

Connecting with Customers Transaction Mail

OUR TRANSACTION MAIL LINE OF BUSINESS OFFERS A RANGE OF WAYS TO DELIVER DOCUMENTS, FROM PAPER TO ELECTRONIC DELIVERY – LETTERMAIL TO EPOST – WITHIN A SINGLE ORGANIZATION THAT CANADIANS HAVE TRUSTED FOR GENERATIONS.

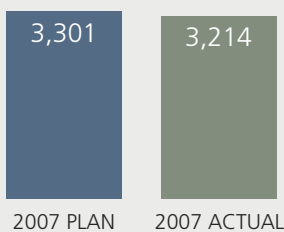
In 2007, we focused on helping our customers make better, more creative use of their investment in Lettermail, and introduced complementary services to raise the value to their mailings further. Our goal is to sustain Lettermail volumes, accounting for over half of Canada Post's annual revenues, and increase transactional mail business by constantly meeting our customers' changing needs.

This line of business includes transactions made through statements, invoices, payments and letters of all kinds, in both paper and electronic form. While many Canadians prefer to conduct these transactions on paper, Lettermail volumes are no longer growing. In 2007, physical mail volumes were lower than expected, at least in part because electronic alternatives are on the rise. Moving away from paper quickly, however, presents challenges to our business customers. Most consumers and businesses prefer communicating by mail, and most transactional communication systems are set up for paper.

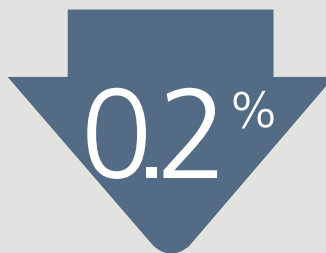
The price of domestic postage held constant in 2007, and customers heard more about mail's value as a marketing tool. Through our Great Statements program, Canada Post began working with business customers to design statements that deliver effective personalized messages, making transaction mail an even better, targeted customer communications conduit. With new customized postal indicia, businesses can use Lettermail to build brand awareness and communicate a message before the envelope is even opened. In the future, a foundation of new technology and processes will help businesses and customers continue to connect and build strong relationships.

Online tools, developed to support customers, and SmartFlow, introduced to help larger customers manage document processes and make the most of their mailing list data, will make transaction mail communications more effective. Our customers agree that transaction mail continues to have a definite place in this wired world, and we'll continue working to earn their business.

REVENUE (in millions of dollars)

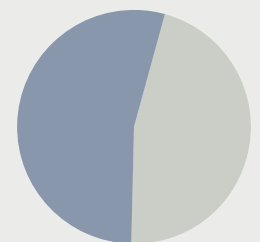


REVENUE



Decrease in revenue from
Transaction Mail

% OF TOTAL REVENUE



Transaction Mail **54.0%**

A man with glasses, wearing a blue and white striped button-down shirt, is sitting and smiling. He is holding a white envelope with a blue logo on it. The background is a dark, textured wall.

MAKING A GOOD CALL ON OUTSOURCING

"Outsourcing crucial mailroom functions to Canada Post allows us to focus more on what we do best – providing communications solutions that contribute to the quality of life, infrastructure and economic health of the North. With Canada Post as our strategic partner, we've streamlined and accelerated our customer-statement mailings, transforming what used to be a three-day process into one. And that's not the only benefit. The solution has also allowed us to free up valuable space, redeploy resources into other core business areas, and eliminate the risks associated with having an in-house operation."

Gary Donadel, Finance Manager, TBayTel

Feature07

It sounds like a simple choice: paper or electronic? But for businesses with large mailings, it's much more complicated. Some customers prefer email while others expect an envelope, and many switch back and forth. For businesses, document management is a growing challenge.

In 2007, Canada Post introduced **SmartFlow™** Document Management Services to offer secure, multi-channel communications and overcome that challenge. A business provides data and we deliver the finished communication to customers in their preferred medium. We even update mailing records from corrected returned mail and immediately capture responses – such as order forms – for prompt action.

It's another way customers benefit from Canada Post's innovation.

Looking forward08

For a business, every customer communication is an opportunity to start and keep a conversation going. Bills and statements carrying messages personalized for individual customers are especially valuable communications opportunities, because customers dedicate focused attention on them.

That's the message Canada Post began delivering to business customers with the **Great Statements** program. In 2008, customers will be hearing more about how to make the most of all their business communications, including both physical and electronic transactions. Already part of the commercial conversation for many Canadians, Canada Post will continue helping customers get more from their communications.