

Ottawa, January 20, 2014

Hon. Lisa Raitt, PC, MP
Minister of Transport
House of Commons
Ottawa ON K1A 0A6

Dear Ms. Raitt:

I am writing to you regarding the proposed [Regulations Amending the Letter Mail Regulations](#) published in Part 1 of the Canada Gazette on December 21, 2013.

Imagine Canada is the national umbrella for Canadian registered charities. There are approximately 85,000 registered charities in Canada, located in every community and ranging in size from small community-based organizations to large national and international organizations. Charities partner with communities, governments, and the private sector to help address many of the most intractable challenges society faces – be they economic, social, environmental, or health-related – and to provide educational, sporting, religious, and cultural opportunities that significantly enhance quality of life.

Canadian charities make extensive use of Canada Post's services to seek donations, promote their products and services, or send out income tax receipts, among other activities. Therefore, we would like to take this opportunity to express our concerns about the draft regulations published on December 21. **Imagine Canada recommends that Canada Post Corporation engage with charities, through Imagine Canada, to establish a pricing structure that is tailored to the mailing realities facing charities and that would encourage charities to remain robust users of Canada Post.**

We recognize the marketplace realities with which Canada Post is grappling. But at the same time, charities are engaged in a constant endeavour to manage costs, an endeavour that is increasingly important at a time when donations and other income are still affected by uncertain economic conditions. We are eager to engage constructively with Canada Post to address the impact that these proposed regulations will have on charities and to work together to achieve a mutually-beneficial solution.

Mailing realities of charities

We acknowledge that charities, like all Canadians, are sending and receiving less mail than they did in the past. Notwithstanding, given that they must respond to the preferences of their donors, charities will continue to remain heavy users of the Canadian mail system. The draft regulations propose to create a differentiated price structure based on a "use more, pay less" approach. However, the realities facing charities often make it difficult for them to take advantage of Canada Post's lower-price options or to take other steps to significantly mitigate the effects of price increases affecting first-class mail.

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- Charities are not able to pass price increases along to their donors. Instead, charities will have to absorb price increases by using financial resources that could otherwise be used to carry out activities for the public good. For example, World Vision Canada has estimated that the postal rate increases will cost the organization an additional \$300,000 per year, which equates to assisting five to ten thousand fewer children and their families struggling with poverty next year. Arts organizations who rely on mail to communicate with their donors will also be affected. The Toronto Symphony Orchestra, for example, estimates that the postal rate increases will cost the organization an additional \$12,700 per year – donor dollars that will be diverted away from programming and into administrative costs. Similarly, health charities, whose average donation is less than forty dollars, will need to absorb the substantial price increases. In the case of the MS Society alone, which faces incremental costs of \$56,000, the equivalent of 1,400 donations will need to be diverted from research and services in order to cover increased postage costs.
- Charities rely on first-class mail to deliver highly personalized communications, such as income tax receipts, thank you notes, and invitations. These types of mail are not eligible for the cheaper contract rates that are available through Canada Post's Admail program. Many of these mailings are not discretionary and are essential to charities' operations. For example, first-class postage is the only option available for mailing tens of millions of official donation receipts so that individual taxpayers can claim the charitable donation tax credit.
- While electronic receipting is increasingly important, the prohibitive cost of acquiring the necessary technology renders it impossible for many charities to make the switch. This leaves them with no choice but to mail income tax receipts.
- Even when technology is not an organizational barrier, many donors still prefer to receive income tax receipts in the mail, and the charity is obliged to respect such preferences. According to a 2011 survey conducted by Ipsos Reid on behalf of the AFP Foundation for Philanthropy, Canadians – by a margin of almost three to one – prefer charities to use paper rather than electronic communication. Charities who do not abide by the expressed preferences of their donors risk losing support and trust.
- Not all charities will be able to avail themselves of the most advantageous of the proposed rates for first-class mail. Postage meters will provide the best rate which, at 75 cents for a standard letter, is still a significant cost increase. However, the upfront and ongoing costs of acquiring postage meters means that the organizations least able to afford increased mailing rates, will also be the least able to mitigate those increases.
- In addition, while many charities already take advantage of bulk Admail rates (which Canada Post does not propose to increase) for their fundraising appeals, some charities are unable to do so because of the minimum volumes required for any such endeavour. These charities will see substantial increases in their fundraising costs as they continue to rely on first-class postage.

The draft regulations do not acknowledge the realities described above. In our opinion, the additional costs the proposed regulations would impose on charities, and the resulting diversion of funds away from activities that support and serve Canadians, outweighs the potential public policy benefits of the proposed differentiated price structure. We believe the issues raised in this section justify the establishment of a pricing structure that reflects the realities facing Canadian charities.

Working with charities – international precedent

We find it significant to note that recent international precedent exists for a pricing structure that accommodates the needs of charities. In Australia, for example, a government-owned postal system facing many of the same challenges as does Canada Post has engaged and worked with the charitable sector to achieve a workable solution. In April 2013, Australia Post announced its intention to increase registered post prices by up to 30 per cent for some core mailing products. Australia Post invited the charitable sector to present their comments and positions for discussion. The case was made that charities have postal needs that are substantially different from other mail users. Consequently, Australia Post adopted a pricing structure for the charitable sector, known as the Charity Mail Service, and reduced the rate of increase for the charitable sector by 60 per cent compared to the original proposal.

We believe that Canada Post could emulate the pro-active approach taken by its Australian counterpart, to the benefit of both the Corporation and charities.

Conclusion

We are well aware of and not unsympathetic to the financial difficulties facing Canada Post, and the imperative for the Corporation to achieve its business goals. It is in the best interest of all Canadians that our mailing system be robust and financially sustainable. While we recognize Canada Post's rationale, we find it difficult to accept that decisions that will have such a significant and negative impact on charities – and more importantly, on the people and communities they serve – have been made in the absence of meaningful engagement, consultation, or notice.

Charities rely on Canada Post, but they also represent a significant customer base and it is in the Corporation's interest that charities continue to remain heavy users of its services. A pricing structure that recognizes the realities facing charities would contribute towards this and, we believe, warrants consideration. We have already written to the CEO of Canada Post, urging him to meet with charity sector leaders to identify potential solutions.

I would urge you to meet with Imagine Canada and other key stakeholders in the charitable sector in order to identify the issues and potential solutions prior to making any final decisions with regard to these regulations. We would be more than happy to assist you in convening such a meeting, and I will ask my office to follow up with you in this regard.

Thank you in advance for your consideration of our views. I look forward to hearing from you soon.

Yours truly,



Marcel Lauzière
President & CEO

cc: Mr. Deepak Chopra, President and CEO, Canada Post Corporation
Ms. Georgette Mueller, Director of Regulatory Affairs, Canada Post Corporation