

TRANS FORMATION ATION

2011
annual report



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- 1. Mental Health
- 2. Art Canada: Daphne Odjig
- 3. Year of the Rabbit
- 4. Methods of Mail Delivery

- 5. Canadian Pride
- 6. Parks Canada 100th Anniversary
- 7. Roadside Attractions
- 8. International Year of Forests

- 9. Miss Supertest III
- 10. Black History Month
- 11. Royal Wedding Day
- 12. Royal Wedding 2011

Our 2011 Stamps



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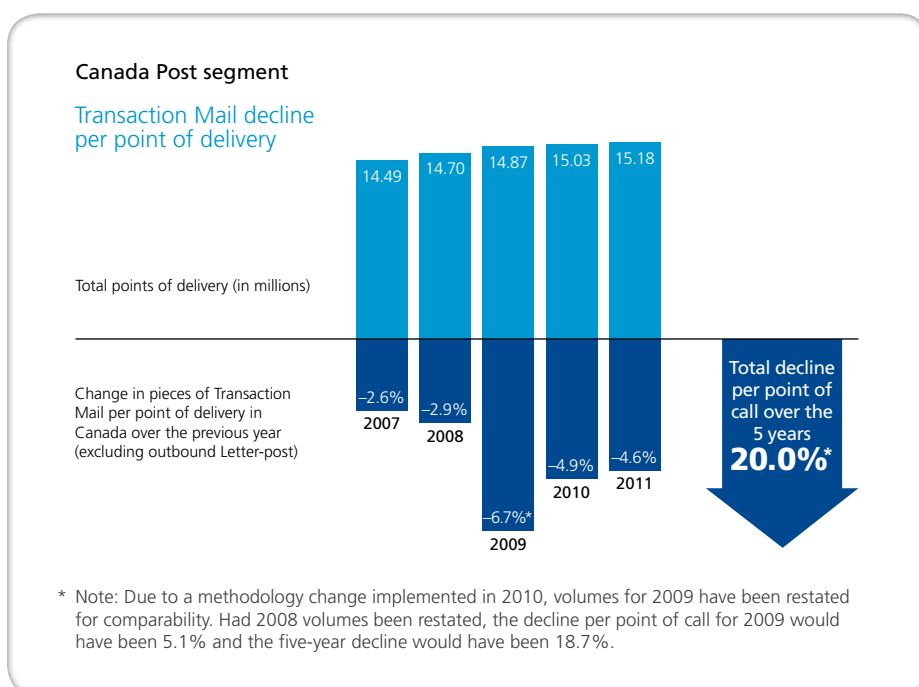
13. Canadian Recording Artists
 14. International Year of Chemistry
 15. Baby Wildlife
 16. Celebration

17. Architecture: Art Déco
 18. Signs of the Zodiac
 19. Christmas: Holly
 20. Christmas: Stained glass

21. Canadian Innovations
 22. Sunflowers

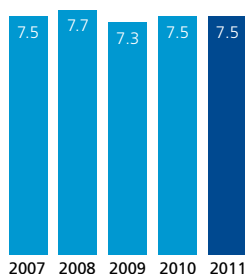
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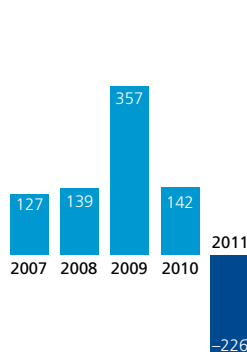


Canada Post Group of Companies

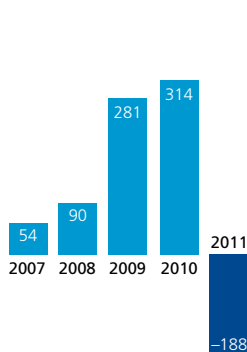
Revenue from operations*
Billions of dollars



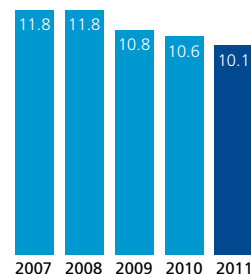
Profit (loss) from operations*
Millions of dollars



Net profit (loss)*
Millions of dollars



Volume
Billions of pieces



* 2007 – 2009 is based on Canadian generally accepted accounting principles. 2010 – 2011 is based on International Financial Reporting Standards.

Canada Post Group of Companies

By the Numbers

(in millions of dollars)

		2011	2010	% Change *
Operations				
Revenue from operations	As reported	7,484	7,453	0.8%
Profit (loss) from operations	Revenue from operations - cost of operations	(226)	142	(260.2)%
Operating profit margin (%)	Profit from operations ÷ revenue from operations	(3.0)%	1.9%	-

Profit (loss) before tax	As reported	(253)	134	(289.5)%
Net profit (loss)	As reported	(188)	314	(160.1)%

Cash provided by (used in) operations	As reported	196	(41)	589.9%
Capital expenditures	As reported	540	411	31.3%

Financial Position				
Cash and marketable securities	As reported	1,113	1,461	(23.8)%
Total assets	As reported	6,744	6,392	5.5%
Loans and borrowings	As reported	1,111	1,095	1.5%
Equity of Canada	As reported	(1,655)	(321)	(417.1)%

Volume				
Total volume – Consolidated (millions)	As reported	10,101	10,572	(4.1)%
Domestic Lettermail™ erosion (Canada Post segment)	As reported	(3.6)%	(4.5)%	-
Transaction Mail volume percentage decline per address		(4.6)%	(4.9)%	-

Canada Post Pension Plan				
Pension assets – fair market value		15,427	15,358	0.4%
Going-concern deficit – to be funded		(423)	(175)	-
Solvency deficit – to be funded		(4,672)	(3,204)	-
Employer contributions – current	As reported	291	321	-
– special	As reported	219	425	-

* Adjusted for trading days where applicable

Effective January 1, 2011, the Canadian Accounting Standards Board and Public Sector Accounting Board required publicly accountable enterprises, such as Canada Post, to adopt International Financial Reporting Standards (IFRS) as the basis of accounting under Canadian generally accepted accounting principles (GAAP). Accordingly, the Corporation is reporting under IFRS effective January 1, 2011, with IFRS comparative figures from January 1, 2010 throughout all periods presented. In this Annual Report, the term Canadian GAAP refers to GAAP in Canada prior to the Corporation's transition to IFRS. Comparative figures prior to 2010 may no longer be comparable and remain presented under Canadian GAAP.

Our Size and Scope

EMPLOYEES



69,000*

*Canada Post Group of Companies, full-time and part-time paid employees. Excludes temporary, casual and term employees.

FLEET



7,800

Canada Post-owned vehicles

CANADAPOST.CA



111 million

visits to canadapost.ca in 2011

RETAIL POST OFFICES AND STREET LETTER BOXES



Almost **6,500** retail post offices across Canada

More than **30,000** street letter boxes

PLANTS AND DEPOTS



21 major mail processing plants

500 letter carrier depots

MOBILE APP



297,000

downloads of Canada Post's mobile app since its launch as of December 31, 2011 (approximate figure)

ADDRESSES SERVED



More than **15 million**

FUEL CONSUMPTION REDUCTION IN 2011



↓ 3.7%

CO₂ EMISSIONS REDUCTION IN 2011



↓ 4.5%

(Canada Post-owned vehicles)

Our Group of Companies

The Canada Post Group of Companies consists of Canada Post and its three non-wholly owned subsidiaries: Purolator Inc., SCI Group Inc., and Innovapost Inc. Working in an increasingly integrated way, the Group of Companies is in the business of connecting Canadians *From anywhere ... to anyone™*. The vision for the Group of Companies is to be a service provider of choice—one that is relevant to the needs of Canadians.

The Group of Companies offers a full

range of delivery, logistics, and fulfillment services to customers across this country and abroad. Combined, the Group of Companies has annual revenue of \$7.5 billion and employs close to 69,000 people. It also operates the largest retail network and the biggest transportation fleet in Canada.

Employees across the Group of Companies deliver more than 10 billion pieces of mail, parcels and messages each year to more than 15 million addresses in

urban, rural and remote locations nationwide. The shared objective is to provide Canadians with world-class service while remaining financially self-sustaining.

A Crown corporation, Canada Post is the most significant component of the Group of Companies with revenue of \$5.9 billion in 2011. Canada Post is this country's postal operator and its core services include delivery of letters, bills, statements, invoices, parcels, Admail™ pieces and periodicals.



Purolator enables customers to deliver shipments across town and around the world. As Canada's largest logistics company, Purolator has 123 operations locations, 136 shipping centres and 550 shipping agents. The company also has a fleet of 3,700 vehicles and moves 100 million pounds of freight each year. In 2011, Purolator generated revenue of \$1.6 billion, which represents about 20 per cent of the 2011 Group of Companies' consolidated revenue.



Through its operating entities SCI Logistics, Progistix and First Team Transport, the SCI Group helps customers reduce cost and improve service through the design, implementation and operation of efficient supply chain management. SCI offers clients expertise in business-to-consumer, business-to-business and field service logistics. In 2011, SCI generated revenue of \$138 million, which represents 2 per cent of the 2011 Group of Companies' consolidated revenue.



Innovapost develops and operates the computing and information systems of the Group of Companies. Since 2002, Innovapost had been a joint venture between Canada Post (51 per cent) and CGI Information Systems (49 per cent). Canada Post has determined it would be best for the Group of Companies to have majority ownership of Innovapost to achieve better alignment of strategic direction, and has reached an agreement with CGI.

President's Message

Undoubtedly 2011 was a difficult year for our customers, our employees and our financial health. Our results show the strains of a continued decline in core mail volumes, the impact of a painful work disruption and the negative impact of a pay-equity decision by the Supreme Court of Canada, leading to our first loss in 17 years.

We are acutely aware of the role Canada Post plays in enabling trade and commerce across the country and indeed globally. We know businesses small and large, citizens rural and urban, charities, educational institutions, farmers, shoppers and especially seniors look to us as a key partner in their daily lives. We take this responsibility seriously.

We know you would like your postal service to be around, not just for today, but also for the next generation of Canadians. This is precisely why we tried to address the challenges facing your postal service before it was too late. We believe there is now a shared understanding of the road ahead, among Canadians and our employees. We are optimistic that this shared understanding will pave the way for us to begin to address our biggest challenges.

While much of the discussion during 2011 centred on our challenges, there is much to be shared about our future. Over the 249-year history of postal service in Canada, mail has constantly changed in shape and size—from packets to postcards, from aerograms to envelopes, and now to packages carrying your latest online purchase.

Transitioning from a stable, predictable and profitable environment to a rapidly changing, unpredictable and competitive environment will take hard work. Much of our future growth will come from highly competitive products, which means we will need to be nimble and in tune with our customers' needs. We have begun the journey to creating the foundation for this new environment.

Our investment program to retool our plants and machinery for the 21st century is



on track to deliver productivity and service improvements. After successfully building our new plant in Winnipeg, we announced a major investment to build a new integrated facility in Vancouver. As Canada's trade with the Asia-Pacific region grows, we will be well-positioned to serve businesses and consumers alike with a world-class network across the country.

We are accelerating investments in rolling out hand-held scanning devices for our delivery agents that also act as credit-card terminals. This makes it easier to complete deliveries and collect any duties and fees at your doorstep in a single stop. We are also increasing the number of scanning points across the network to provide greater visibility. These investments will ensure that Canada Post is well-positioned to take advantage of fast-growing e-commerce opportunities.

Today Canadians want us to deliver services via both the physical and digital channels. They want 24/7 access to their favourite services such as purchasing stamps, registering a change of address or requesting a hold on their mail while they are away. We are also excited to offer digital delivery of your critical bills and statements via a secure personalized digital mailbox (epost™) right on your computer, just as you have received these items in your mailbox at the door. Your postal service is adapting and changing

with the times to serve your emerging needs—just as it has for two-and-a-half centuries.

We also introduced our first mobile app for smartphones. This app allows Canadians to track their packages while they are en route from their favourite online retailers, or look up a Postal Code^{OM} or take a photograph and order personalized stamps and postcards. Within eight months of its launch, our app became Canada's #1 free business app on the iTunes app store. This is a great tribute to the hard work of our people, who are the true ambassadors of our brand and living proof that we are adapting to the new world.

While it is natural for us to be excited about our future, we are painfully aware of our responsibilities to you, our ultimate shareholders. We know you want us to be financially self-sufficient and not become a burden on you. We share this responsibility with our bargaining agents and are committed to ensuring a healthy, relevant and customer-centric Canada Post for the next generation of Canadians.

Deepak Chopra
President and Chief Executive Officer

The Year in Review

2011

Canada Post reported an unconsolidated financial loss before tax of \$327 million for 2011.

On a consolidated basis, the loss before tax was \$253 million. The unconsolidated financial loss follows 16 consecutive years of profitability at Canada Post. Several factors contributed to Canada Post's financial performance in 2011, including the labour disruption that occurred in June and effectively shut down the postal system for 25 days.

This had an immediate financial and competitive impact—leading to an estimated \$200 million or more in lost revenue and driving customers to competing logistics and delivery companies. The long-term impact of the labour disruption is still unknown.

Other factors that contributed to the 2011 financial loss included an unfavourable decision by the Supreme Court of Canada concerning a pay equity case and the continued decline of mail volumes due to poor economic conditions, electronic substitutions of traditional mail and rising domestic and international competition.

Canada Post also continues to face a sizeable, volatile pension obligation.

Rotating strikes and lockout

After eight months of negotiations, the Canadian Union of Postal Workers (CUPW) began rotating strikes on June 2, 2011. When CUPW-represented employees walked out in our two largest centres—Montréal and Toronto—Canada Post had no option but to institute its first lockout. It lasted from June 14 to June 27. As a result of back-to-work legislation, Canada Post and CUPW are now in final offer selection arbitration.

Pension challenges

Since 2000, Canada Post's pension plan has more than doubled in size to over \$15 billion of assets. Fluctuating global stock markets and historically low discount rates have left the plan with an estimated solvency deficit to be funded of almost \$4.7 billion on December 31, 2011. Canada Post contributed \$510 million to the plan in 2011, including \$219 million in special payments.



Fewer envelopes every year

Transaction Mail—bills, invoices and statements*—has been steadily declining per point of delivery as Canadians shift to electronic options. In 2011, Transaction Mail volumes per point of delivery fell another 4.6 per cent, bringing us to more than five consecutive years of decline. *Excluding outbound Letter-post



Pay equity decision

The Group of Companies' profitability was impacted by a decision from the Supreme Court of Canada on November 17, 2011. The court ruled that some Public Service Alliance of Canada (PSAC)-represented employees of Canada Post had earned less than others in comparable jobs. The case dates back to 1983.



Restructured for growth

In July 2011, Canada Post created two distinct business units to address two distinct business priorities. They share a common goal: growth. The Physical Delivery Network will lead the effort to revitalize our core mailing business. It will complete our transformation into a highly competitive mail and parcel delivery system, with ambitious targets to enable e-commerce by delivering more parcels and packages that Canadians order online. The Digital Delivery Network is tasked with growing our epost business, while the Data & Integrated Marketing Solutions team will help Canadian businesses grow by providing markets with a sophisticated and full suite of data and targeting solutions. Each network's success will support the other's as they connect Canadians via the physical and digital channels.



Modernizing for the future

The pace and magnitude of change have been dramatic as we continue to transform our operational infrastructure to improve service, reduce costs and—most importantly—position us for future growth.

Most major plants—including two of the largest in Montréal and Toronto—were completely reconfigured in 2011 as we invested in increased automation and upgraded technology.

We entered into the multi-year task of transforming our delivery operations to position it for a new economy with fewer letters and more packages. We equipped delivery employees with vehicles and portable smart scanners so we can scan and track parcels in real time with greater reliability. Having motorized, full-service delivery agents allows us to be more efficient and competitive as we pick up and deliver items.

All of this change means our employees were learning new ways of working. For modernization alone, we delivered nearly 16,000 days of training in 2011.

By year's end, we had invested almost half of the planned \$2.1-billion, multi-year investment and are now well on our way to creating a safer, more efficient and competitive company better able to respond to the changing needs of customers.



Positioned for success in e-commerce

Online shopping is projected to grow very rapidly in Canada in the coming years. This represents a great opportunity for Canada Post.

Our competitive advantages are our vast delivery and retail networks. Only Canada Post can reach more than 15 million addresses—and only Canada Post has nearly 6,500 retail post offices. This offers online shoppers the convenience they value in their busy lives by making it easy to pick up packages that they are not home to receive, as well as return items.

In 2011, we took steps to offer shippers greater convenience as well. On-demand parcel pickup attracted more business from small- and medium-sized companies, for example. In 2012, we will provide online retailers enhanced web services to optimize the online experience for their customers. We will also develop a platform that provides seamless management of their returns according to their policy. Consumers will soon have the option of choosing to have packages delivered to the retail post office of their choice. Together, these solutions make us even more relevant in the e-commerce space.

Volumes from our 20 largest e-commerce customers grew by a double-digit rate in 2011—and growth has continued into early 2012.



Delivering Christmas

Christmas is the busiest time of year at Canada Post. In 2011, Canada Post launched a national marketing campaign to drive shipments, hired 2,400 additional workers to help with heavy mail volumes, and mobilized additional trucks to ensure local delivery. The result was that Canada Post delivered nearly one billion mail items and posted its best Lettermail delivery performance for Christmas in nearly a decade.



Marketing the core

We focused considerable effort on strengthening our core physical mail business where opportunities existed.

The Royal Wedding was a success story for our stamp program, generating unprecedented interest in our products. We used our Picture Postage™ service to create stamps that celebrated the religious festivals of Diwali, Eid and Hanukkah. We also issued stamps to celebrate the return of the Winnipeg Jets™ franchise to the National Hockey League™.



Reinvigorating our Direct Marketing business

Direct Marketing has significant long-term growth and revenue potential. In 2011, we helped customers use data to make their promotional mailings more effective at reduced cost. We also focused on developing a free online application to make it easier for small- and medium-sized businesses to market to their best prospects. Precision Targeter™ became available early in 2012.



Making a mark in the digital space

In 2011, Canada Post further extended its service proposition to the digital realm. This renewed focus will ensure that we will continue to build innovation into our digital offerings beyond today's set of services, improve our online and mobile service capabilities and create a suite of products that protects and simplifies the consumer's digital household while further supporting Canada's digital economy.



Looking Forward:

Our **Physical** Delivery Network

Physical mail still matters to Canadian businesses large and small—and to Canadians. It is our core product and main source of revenue. The Physical Delivery Network's strategy is to defend this core while capitalizing on opportunities for growth. Our vision is to be the country's most reliable, affordable provider of delivery services. We are working to improve the quality of our service, the productivity in our operations and the safety of our employees. Modernization will occur on an unprecedented scale in 2012 and 2013, offering us the flexibility to respond to changing needs in a competitive market. We are also adopting more standardized processes and other practices that highlight the accountability of each team, shift and facility to others downstream—and to the customer. We are undertaking more change in 2012 than we did last year, and are focused on the sizeable challenge of minimizing impacts to service during this crucial transition.

Our largest investment in equipment

We will continue to install safe, ergonomic, high-speed letter-sorting machines. These are at the heart of modernization because they improve productivity in plants and reduce the time that delivery agents in depots spend sorting Lettermail pieces by hand. This time savings reduces present and future labour costs, as it permits



us to reorganize our delivery operations around motorization and parcel delivery.

We are making an unprecedented investment in new automated sorting equipment for packages. It can read destination information and instructions more reliably and, by reducing manual handling, better protect the items in our care. This investment helps to prepare us for a future with more packages and fewer letters.

Our Business Reply Mail™ service is also benefitting from a sizeable investment in automation that will offer customers greater speed and improved tracking of incoming replies.

Vancouver: gateway to Asia-Pacific

We're building a 700,000-square-foot plant at the Vancouver International Airport that will allow us to grow our e-commerce business, process mail faster and improve delivery logistics. As a critical gateway to the Asia-Pacific region, it will also house a Canadian Border Services Agency operation.

“To compete successfully and grow, we need to focus on providing reliable and relevant services—and become a cost leader.”

Jacques Côté, Group President, Physical Delivery Network





Visibility and tracking

Customers value the peace of mind that comes from knowing their package is safely, reliably on its way, and delivered or ready for pickup at a nearby post office. We have invested heavily to scan more items when we receive them and at more stages as they are processed. More and more customers see tracking information in real time. We have equipped delivery agents in urban areas with portable smart scanners, and in 2012 most rural delivery agents will begin to use them. Track a Package is the most popular feature on our mobile application.



Motorization: driving flexibility

In urban areas, more delivery agents will have the use of an environmentally-friendly Ford Transit Connect™ vehicle to play more complete roles that help us to serve the growing ranks of e-commerce customers. They will deliver mail and packages to residential and commercial addresses, and pick up mail from street letter boxes, retail post offices and eligible customers.



Preparing our people

With so much modernization underway, knowledge is the key to protecting service and empowering our employees. We must help our front-line leaders and employees adapt to new equipment and processes, as well as business necessities that will affect their work schedules. We will engage in extensive training again in 2012. As demographics drive a wave of employee departures during our critical modernization period, we are enhancing our hiring practices to ensure an appropriate transfer of operational knowledge before experienced team leaders retire.

Looking Forward:

Our Digital Delivery Network

Digital products and services are increasingly important for Canadians. Canada Post is leveraging its brand permission—our longstanding trusted relationship with Canadians—to extend our physical offerings to 24/7 via the digital space, enabling electronic consumer, business-to-consumer and government-to-consumer communications.

Our consumer solutions—from our website and mobile apps to epost and Vault—offer Canadians a range of choice from managing their household bills and personal documents to tracking e-commerce purchases and packages and interacting with Canada Post.

For businesses of all sizes, we deliver robust location intelligence and analytic solutions, as well as online self-service tools, to improve their ability to cost-effectively analyze, target and market to consumers. We will continue to innovate to meet the ongoing digital needs of Canadian consumers and businesses and help both manage the duality of physical and digital.



epost™

Canada's leading bill consolidation solution

Approximately 7.5 million Canadians have registered on epost over the last decade. epost provides Canadians a safe, secure electronic mailbox in the home to manage the business of their lives. It connects them with more than 100 billers and eliminates the hassle and frustration of remembering multiple names, passwords and bill dates. Our bank-grade security protects their personal information while our notification services ensure they always know when a bill has arrived. The ability to personalize folders and seven-year storage keeps their information organized for any unforeseen future needs.

epost's evolution

Canada Post plans to release the next generation of epost in the Kitchener-Waterloo-Cambridge market in mid-2012. We will evolve epost's technical capability and user experience by creating a robust digital platform that will attach a secure, authenticated electronic mailbox—with a range of new digital products and connections—to every household address, creating new digital connection capabilities between consumers, government and businesses.

Your post office, when you need it: canadapost.ca

When you need us, we're there 24/7 through canadapost.ca. From general information and online customer support, to tracking and shipping a package or building your marketing campaign for your business, canadapost.ca provides "always on" support for more than 9 million visitors every month. Our e-store is always open and offers the latest in stamps, commemoratives and other merchandise.



“Our digital business will support Canada Post's ongoing transformation while playing a key role in the evolution of Canada's digital economy.”

Kerry Munro, Group President, Digital Delivery Network



Going mobile

Canada Post's mobile app offers Canadians "everywhere" access to locate a retail post office, track a package, find a postal code and turn personal photographs and events into customized stamps, postcards and memories—perfect for vacations, weddings and special events. Available for iPhone, BlackBerry and Android mobile phones, it's truly the one app that delivers for Canadians.



Vault: Your online safety deposit box

Online banking, tax preparation, family photos and personal documents: with more of our daily lives being conducted online or on computers, Canadians run the risk of losing valuable and sensitive information forever. Part of epost, the Canada Post Vault™ service ensures you can safely and securely store personal or sensitive information in one place—and access or share them from anywhere. Offering bank-grade security, Vault eliminates the risk of losing valuable information to a computer malfunction, lost disk or storage device, fire or theft. It's peace of mind, online.



Precision targeting—for any business

Local pizzerias, contractors, hair salons and regional/national retailers share the same business challenge—to cost-effectively identify, target and reach new customers and prospects and to squeeze every possible return out of their marketing spend. From knowing when someone is moving into a new neighbourhood or how to effectively target those within walking or driving

distance of a store, we offer a suite of tools, data intelligence and marketing solutions to help any business generate leads and drive sales. Our online tools are available 24/7 for anyone to simply and effectively budget, plan and create their direct marketing campaign and our trusted professionals are just a phone call away. Generating leads has never been easier.



Chairman's Message

2011 highlighted Canada Post's need for transformation. We posted our first loss in 17 years, and volumes in our core product, domestic Lettermail, declined by another 3.6 per cent bringing us to five consecutive years of decline.

In addition, very uncertain financial markets caused us to earn only a nominal return for the pension fund, while liabilities for pension and other future employee benefits continued to increase.

Deepak Chopra was appointed President and Chief Executive Officer of Canada Post in February to lead our transformation. Mr. Chopra has nearly two decades of global experience in the postal industry and several years leading a company that gave him an intimate understanding of Canada Post. This experience prepared him well for the challenges of 2011.

The need for transformation starts with our people. Accordingly, on his first day, Mr. Chopra met face-to-face with the leaders of the unions that represent more than 90 per cent of the Canada Post segment's employees, including our largest union, the Canadian Union of Postal Workers-Urban Postal Operations (CUPW-UPO). The collective agreement with CUPW-UPO had already expired and negotiations were well underway.

Canada Post's significant business and financial challenges made it necessary to adopt a determined but fair approach to negotiations, intended to address our labour cost structure. The 12 days of rotating strikes and the subsequent lockout were a difficult time for Canada Post, our employees and, most importantly, our customers. However, securing a new cost structure was, and remains, critically important to our future viability and relevance to Canadians.

We continued to modernize our infrastructure in 2011. This infrastructure renewal positions the company to offer reliable, affordable service to our physical mail customers. Investments in our parcel and packet processing will allow



Canada Post to continue to benefit from the growth in e-commerce. We are taking decisive steps to be ready for the future—a future in which we will deliver less Lettermail, and more parcels.

We are also transforming in other important ways. For example, the creation of a Digital Delivery Network will position us to remain relevant as Canadians choose, in increasing numbers, to substitute electronic billing and record-keeping for physical mail and paper records. At the same time, our Digital team will strengthen our ability to provide targeting data that helps Canadian companies reach customers and prospects effectively, efficiently and with less environmental impact.

A number of investments have recently rolled out that are intended to noticeably improve the experience customers have when they choose Canada Post. They are bearing fruit. I am pleased with one important indicator of our progress—the unprecedented customer service our call centre provided in the holiday season, our busiest time of year, including a nearly 100-per-cent reduction from 2010 in the number of callers who got a busy signal.

Robert Pletch left the Board at the end of 2011. Mr. Pletch was a member of the Audit, and Corporate Governance and Nominating committees. I especially

appreciated his independent, balanced and value-added input to Board discussions.

On behalf of the Board, I would like to thank Mr. Chopra, the executive team and all the employees of Canada Post. I look forward to seeing Canada Post's crucial and exciting transformation continue in 2012 and beyond.

Finally, I would like to thank Canadians for continuing to choose Canada Post.

A handwritten signature in black ink that reads "Marc Courtois". The signature is written in a cursive, flowing style.

Marc A. Courtois
Chairman of the Board of Directors

Corporate Governance

Role and composition of the Board

The role of the Board is explicitly supported by the statutory framework within which Canada Post operates (the *Canada Post Corporation Act* and the *Financial Administration Act*), the Corporation's bylaws, and its Statement of Board Values and Board Charter. The Board is responsible for overall guidance on the strategy, business plans and related affairs of Canada Post. It is responsible for overseeing Canada Post on behalf of the Shareholder. In carrying out its oversight role, it is the Board that holds management accountable for business performance and achievement of Canada Post's other objectives. To fulfill these responsibilities, the Board is called upon to exercise judgment in the following general areas:

- the strategic direction and Corporate Plans of Canada Post;
- major contracts;
- safeguarding the resources of Canada Post;
- establishing and implementing processes for the recruitment of senior officers and Board members;
- monitoring corporate performance; and
- providing timely reports to the Shareholder.

The Board of Directors of Canada Post is comprised of 11 members, including Canada Post's President and Chief Executive Officer. All members of the Board and the President and Chief Executive Officer are Governor-in-Council appointees. As overseer of a commercial and self-sufficient enterprise with 2011 revenue of \$7.5 billion (on a consolidated basis), the Board must bring strong business judgment and valuable experience and insight in other fields to the stewardship of Canada Post. The Board meets on both pre-arranged meeting dates and at such other times as deemed necessary by the Chairman. In order to provide strong oversight for such a large, complex and important company, the Board devotes approximately 25 to

30 days a year to its deliberations. In 2011, the Board met eight times. In addition, individual committees of the Board met a combined 20 times.

Independence of the Board

The position of the Chairman and that of the President and Chief Executive Officer are separate. In addition, the Board normally holds its meetings with the President and Chief Executive Officer as a member and the Group President – Physical Delivery Network as an invitee. Otherwise, the Board meets without the presence of management unless required for presentations or reports and, at each meeting, the Board holds an in-camera session. The Audit Committee regularly meets in camera individually with Canada Post's external and internal auditors. Furthermore, the Board, its committees and individual directors may engage independent counsel and advisors upon request and at the discretion of the Board.

Committees of the Board

The Board has formed the following committees to assist it in fulfilling its oversight responsibilities:

- The Audit Committee reviews financial information, which will be provided to Parliament and other stakeholders, the systems of corporate controls, which management and the Board have established, the audit process and the risk management framework. It also assesses Canada Post's financial performance against its Corporate Plan.
- The Corporate Governance and Nominating Committee provides a focus on corporate governance, assesses corporate values and the elements that facilitate Board effectiveness, such as Board self-assessment, Committee structure and Terms of Reference, assists the Board in determining the composition and structure of the Board and recommends candidates for Board membership, Chairman, and President and Chief Executive Officer.

- The Human Resources and Compensation Committee reviews human resources and compensation matters, including the compensation of the President and Chief Executive Officer and other Corporate Officers, recruitment, compensation and development, retention, significant human resource policies, health and safety, and labour relations issues.
- The Pension Committee oversees the over \$15-billion Canada Post Pension Plan, Pension Plan matters and policies, including Pension Plan liabilities, Pension Plan strategies, Canada Post's responsibilities as Pension Plan sponsor, and Canada Post's fiduciary responsibilities as Pension Plan administrator.

In 2011 oversight for corporate social responsibility and environmental issues was elevated to full Board meetings. Oversight and review of health and safety issues was assigned to the Human Resources and Compensation Committee.

Board effectiveness

The Board regularly assesses its effectiveness and functioning through a self-assessment survey. The Board has created membership criteria that set out the skills and personal qualities expected of its members for the use of the Government in appointing Board members. The compensation of the Board complies with the Remuneration Guidelines for Part-time Governor-in-Council Appointees in Crown Corporations issued by the Privy Council Office. An orientation process is established for new directors. As well, a process is in place to assess the ongoing development requirements of directors, and training opportunities are provided to continue to enhance the effectiveness of existing directors.

Fraud and error

Pursuant to recommendations issued by the Canadian Institute of Chartered

(continued on page 14)

(continued from page 13)

Accountants, the Audit Committee fulfilled its responsibility to consider fraud and error in financial statements. Accordingly, the Audit Committee reports that it has reviewed and accepts the company's financial statements, the attached notes, the auditors' opinions and their assertions on independence.

Subsidiaries

A Governance Model for Canada Post's subsidiaries ensures consistent governance practices in companies where Canada Post holds a majority interest.

Governance in principle

The Board and management of Canada Post hold the view that sound governance practices that are dynamic in nature are the bedrock of a quality organization that builds value and is dedicated to its employees and customers. Corporate governance is an essential component of the fulfillment of Canada Post's public-policy and commercial mandates, and will contribute to ensuring that all Canadians continue to receive a universal and affordable national postal service.

Board of Directors



Marc A. Courtois ▲✱✱●✱

Westmount, Quebec
Chairman of the Board
Canada Post Corporation



A. Michel Lavigne ▲✱
FCA

Laval, Quebec



Deepak Chopra

Ottawa, Ontario
President and CEO
Canada Post Corporation



Siân M. Matthews ✱●✱

Calgary, Alberta



Denyse Chicoyne ▶

CFA, MBA
Outremont, Quebec



The Honourable Stewart McInnes ✱✱●
Q.C.

Halifax, Nova Scotia



Thomas Cryer ■✱

FCA
Etobicoke, Ontario



Iris Petten ✱●✱

Conception Bay South,
Newfoundland and Labrador



Robert Pletch ▲✱

Q.C.
Regina, Saskatchewan



Donald Woodley ◆●▲

Mono, Ontario



William H. Sheffield ✱✱

Vancouver, British Columbia

- Chairperson of the Audit Committee
- ◆ Chairperson of the Corporate Governance and Nominating Committee
- ✱ Chairperson of the Corporate Social Responsibility, Environment, Health and Safety Committee
- ✱ Chairperson of the Human Resources and Compensation Committee
- ▶ Chairperson of the Pension Committee

- ▲ Member of the Audit Committee
- ✱ Member of the Corporate Governance and Nominating Committee
- ✱ Member of the Corporate Social Responsibility, Environment, Health and Safety Committee
- Member of the Human Resources and Compensation Committee
- ★ Member of the Pension Committee

As of November 24, 2011

Officers of the Corporation



Deepak Chopra
President and CEO



Jacques Côté
Group President
Physical Delivery Network



Kerry Munro
Group President
Digital Delivery Network



Wayne Cheeseman
Chief Financial Officer



Laurene Cihosky
Senior Vice-President
Data and Integrated
Marketing Solutions



Cal Hart
Senior Vice-President
Processing, Engineering
and Infrastructure



Douglas Jones
Senior Vice-President
Delivery



André Joron
Chief Human Resources
Officer



Peter Melanson
Senior Vice-President
Sales



Marvin Rosenzweig
Senior Vice-President
Parcels



Mary Traversy
Senior Vice-President
Mail



André Turgeon
Senior Vice-President
Chief Information
Technology Officer



Phil Ventura
Senior Vice-President
Strategy and Marketing



Bonnie Boretzky
Vice-President
General Counsel and
Corporate Secretary



Murray Dea
Vice-President
Real Estate



Stephen Edmondson
Vice-President
Customer Relations



John Farnand
Vice-President
Engineering and
Postal Transformation



Douglas Greaves
Vice-President
Pension Fund and
Chief Investment Officer



Ann Therese MacEachern
Vice-President
Human Resources



Barbara MacKenzie
Vice-President
Finance and Comptroller



Susan Margles
Vice-President
Government Relations
and Policy



Serge Pitre
Vice-President
Sales



Jo-Anne Polak
Vice-President
Communications
and Public Affairs



Brian Wilson
Vice-President
Mail Processing and Network

Ombudsman's Message



I am committed to ensuring that the basic tenets of this office—impartiality, fairness and objectivity—are never compromised and that we continue to deliver the high level of quality service Canadians deserve.

When I became Canada Post's fourth Ombudsman in July 2011, I quickly realized I was joining a team that's dedicated to safeguarding the interests of customers and ensuring Canadians have somewhere to go if they feel Canada Post has not lived up to its service commitments. I am grateful to my predecessor, Nicole Goodfellow, for the fair and independent team she built and the processes she put in place that enable us to fulfill our mandate, measure our effectiveness and help build confidence in the Canadian postal system.

In 2011, we investigated 2,835 complaints and recommended 1,833 resolutions to Canada Post. A detailed overview of complaints and investigations in 2011 is included in our Annual Report, which is available on our website at www.ombudsman.postescanadapost.ca.

Complaints investigated and resolved in 2011 are only part of how we measure our performance and achievements. Our customers' experiences with the service we provide and our ability to help Canada Post improve product and service offerings are also crucial to our success.

For the past three years, our customers have been rating their experiences and providing valuable feedback about their dealings with our office. We use this information to try to improve every customer interaction we have. Last year, when customers were asked how likely they would be to recommend our services on a scale of 1 to 10, they gave us a 7.9. This represents a year-over-year increase for the second year in a row.

We also improved our analytical capabilities in 2011. Our focus on business excellence, which brings increased visibility to our investigations and their resolutions, enabled us to provide valuable business intelligence that helps Canada Post improve service. Our analysis allowed us to make specific recommendations to Canada Post for improving their customer experience and Canada Post has been very willing to take action.

I am proud of the relationship we have built with our key stakeholder, Canada Post. The collaboration and support Canada Post offers our team is crucial to our ability to achieve equitable resolutions to customer complaints.

A handwritten signature in black ink, appearing to read 'Francine Conn'. The signature is stylized and fluid.

Francine Conn

WHAT THE OMBUDSMAN CAN DO FOR YOU

- The Ombudsman independently investigates your complaint in a fair, unbiased and confidential manner.
- The Ombudsman relies on a fact-based investigation process in order to assess if Canada Post reasonably applied its policies and procedures in the initial handling of your complaint.
- After a thorough investigation, the Ombudsman makes recommendations to Canada Post if the complaint is justified. These recommendations may be formulated as case-specific interventions or address policy and procedural changes that have a broader application.

WHAT THE OMBUDSMAN DOES NOT DO

- The Ombudsman has no legislative power over Canada Post and does not set corporate policy on matters related to postal services.

Corporate Social Responsibility

Social responsibility has long been important at Canada Post. We are committed to operating according to sustainable development and corporate social responsibility principles, including transparency. Despite our challenges in 2011, we made progress on a number of social and environmental indicators in these areas:



OUR PEOPLE

- Launched a new health and safety policy that supports our goal of preventing workplace injuries and creating a strong safety culture.
- Provided more than 42,000 hours of driver training, a 10-per-cent increase over 2010.
- Reduced the number of vehicle collisions by 18 per cent over the past three years.
- Met our Learning Index threshold by delivering more than 105,000 hours of classroom training and eLearning to team leaders and front-line employees.

OUR ENVIRONMENT

- Received Leadership in Energy and Environmental Design (LEED™) Silver certification for three letter-carrier depots.
- Increased our landfill waste diversion rate across our sites by five percentage points over 2010 to 67 per cent.
- Reduced CO₂ emissions from Canada Post-owned vehicles by 4.5 per cent
- Completed our first comprehensive greenhouse gas inventory. Results show a 10-kilometre round trip to the mall produces about five times as much CO₂ as purchasing the same item online and having it delivered by Canada Post.

OUR COMMUNITIES

- Raised \$2.1 million for the Canada Post Foundation for Mental Health and distributed \$2.1 million in grants, from funds raised by Canada Post in 2010, to 47 community organizations.
- Received the “Thanks a Million” award from United Way for raising, together with our employees, more than \$1.9 million. We’ve received this award every year since it was created in 1994.
- Recognized 24 Aboriginal people through the Canada Post Aboriginal Education Incentive Awards for their efforts to improve their lives.
- With the support of Santa Letter-writing Program volunteers, helped Santa answer more than one million letters and some 48,000 emails. Postal elves delivered their 20 millionth response letter to a child in London, Ont.
- Supported diversity by creating stamps to celebrate the festivals of Eid, Diwali and Hanukkah.



Canada Post was chosen as one of the Best 50 Corporate Citizens in 2011 for the third year in a row.



Canada Post was selected as one of Canada's Best Diversity Employers for 2011 for the second time.



A more detailed report on our social and environmental performance will be available later in 2012 at canadapost.ca/csr.

Canadian Postal Service Charter

Preamble

The Canada Post Corporation was created to provide a standard of postal service that meets the needs of the people of Canada. The Government of Canada is committed to ensuring transparency in how Canada Post provides quality postal services to all Canadians, rural and urban, individuals and businesses, in a secure and financially self-sustaining manner.

The Government has therefore established the *Canadian Postal Service Charter* to describe its expectations regarding Canada Post's service standards and related activities in providing postal services that meet the needs of consumers of postal services in Canada. These expectations are not intended to modify or derogate from Canada Post's obligations as set out in the *Canada Post Corporation Act* or any other legislation.

Universal service

1. Canada Post will maintain a postal system that allows individuals and businesses in Canada to send and receive mail within Canada and between Canada and elsewhere. Canada Post will provide a service for the collection, transmission and delivery of letters, parcels and publications.
2. The provision of postal services to rural regions of the country is an integral part of Canada Post's universal service.

Affordable rates

3. Canada Post will charge uniform postage rates for letters of similar size and weight, so that letters to Canadian addresses will require the same postage, regardless of the distance to reach the recipient.
4. As required by the *Canada Post Corporation Act*, Canada Post will charge postage rates that are fair and reasonable and, together with other revenues, are sufficient to cover the costs incurred in its operations.
5. Canada Post will provide advance notice of and publicly advertise proposed pricing changes for regulated letter mail products and consult with consumers during the rate-setting process.

Frequent and reliable delivery

6. Canada Post will deliver letters, parcels and publications five days a week (except for statutory holidays) to every Canadian address, except in remote areas where less frequent service may be necessary due to limited access to the community.
7. Canada Post will deliver to every address in Canada. This may be delivery to the door, a community mailbox, a group mailbox, a rural mailbox, a postal box, general delivery at the post office or delivery to a central point in apartment/office buildings.
8. Canada Post will deliver Lettermail:
 - Within a community within two business days;
 - Within a province within three business days; and
 - Between provinces within four business days.

Convenient access to postal services

9. Canada Post will provide an extensive network for accessing postal services that includes retail postal outlets, stamp shops and street letterboxes, as well as access to information and customer service through Canada Post's website and call centres.
10. Canada Post will provide retail postal outlets, including both corporate post offices and private dealer-operated outlets which are conveniently located and operated, so that:
 - 98 per cent of consumers will have a postal outlet within 15 km;
 - 88 per cent of consumers will have a postal outlet within 5 km; and
 - 78 per cent of consumers will have a postal outlet within 2.5 km.
11. The moratorium on the closure of rural post offices is maintained. Situations affecting Canada Post personnel (e.g., retirement, illness, death, etc.) or Canada Post infrastructure (e.g., fire or termination of lease, etc.) may, nevertheless, affect the ongoing operation of a post office.

Secure delivery

12. Canada Post will take into consideration the security and privacy of the mail in every aspect of mail collection, transmission and delivery.

Community outreach and consultation

13. Where Canada Post plans to change delivery methods, Canada Post will communicate, either in person or in writing, with affected customers and communities at least one month in advance to explain decisions and explore options that address customer concerns.
14. At least one month before deciding to permanently close, move or amalgamate corporate post offices, Canada Post will meet with affected customers and communities to jointly explore options and find practical solutions that address customer concerns.
15. Each year, Canada Post will hold an Annual Public Meeting open to the public to provide an opportunity for the public to express views, ask questions and provide feedback to Canada Post.

Responding to complaints

16. Canada Post will establish and promulgate complaint resolution processes that are easily accessible to customers and will address complaints in a fair, respectful and timely manner.
17. The Canada Post Ombudsman will investigate complaints about compliance with the *Canadian Postal Service Charter* in situations where customers remain unsatisfied after they have exhausted Canada Post's complaint resolution processes.

Reporting on performance

18. Each year in its annual report, Canada Post will report on its performance against each of the expectations in this *Canadian Postal Service Charter*.
19. In addition, Canada Post will present an overview of the delivery methods it uses in its annual report, indicating the number of addresses served with each delivery method and the financial costs associated with each method of delivery.

Reviewing the Charter

20. The Government will review the *Canadian Postal Service Charter* every five years after its adoption to assess the need to adapt the Charter to changing requirements.

Canadian Postal Service Charter Compliance 2011

Canada Post is committed to meeting the expectations of the *Canadian Postal Service Charter*. Our compliance for 2011 is summarized below.

UNIVERSAL SERVICE

Canada Post delivered over 10 billion pieces of mail, parcels and messages in 2011 to more than 15 million addresses in urban, rural and remote locations across Canada. In addition, Canada Post, through its membership in the Universal Postal Union, an alliance of 192 member countries around the world, provided inbound and outbound international postal services. Service to rural areas was provided through more than 3,800 rural retail outlets (approximately 59 per cent of all Canada Post retail outlets) and by more than 7,000 Rural and Suburban Mail Carriers.

AFFORDABLE RATES

Canada Post provides uniform postage rates for letters of similar size and weight, regardless of delivery distance or destination in Canada. For 2011, Canada Post applied uniform rates of postage to the following categories of letters (see chart below).

Canada Post Corporation's Annual Cost Study provides costing data that serves as the basis for ensuring that Canada Post is not competing unfairly by cross-subsidizing its competitive services with revenues from exclusive privilege

services. The results of the 2011 Annual Cost Study are outlined on page 78.

On May 14, 2011 Canada Post published in the *Canada Gazette* a regulatory proposal to increase selected regulated postage rates starting January 16, 2012. This was accompanied by a news release. Through these notifications, the Canadian public was invited to raise any concerns regarding the proposals with the Minister responsible for Canada Post. There were no representations from Canadians regarding the proposed changes. The Government granted final approval for the proposed rates on December 8, 2011.

FREQUENT AND RELIABLE DELIVERY

Approximately 88 per cent of Canadian households received postal delivery services to their residences, apartment buildings, immediate neighbourhoods or rural roadside postal boxes via delivery agents such as letter carriers or rural and suburban mail carriers. Of those addresses, 99.9 per cent received scheduled delivery five business days per week, subject only to unforeseen and temporary day-to-day exceptions. About 12 per cent of Canadian households (usually located in smaller rural

communities) obtained their mail at local post offices or through postal boxes located in conveniently accessible lobbies of community post offices.

The year 2011 presented many challenges to Canada Post's service commitments due to the increased pace and scale of the rollout of new processing and mail delivery procedures as well as the impacts of the labour disruption. The on-time service performance for Lettermail delivery was 91.2 per cent for the year as a whole. Lettermail service performance levels returned to traditional levels by year end and in 2012 we remain focused on minimizing any future impacts to service as we continue to roll out our new processing and delivery model.

CONVENIENT ACCESS TO POSTAL SERVICES

In 2011, postal service was provided in Canada through:

- 6,460 retail postal outlets;
- Thousands of third-party retail locations authorized to sell postage stamps;
- Approximately 200,000 collection points throughout Canada where postal items can be deposited (not including the more than 750,000 rural mailboxes, which are also collection points).

The retail network met its *Service Charter* standards as follows:

- 98.7 per cent of the Canadian population lived within 15 km of a retail postal outlet;
- 90.2 per cent lived within 5 km;
- 78.8 per cent lived within 2.5 km.

For 2011, there were 144 incidents affecting Canada Post personnel or infrastructure that had an impact on retail post offices covered by the rural moratorium. Eighty-seven cases were

Category		Postage Rate
Standard (envelopes, cards, self-mailers)	0 to 30 g	\$0.59
	30 to 50 g	\$1.03
Medium (envelopes, cards, self-mailers)	0 to 20 g	\$1.03
	20 to 50 g	\$1.18
Other Lettermail (non-standard and oversize)	0 to 100 g	\$1.25
	100 to 200 g	\$2.06
	200 to 300 g	\$2.85
	300 to 400 g	\$3.25
	400 to 500 g	\$3.50

Reason for delivery method change	Number of addresses affected
Retail outlet change (e.g. change in retail location for general delivery services)	3,981
Delivery equipment upgrade (e.g. conversion from a group mailbox to a community mailbox receptacle)	23,000
Delivery safety reasons or municipal request (e.g. movement of location of mail delivery in rural areas as a result of a mandatory response to a safety review)	19,000
Other reasons	141

resolved directly by Canada Post through staffing actions. In the remaining cases, after consultation with the affected communities and community leaders:

- 11 cases were resolved through staffing of the postmaster position;
- 46 cases were resolved through provision of retail services at a nearby town while maintaining delivery services in the existing community.

SECURE DELIVERY

Canada Post is committed to taking the measures necessary to protect the mail, recognizing that it holds a special position of trust and accountability for the mail it delivers on behalf of the Canadian public. The Security & Investigation Services group conducts its operations in accordance with the *Canada Post Corporation Act*, the Government Policy on Security, and other regulatory and legislative authorities with the primary objective of ensuring the appropriate protection of mail, people and assets.

The Canada Post Security & Investigation Services group continues to work collaboratively with local, provincial and national law enforcement agencies on various investigative strategies to protect the mail and prevent identity-theft-related crimes.

In accordance with its obligations under the *Privacy Act*, Canada Post submits an annual report on its privacy practices to the federal government.

COMMUNITY OUTREACH AND CONSULTATION

While Canada Post endeavours to maintain the existing method of delivery for the addresses it serves, circumstances may arise where changes are necessary, including improvements to equipment and upgrades. For 2011, approximately 0.3 per cent of 15 million addresses were affected by a change of delivery method (see chart above).

While Canada Post's corporate postal outlet network generally remains unchanged, operational issues may arise that impact the continued suitability of an existing location for postal retail services. In 2011, 22 urban offices (which are not subject to the moratorium) were considered for permanent closure, moves or amalgamations. In all cases, Canada Post consulted with affected customers and considered community input prior to implementing any proposed change. Customers were notified of proposals affecting their retail post offices through notifications posted within facilities which included solicitation for feedback. In many cases, Canada Post representatives met with community leaders and citizens affected by any proposed changes.

As of December 31, 11 of the 22 cases considered are pending completion of community consultation, final decision or implementation. Of the 11 cases that were resolved:

- eight offices moved to another location
- two offices closed
- one office remained at its current location

Canada Post held its sixth Annual Public Meeting on October 17, 2011 in Thunder Bay, Ontario. A media advisory was released in advance of the event, and the meeting was advertised on the Canada Post website. Invitations were also sent to a number of stakeholders, including local and national customers, suppliers, association representatives, retail franchisers, bargaining agents, and others. Nearly 950 Canada Post employees and interested Canadians participated through an audio webcast, while approximately 30 attended in person, including Canada Post executives, bargaining agents, and representatives from the media.

RESPONDING TO COMPLAINTS

Customer Service received 4.1 million customer calls in 2011 and 257,000 electronic customer inquiries through email, fax and online forms. These interactions related to requests for product information, tracing, claim submissions and general inquiries. The complaint-resolution process ensures that Canada Post has every opportunity to resolve customer complaints. However, in cases where Canada Post has completed its review of the complaint and the customer is not satisfied with the proposed solutions, the customer may appeal to the Canada Post Ombudsman.

The Ombudsman is the final appeal authority in the complaint-resolution process at Canada Post. The Ombudsman independently conducts investigations, questions parties involved in a dispute, determines whether Canada Post has adhered to its policies and procedures, and recommends equitable courses of action in an effort to resolve customer complaints. A detailed view of the outcome of the Ombudsman's investigations, including any *Service Charter*-related issues, can be found in the Ombudsman's annual report, available at www.ombudsman.postescanadapost.ca.

REPORTING ON PERFORMANCE

An overview of the delivery methods by Canada Post and the estimated financial costs associated with each delivery method follows:

Delivery method	Number of addresses*	% of total addresses	Average annual cost per address
Door-to-door	5,094,694	34%	\$269
Centralized point (e.g. apt. lobby lockbox)	3,726,366	24%	\$124
Group mailbox, community mailbox, kiosk	3,804,574	25%	\$117
Delivery facility (postal box, general delivery)	1,797,668	12%	\$53
Rural mailbox	757,843	5%	\$182
All methods	15,181,145	100%	\$166

* as at December 31, 2011

OTHER PUBLIC-POLICY PROGRAMS

In addition to its universal service obligation and core postal services, Canada Post also delivers certain public-policy programs on behalf of the Government of Canada.

Food Mail

The Food Mail Program was a federal Government program that subsidized the cost of transporting nutritious, perishable food and other essential items by air to isolated northern communities. In the first quarter of 2011, Canada Post shipped 4.5 million kilograms of goods under the Food Mail Program. Revenue generated through this program was \$17 million (including \$13 million provided by the Government to cover the difference between postage revenue collected by Canada Post and the costs it incurred). Canada Post estimates that the foregone revenue¹ amounted to approximately \$3 million. The program ended on March 31, 2011 and was replaced by a new federal program called Nutrition North Canada which does not involve the services of Canada Post.

Government Mail and materials for the blind

The *Canada Post Corporation Act* allows for mailing of letters free of charge between citizens and the Governor General, members of Parliament, the Speakers of the Senate and House of Commons, the Parliamentary Librarian, and the Ethics Commissioner. Members of the House of Commons can also send up to four flyer mailings (through Canada Post's Unaddressed Admail™ service) free of charge to their constituents in any calendar year.

Canada Post also provides members of Parliament with a deeply discounted postage rate, unchanged since 1995, for Unaddressed Admail mailings over and above the four free mailings per year. In 2011, approximately 2.7 million letters were mailed as Government Mail (excluding mail from constituents to parliamentarians) and MPs mailed more than 81 million Unaddressed Admail items.

The *Act* also provides for free mailing of materials for the blind. Today, thousands of visually impaired Canadians and many libraries across the country, including that of the Canadian National Institute for the Blind, are able to send talking books and other materials free of charge throughout

Canada and around the world. In 2011, it is estimated that more than two million shipments benefited from this program. Canada Post receives a Government appropriation of \$22 million to help offset the financial impact of these programs on the company.

Library Book Rate

The Library Book Rate allows public and academic libraries to move books between libraries as well as between libraries and library users who do not have access to a public library due to geographic constraints or physical limitations. Canada Post's Library Book Rate allows these books to be shipped at significantly reduced postage rates. In 2011, there were a total of just under 750,000 shipments of books under the Library Book Rate, generating \$831,000 in revenue for Canada Post. The foregone revenue for Canada Post was estimated to be \$8 million for 2011. Unlike other public-policy programs delivered on behalf of the Government, Canada Post receives no appropriation or compensation of any kind from the Government to offset the discounted postage.

¹ Foregone revenue is the difference between actual compensation and the amount Canada Post would have earned at normal levels of commercial compensation.