# Canada Post segment reports $94-million loss before tax in third quarter

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Canada Post recorded a loss before tax of $94 million for the third quarter of 2018, mainly due to the costs of implementing the final pay equity ruling, which will adjust how much delivery employees in suburban and rural Canada (RSMC) are paid. If not for the pay equity costs related to prior years, the Corporation would have reported a small profit before tax for the first three quarters of 2018. The impact of pay equity and ongoing rotating strikes are major factors in the Corporation expecting to end 2018 with a loss.

In the third quarter, Canada Post remained the country's leading parcel delivery company, and has grown its Parcels revenue year over year in 25 of the last 26 quarters. The Canada Post segment's $94-million loss before tax in the third quarter compares to a $64-million loss before tax in the third quarter of 2017.[1] For the first three quarters of 2018, Canada Post is reporting a loss before tax of $266 million, compared to a profit before tax of $13 million for the same period in 2017.[1]

## Pay equity ruling

In 2016, the Corporation and the Canadian Union of Postal Workers jointly agreed to put before an arbitrator the system by which RSMC employees are paid. A final ruling issued on Sept. 20, 2018, gave the parties clarity on this important issue. Canada Post expects pay equity will cost approximately $550 million by the end of 2018, of which $130 million was recorded by the end of 2017. Going forward, the Corporation expects pay equity will cost approximately $140 million annually. The pay and benefit changes resulting from the ruling include wage adjustments, increases in pensionable pay and other benefits that have significantly impacted the 2018 financial performance.

## Parcels results

Parcels revenue increased by $106 million or 21.2 per cent in the third quarter, and volumes increased by 14 million pieces or 23.3 per cent compared to the same period in 2017.[1] Domestic Parcels, the largest product category, continued to grow, as revenue increased by $92 million or 25.7 per cent and volumes grew by seven million pieces or 18.1 per cent in the third quarter.1 In the first three quarters of 2018, Parcels revenue increased by $322 million or 21.8 per cent, and volumes increased by 44 million pieces or 26.7 per cent when compared to the same period in 2017.[1] For Domestic Parcels, revenue increased by $249 million or 23.2 per cent and volumes grew by 19 million pieces or 16.6 per cent in the first three quarters of 2018, compared to the same period a year earlier.[1] The increases in revenue and volumes were driven by a strong performance from major commercial customers and a solid delivery performance, as well as the continued growth in e-commerce as consumers continue to order more products online.

## Transaction Mail results

Transaction Mail is mostly letters, bills and statements. These volumes for the Canada Post segment decreased by 35 million pieces or 4.6 per cent in the third quarter and revenue decreased by $24 million or 3.6 per cent, compared to the third quarter of 2017.1 In the first three quarters of 2018, Transaction Mail volumes decreased by 119 million pieces or 4.9 per cent and revenue decreased by $103 million or 4.6 per cent, compared to the same period a year earlier.1 The ongoing decline in mail volumes, due to the use of digital alternatives, remains a significant challenge for the Corporation.

## Direct Marketing results

Direct Marketing revenue decreased slightly by $5 million or 1.9 per cent in the third quarter, compared to the same period in 2017, while volumes decreased by 44 million pieces or 3.9 per cent.[1] Neighbourhood MailTM, the largest product category by volume, saw revenue decrease slightly by $4 million or 3.8 per cent, while volumes decreased by 36 million pieces or 4.2 per cent compared to the same period a year earlier.[1] In the first three quarters of 2018, Direct Marketing revenue decreased by $9 million or 1.1 per cent and volumes decreased by 54 million pieces or 1.5 per cent when compared to the same period in 2017.1 Neighbourhood MailTM revenue was flat compared to the first three quarters of 2017, while volumes decreased by 16 million pieces or 0.6 per cent. Personalized MailTM and Publications MailTM revenue and volumes declined in the first three quarters of 2018 compared to the same period last year.

## Group of Companies results

The Canada Post Group of Companies reported a loss before tax of $46 million for the third quarter of 2018, compared to a loss before tax of $23 million in the third quarter of 2017.[1] For the first three quarters of 2018, the Group of Companies recorded a loss before tax of $140 million, mainly due to pay equity costs, compared to a profit before tax of $112 million in the first three quarters of 2017.[1] Purolator recorded a profit before tax of $42 million in the third quarter of 2018, an increase of $6 million or 20.5 per cent compared to the same period in 2017.[1] For the first three quarters of 2018, Purolator's profit before tax was $108 million, compared to a profit before tax of $85 million for the same period in 2017.[1]

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Background

The operations of the Canada Post Group of Companies are funded by the revenue generated by the sale of its products and services, not taxpayer dollars.

[1] The amounts for 2017 were restated as a result of new accounting standards

[2] The Canada Post Group of Companies consists of the core Canada Post segment and its three non-wholly owned subsidiaries, Purolator Holdings Ltd., SCI Group Inc. and Innovapost Inc.