sometimes labour relations are really difficult at Canada Post. As workers we have to be respected. The second principle was about equality—we had to have the same working conditions for all workers in this country, who all deserve good wages and good benefits. The third principle was about sharing the benefits of new technology, because we accepted that, starting in 2007, there were changes happening at Canada Post with the new mechanization coming in. With these principles in mind, we went to the table in October 2010.

Mark MacDonnell: I am the longest serving general manager of Labour Relations for Canada Post. I do not know if that is good or bad, given that my colleague just said we do not necessarily have the greatest labour relations. Respectfully, I think we do. I think they are better than people think they are, but we do have our trials and tribulations.

Denis and I have a fairly good working relationship, as individuals. With our differences of opinion, we often do not have the same solution to a problem, but we both acknowledge we have problems at Canada Post.

Canada Post has been in business for 260 years, or forever, as someone recently mentioned. We have some 80,000 employees in two bargaining units—the original unit is the Urban Ops who are the inside workers—currently with some 37,000 full-time and part-time members. The other bargaining unit is the Route Carriers, who got their first collective agreement (an eight-year agreement) under CUPW in 2004. In 2004, there were some 43,000 employees covering approximately 7,500 mail routes. Since 2004, we have become more efficient, but we need even more efficiency due to the decline of letter mail, which is our bread-and-butter. In 2006, we delivered 5 billion pieces of mail: 97 percent on-time delivery of letter mail and 94 percent for parcels, which is our fastest growing business. However, we no longer have a regulated monopoly on mail delivery; for example, people use the Internet. By 2010, our mail volumes were declining. In 2012, we delivered 4 billion pieces of mail. You do the math. That is 1 billion pieces less at some 60-odd cents for a stamp on a letter. We were losing a lot of money. We had to find a corporate vision going forward, recognizing that digital and e-commerce will have the two biggest impacts on our business in the future.

Going into the 2010 negotiations, we initially were looking at crisis-avoidance versus crisis-management. As Denis said, we had 16 years of profit, albeit \$1 billion over those 16 years. Again, you can do the math; it is not a lot of money. The matter of profitability came into play as the pension plan issue. In the United States, that same problem is just as big. It is a problem with Canada Post that even CUPW recognized had to be fixed. We did make some changes—I do not think we went far enough, but the parties actually acknowledged we had a problem.

The thing driving the negotiations starting in 2010, from the employer's perspective, was that mail volumes are going down. As our CFO told the union at the time, he would love to make no changes to the collective agreement and just give salary increases and move on. The unfortunate part of that is, with the volume changes, we were having revenue difficulties. So, with the pension problem, we had no choice but to make changes to the collective agreement. It was not possible for us to stay with the status quo. That meant that very dirty word from a union perspective—and you are talking to someone who was a union rep and in a Canadian paperworkers' union for 10 years, "concession" bargaining.

It was time for concession bargaining. We have an almost 600-page collective agreement, folks, and that does not include all the addenda to it. I am not being critical, it is just factual. That is reflective of just good negotiations from the union perspective over the years, at a time when the company had a monopoly and we were getting volume increases. That was great. You can give more and you get your collective businesses as big as we did. Guilty as charged. But, in a time when the company is going backwards, that is the impetus to try to make changes. Unfortunately, it is not good for the company that is in trouble, but it is good for me as the labour negotiator, because you walk into negotiations with a burning platform consisting of mail-volume decline, an aging workforce which played out as part of the pension problem, and increased competition.

Denis mentioned UPS and FedEx. These are international firms and we just do not have their same dollars. We have said to the union a number of times, those two companies are bigger than our whole company. Our employee labour cost in and around 2010 was 70 percent of revenues. For other postal services in the G20, labour costs range from about 40 to 60 percent of revenues. Our cost was running high at 70 percent and we did not hide that from the union. We had to capture it. When you are in trouble as

a company, you can try price increases, or you can provide more products, or you can try to drive the labour costs down. Driving your labour costs down can be done by driving your conditions of employment down, or by having fewer bodies. We were and are doing both.

The issue we were trying to address in negotiations was that we had to be more competitive and try to keep our existing employees as whole as possible. Our entry-level salary was \$24 per hour at that time. Our counterparts in the parcel network and retail network pay anywhere between \$12 and \$14 an hour starting wages. Ours starts at \$24 and ends at \$24. So, we were looking at entry-level wages for employees, which would help in terms of competitiveness.

The second issue we had was absenteeism. In Canada Post, CUPW absenteeism was at 17.5 days per employee, on average, for short-term leave, sick leave, and special leave. Our pension plan at the time was in solvency liability of \$3.1 billion. The company had \$7 billion of revenue a year, \$3.1 billion in a solvency deficit at Canada Post, and our pension plan was \$12 billion. The pension plan is bigger than our revenue.

I would argue that part of the problem we have is allowing lay people to negotiate pension issues that are incredibly complex. I would have never thought that I was going to become some kind of pension expert. I will be the first to tell you I am not, but I am now a lot more versed on the topic. I have spent the last two years learning more about pension plans—not just at Canada Post, but for other companies in order to make comparisons. Why? Because we needed to make changes to our pension plan.

The negotiations started on October 21, 2010. We were in conciliation from January 21st to February 1st of 2011. We ended up with rotating strikes on June 2nd, 2011, and we had a lockout for a portion of that time. Two weeks into it, Montreal and Toronto were on rotating strikes. The company could not live with that situation. Through back-to-work legislation on June 20, 2011, our employees returned to work on June 27th. But, what we saw from the union's strategy of rotating strikes was there would be no end to that tactic. We needed savings, and we needed them immediately. We went from crisis-avoidance to crisis-management within about an 18-month period. We put a public offer on the table on July 19th of last year, entered into the negotiations starting on August 28th, and struck a tentative deal October 5th.

The situation was not getting better. Our pension plan liability was at \$3.1 billion in October 2010, when we started negotiations, and by the end of 2011, it was at \$4.7 billion. Today, and the union knows it, it is at \$5.9 billion. Before people think we do not have a good investment record, we had a 10.75 percent return on our investment in 2012. It is not our investments that are the problem. We are ahead of our benchmarks and have been in every year for quite some time. Rather, the problem is the economic policies of government, both in the United States and Canada, right or wrong, that is the issue. Keeping interest rates down causes your discount rates to go down, which causes you to be in insolvency with ongoing deficit concerns. Canada Post proper has only \$6 billion in revenue. We also own a small logistics company called SCI, and we own an IT company called Novapost, and together the three companies have \$7 billion of revenue. But, we have a \$5.9 billion pension problem. That was, in my opinion, a bit of the cornerstone of why we were trying to get a deal.

Kenneth Swan: The first question I want to ask is, what were the breakthrough items, if there were any? Also, what breakthrough was either party looking for that they did not get and that they would probably want to get in another round of negotiations?

Denis Lemelin: I will address the why or how we achieved these two collective agreements. We have the urban collective agreement negotiations where we went on strike, and we have the rural collective agreement negotiations. About 70,000 members were negotiating with Canada Post. There was a filibuster in the Federal House of Commons over the back-to-work legislation with compulsory arbitration that lasted 58 hours. We were urging Canada Post to get an agreement because everybody understands that a negotiated collective agreement is better than an imposed one. We do not enter negotiations in order to end up with an agreement imposed by an arbitrator.

Our strategy for dealing with the back-to-work legislation was simple: we challenged the arbitrator appointed by the government. The legislation called for final-offer-selection, which is the worst kind of arbitration, because there is always a winner and always a loser. So, when they appoint arbitrators, we always try to find ways to get rid of them and force the employer to come back to the bargaining table. We got rid of the first one appointed because he was not knowledgeable about labour relations. The second one appointed had a really good name with the ruling Conservative party and so we got rid of him. It takes a long time

to get rid of arbitrators because you have to ask for a stay of proceedings, and then proceed in front of the Federal Court. But, it was clear to us that, at some point, the Minister of Labour would succeed in appointing an arbitrator. While this was going on, we were trying to pressure Canada Post to come back to the bargaining table and they did. They made an offer on July 19th, six days before the Court said the second arbitrator had to go. I think Canada Post realized that it was better to be in negotiations rather than in the lose-lose situation of an imposed collective agreement.

It was all we were really able to achieve, to not be in a lose-lose situation. That was how we explained to our members; knowing that at some point an arbitrator could impose a bad collective agreement, and knowing that the issue would be decided around the employer's proposal. We believed the arbitrator would choose the employer's proposal because there is always criteria to be followed by the arbitrator in back-to-work legislation. There are always directives the government gives to the arbitrator on the length of time of the collective agreement, while the arbitrator decides on wage increases.

The award showed that Canada Post accomplished something in this collective agreement, but in the end there were some really important points for us, the union. The most important point was job security. Another point, we protected the pension plan—a defined-pension plan. Yes, there are some problems with it, but we have a guarantee that we have it until at least 2016.

Another point for us was the political issue. We knew there would be a federal election sometime in 2015. We signed, in some ways, two collective agreements: one for four years and one for one year on wages only. That way, we would be sure the collective agreement expired after the federal election. If we want to succeed in the next negotiations, we cannot negotiate with this Conservative party in power. At the same time, the collective agreement was good for Canada Post because we accepted a longer-than-usual collective agreement, something Canada Post was looking for in the negotiations.

I do not like the term, “concession bargaining.” I prefer to say it was a realistic negotiation, knowing the fact that our wages and benefits are way higher than those of the competition. We accepted a new and fair wage rate—a lower one—and we agreed to change the sick leave provisions for a short-term disability plan. At the same time, we protected job security for our members. What we did not really achieve, and it remains a contentious issue,

was an agreement on the impact of new technology, what we call the “Postal Transformation.”

Mark MacDonnell: Arbitrator Swan asked us, “What were the challenges?” For us, they were time and urgency. I can only say this about the arbitrators. The first arbitrator appointed did not have labour relations experience, which I did not know. We never had a chance to get him to pronounce himself. But, quite frankly, and no disrespect to the third parties in the room, when you are an interest arbitrator and the biggest issue is pension, I am not so sure you need to have labour relations experience in order to arbitrate what we were trying to arbitrate.

The second arbitrator the union “punted” was really the reason why we wanted to try to get back to the table. The second arbitrator, as we found out from federal mediation services, was a union pick. They were punting their own person. When I found that out, to be quite honest, it was very tough to sit in a room and have an argument in front of the arbitrator—that he was biased because he had worked for us eight years ago, not on a CUPW file, but on a separate file under another collective agreement. But, as Denis said, potentially at some point in time, the Minister would give us an arbitrator who the union was not going to get the Federal Court to agree was the wrong person.

With that said, I think the July 19th offer we gave the union was one of many reasons why we ended up back at the table. I am not a fan of third parties entering into this business. We have tried really hard, even through conciliation processes, to settle our own collective agreements. We had 14 years with no strikes. The last time we had a strike was 1997. There are major reasons for this. Both parties know each other. We are mature bargaining units. It is really about not wanting to take a strike and not wanting to use a third party because you do not know what you are getting. Quite frankly, you cannot get into the head of a third party. When you end up with a collective agreement from a third party, you end up back in front of another third party to determine what the language meant. I am not a fan of third parties, especially interest arbitration folks.

I was quite happy to go back to the table. I think there was something about the July 19th offer that sort of kicked this thing back into gear. What we were starting to ask for was quite a bit more since our volumes were still going south. We were post-strike and post-recession, but we were getting in even bigger trouble.

As far as breakthroughs, I think Denis has covered them, for the most part. Contextually, you have to understand that there were two collective agreements in play. We were in negotiations and CUPW was going to have an opportunity to go on strike for the people who were delivering mail to the mailboxes. One of the conditions we put to the union, which they accepted in order to go back to the table in August of last year, was that we needed a deal for both collective agreements.

The urban, mature, collective agreement, as I said earlier, is just under 600 pages. We have one article in that book with 106 clauses in it. Guess what it is? A grievance and arbitration article. Think about that just for a second, for you folks who are arbitrators. We had another collective agreement with 170 pages, the route carriers agreement. Since it is bilingual—French and English—it is really only 80 pages long. The union was trying to take this little book and make it like the big, 600-page book.

As far as breakthrough items, there was no single item that I would say we, the company, were looking for. We got changes to pensions. We got short-term disability. We got a zero pay increase. We were able to get an agreement to reduce some five-minute wash-ups. They have two five-minute wash-ups: one at lunch and one at the end of the day. We were able to take one of those away because it does give us some savings, and that was what the company desperately needed.

We also told the union at the time, and I will end with this, that we were going to have to do this all over again in three years' time. That is why we agreed to a one-year deal of zero pay increase.

Kenneth Swan: These collective agreements, as you have heard, are very long, but they do not deal specifically with a program called Postal Transformation. This is a massive capital investment exercise that is resulting in, among other things, a new postal plant in Vancouver currently under construction. It will change the way in which mail is delivered in Canada. The collective agreements do refer to a number of agreements made between the parties and preserves those agreements for the period of the new collective agreements. Maybe our panelists can tell us something about what is going on in relation to accommodating this massive change in both technology and organization of the postal service.

Denis Lemelin: The issue of Postal Transformation is really something important because we did not really achieve anything around this issue—around solving the problem of Postal Transformation.

We already have in our collective agreement Article 29, which addresses the issue of technological changes, and the issue of its adverse effects. The employer has to eliminate the adverse effects when they introduce new technology. We kept this article in the collective agreement. We also added some provisions to the collective agreement around the issue of protecting against what we call contracting out of work, and protecting the work we already have at Canada Post. The employer has the right to implement new work methods, but it has to eliminate the adverse effects from a health and safety perspective. We have been in arbitration around the issue of Postal Transformation since May 2010. The matter in front of Arbitrator Burkett is about health and safety. The other, in front of Arbitrator Keller, is around all the old processes and the old changes.

Mark MacDonnell: Looking at Postal Transformation, I think it is important to understand what it is. It involves something that happened in the United States years ago, in 1992. There are letter carriers in the States today who are delivering mail by the same work method we are asking our letter carriers in Canada to use today. In the rights arbitration process, one issue in front of Arbitrator Burkett is determining whether or not putting two bundles in your hand along with your mail, is safe or is not safe while you are walking. We will have a decision this fall. The hearing has been going on for two years. It is about what is called sequencing of the mail.

With the sequencing of mail, it means the carriers do not have to sort about three quarters of what they deliver; it is already sorted for them. So, instead of having to work in front of their letter cases for 2 hours and 20 minutes a day, they were going to spend about 25 to 30 minutes a day in front of their cases, so there is more time on the road. This is why we went to motorization, because we know that our future is in parcels. To the credit of the union—truly to the credit of the union—they had been pushing us this way for a number of years. We actually saw the light and said this is a journey we have to go on. We have been in weekly consultations, Denis and I, for the most part since 2007, on this Postal Transformation.

As Denis said, the health and safety issue arising from Postal Transformation is in front of Arbitrator Burkett. The second issue, in front of Arbitrator Keller, involves Article 29, our technological change provision. We introduce new equipment that allows for new work methods. We have to give the union notice and we try

to eliminate the adverse effects of the work. That is the issue in front of Arbitrator Keller. We looked at the adverse effects on the inside workers first. We have just received a decision on it. There are some studies that are going to be done. That same arbitrator is now looking at the outside workers and any adverse effects. It is a long process. We are well into three years. This is not easy—it is a long process and it is about getting an arbitrator's time, and arbitrators are busy.

I came from an industry that was pretty mature, the forestry industry. But I have never seen, other than for the rail workers in Canada, a collective agreement as long as this collective agreement—a 600-page collective agreement. There are clauses that are tied in to each other. Our route and measurement system is found on probably all of five pages in that collective agreement. I cannot make changes to the route measurement system without getting an agreement from the union. In other words, we go in front of another third party. The route measurement system document itself is about 1,200 pages. So my 600-page collective agreement is now 600 pages plus 1,200 pages. Every policy we have at Canada Post is tied to the collective agreement. We are a little bit out there compared to other companies or organizations in Canada for the size of our collective agreement.

Kenneth Swan: It is bad enough that the Minister of Labour and arbitrators manage to mess things up, but recently the Conference Board of Canada produced a report on steps Canada Post could take to save money, basically. Would our speakers like to comment on the effect of that report and how it might tell us what might happen in 2016?

Denis Lemelin: It is clear this report of the Conference Board was sponsored by Canada Post. You can imagine, then, that the result may be in line with what Canada Post is pushing for. And that is exactly what the report is. This report is really saying, okay, the main point is that in 2020, Canada Post will have a \$1 billion deficit every year if it does not change. That is something taxpayers look at it and say, “Oh, oh, oh, what can we do?” because they feel that is their money. But, no, Canada Post is a Crown corporation and it is not the taxpayer who pays for it.

Most important for us is not the numbers, it is what the Conference Board is saying. Okay, so we have to make cuts. But, when it looks to the future of Canada Post, the Conference Board is only looking at our core business, i.e., sorting mail and delivering mail. They say, “Yup, you need to make cuts. What Canada Post did with

this is that it went public and said, “Okay, what do we cut: the door-to-door delivery, the alternative day of delivery, the service to the public?”

I think the report misses the point about the future of the post office. There is some adjustment needed, we agree. It is why we accepted the Postal Transformation. But Postal Transformation makes the letter carriers—the ones who deliver the mail—motor-service persons who can deliver the mail and who can deliver a parcel. But, the driver can also pick up some of the mail. We accept that, but what the Conference Board dismissed was how we can expand the services of Canada Post. Some of the postal services in other countries would love what we call expansion of service, for example, financing and banking services. We are pushing this issue with Canada Post. Yes, there is some adjustment to be made because we know Postal Transformation will be in place by 2017. Canada Post will save \$250 million a year. We know that the parcel industry is going up and Canada Post is planning for \$100 million more per year from the parcel industry.

Canada Post has to move forward with the expansion of services. Next year, we will have revisions to what we call the Postal Charter that has been in place since 2009. The Postal Charter talks about how many days Canada Post has to make its deliveries. There will be a review of that. The Conference Board is in line with that. When talking about a public service, always think about what we call the triangle: the public, the union, and the corporation. The corporation and the union fight to have a good collective agreement, but at the same time, when it is time to protect the service, it is the public who makes the decision.

Mark MacDonnell: Let me say that the Conference Board of Canada is independent. Yes, we did commission the study. We were, without a doubt, looking for discussion. It is a report, which was commissioned, but which the Conference Board made public, not Canada Post. I just needed to clarify that. It is not our report, it is the Conference Board’s report. They used their own economic modeling on this. Yes, we could debate forever whether that economic model is right or wrong. Whether it involves \$1 billion plus or minus 50 percent, it is still a half-billion-dollar problem. Denis and I could debate the assumptions they made, but you are still talking about a half-billion-dollar problem per year that we have got to tackle. I am not sure, to be truthful, whether you can get those kinds of savings out of the collective agreement.

I said this in my opening: I think sometimes the solution to the problem is not viewed the same by both parties. Denis was talking about the need for the company to go into financial and banking services. They, quite correctly, have done their homework. They use the New Zealand postal system as an example where they went into the banking industry. But, what we do not hear when we talk about New Zealand is that New Zealand did not have its own bank. When they wanted to have their own bank, as a country, they just decided what better place to have it than at the post office. For us to go up against the Royal Bank, the Bank of Nova Scotia, the Toronto Dominion Bank, and the other well-established banks in Canada, which have been in existence probably almost as long as we have been here as the post office, is not a good idea. Going the way New Zealand did is, in my opinion, a real recipe for disaster, because you are going to use money to try to compete against some of the most well-established banks. We told the union this was not a sector where we were going to put infrastructure. That is not the future for us. We continue to say the future is digital, it is e-commerce, and it is parcels. But, we have to get over the hump of letter mail declining in order to get there.

The second part of the question that was asked of us is whether this Conference Board Report is going to impact our next round of negotiations. I say no. The Report has put on the table something that everybody in the postal industry around the world has talked about for years and years. There are other services that have gone to delivery of mail on alternate days. Only about a third of our points of call today are door to door; two-thirds are not. This is not heresy. This is stuff everybody has talked about, but it is now out in the public. You are looking to the public for opinions. We have made no decisions about where we are going to go. This is not a company that has not been transparent. If anything, we have been more than transparent and I harken back to our negotiations. We put our senior executive, our CFO, our group presidents, and our CEO in front of all our unions at the start of negotiations to let them know the lay of the land. Our unions receive more information than some senior executives in our company get. They get the five-year plan. They know where the company is going, how much we are in trouble, and how much we are going to lose. In three years, time will tell how much savings we are going to truly get from Postal Transformation. We are on track to get savings, but we are still \$1 billion short if you are to believe the Conference Board.

Kenneth Swan: My colleagues have, I think, addressed my fifth question, which is going to be about what joint measures are under way to increase revenues for the corporation and to maintain employment for union members. So I'm going to move on to the last one which

Mark MacDonnell: I do want to say one thing on that question you just asked. We have something in our collective agreement called the Service Expansion Committee. We have worked with the union and, again, to the union's credit, this is a Committee they wanted in the collective agreement back in 1994. We put a clause in the collective agreement to try and work with them on expansion of services. We have really not been too successful. The truth be told, we have nibbled around the edges, but we have never come to grips with some of the big-ticket items. I use retail as an example. We have added clauses to look at our retail network, to look at our retail employees, to determine whether or not there is more work to be done in our retail network. We will continue to work on it.

We do have restrictions in the collective agreement. One area where we have the capability to transition to our parcel e-commerce, is with a company called Direct Marketing Mail, addressed mail in Canada. For example, your bank would send you an addressed ad mail card asking if you would like to sign up for a new credit card or if you would like to get insurance. This is what we call addressed ad mail. There is also un-addressed ad mail in Canada. We are allowed to deliver fliers. But the problem with our un-addressed ad mail is that there are restrictions. It is not a small business—it has a value of \$1 billion. There are about \$6 billion in total with this product. But, we have restrictions in our collective agreement and rightfully so.

The union was successful in arguing this sort of mail delivery becomes a health and safety risk. We want to make changes and we want to have our people deliver those products. We have to get an agreement from the union. We have been successful. Ikea, a Swedish company that makes furniture and the like, has grown. They have magazines they want to deliver to the door. They really like apartment buildings because they are safe and it is something Canada Post has the opportunity to deliver. We have one of the best brands in Canada. So, we have to negotiate with unions. In any given year, it is around a \$40–\$50 million business. Do not hold me to that number, but it is not insignificant. But, we need to negotiate it on a yearly basis. Again, that is growth.

Kenneth Swan: Let me, then, ask the last question, which is that the government of Canada has recently announced its intention to involve itself in collective bargaining involving Crown Corporations. What effect is that likely to have on the next round of bargaining? Denis?

Denis Lemelin: One of the most important points with the proposed legislation is that it addresses the issue of the mandates of Crown Corporations and that Treasury Board will have someone at the bargaining table. I think it is really a shame, personally. Starting in the 1970s, we fought for the Crown Corporation structure as a separate employer from the federal government because we wanted to know exactly who we negotiated with and to have those corporations under the Canada Labour Code. Now, the federal government would be at the table. In some ways, it is getting rid of the Crown Corporation. I think that would not be good for the employer. It seems the government does not trust management to negotiate a good collective agreement.

The proposed legislation is really an attack on the right of association, an attack on the right to negotiate, and an attack on the right to strike. It is really an attack on the labour movement. We prefer to negotiate with Canada Post. We have written many times to the minister responsible for the government, telling him he is interfering with this proposed legislation. His answer is always, "I do not touch it [i.e., the Labour Code]." But, now, they propose putting both their hands and their feet into this collective agreement. It is really, really unbelievable what they are trying to do to us—to the CBC, and to VIA Rail—which is supposed to go on strike shortly. It is really an attempt to get rid of all the Crown Corporations. The legislation, as proposed, is the continuation of the race to the bottom—to eliminate wages, to eliminate benefits, and to eliminate the pension plan. I think it is unacceptable.

Mark MacDonnell: I do not know how to top that. Look, this is still a bill. It says the Treasury Board can give a mandate to a Crown Corporation and the Treasury Board can have someone sit in on negotiations. The third piece is that the Treasury Board can set the terms and conditions for non-unionized workers, including management. We are 95 percent unionized, so for that 5 percent of employees, the terms and conditions for employment would be set by the Treasury Board. I cannot speak to the bill, because in my mind, it is too early to tell. I am not ducking the question, but it is not legislation. Even when it becomes legislation, there is no better group than CUPW to determine what that legislation means

through some form of third-party intervention. It just means more business for people in this room. That said, the only thing I can say is that we have reached out to some of the other agencies of government who are under the guise of something similar to us. They are saying it is workable. They say it will take longer to get decisions, but it is way too early to tell what it means. This development has surprised me as much as our senior executives. I think it is a surprise to the union, too.

Kenneth Swan: Anyone have a question?

Janet O'Brien: I was just wondering about job security. Did you see improvements or not from the negotiations?

Denis Lemelin: No, we just kept the same about job security. Well, it is almost the same.

Kenneth Swan: So, let me try. I am not Denis. I will be Mark for a moment. I am going to remind Denis of just one little notion here. He did keep the job security provision in the collective agreement. It is Article 53 and what it does say to us folks is, the minute you become a regular employee at Canada Post—not a term employee—you have job security. After five years under this collective agreement, not only do you have job security, but I cannot move you 40 kilometres from where you would be surplus. So, if the company is going to make a decision to close a plant or downsize an area, and those individuals have job security, I cannot move them outside a 40-kilometre radius. Those are two provisions right there. At the date of signing the collective agreement this is where I, carefully, will correct Denis. What he was successful in achieving was to get us to agree, as part of getting this deal, that anybody who did not have five years at the signing of the collective agreement, and there were a couple thousand people who did not have five years in, is we could not move them to another location in Canada because they now have the 40-kilometre protection. Again, good on this union for doing it and they should be proud of it. But, there's only one other collective agreement in Canada where I can find that same sort of rule. That rule applies to Workers' Compensation Board in this province. They got it because the guy who is the business agent used to work at Canada Post.

Denis Lemelin: But at the same time, it is important to realize that we did not have situations in the past, and I do not see them in the future, where people will just stay and work less; there is always work. That is the situation because the average age at Canada Post is 48 years old. Every year, 3 or 4 percent are retiring.

Attrition took care of staff surplus problems until now. I do not know what will happen in the future.

Kenneth Swan: I think, quickly, the sense of the question is whether the size of the collective agreement is not at least shaped by the desire to avoid having outsiders make rules for the parties instead.

Denis Lemelin: Now maybe that is what Treasury Board is thinking. They said they would reshape it. They are talking about changes to the Labour Code. But, for us, this collective agreement is the result of 45 years of negotiations. The only way to change it is through negotiations. That is what we expect. If it is an attack on us, if they try to do that with our collective agreement, they will try to do it with other federal civil servants. They will try to do it with the CBC. After that, everything would be open.

Mark MacDonnell: It has taken me 25 years just to understand the collective agreement. I do not know how an external party is going to be able to decipher it. Respectfully, we have some great arbitrators, but even the individual between us sometimes makes a mistake on what the parties agreed to.

Kenneth Swan: Let me thank our two guests for coming all the way here, interrupting extremely busy schedules, even when they are not negotiating for 70,000 employees. So, thank you both again. It's been terrific.