



INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 15, 2016
SUBJECT/REPORT NO:	Postal Banking (FCS16052) (City Wide) (Outstanding Business Item)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

Council Direction:

City Council, at its meeting of March 9, 2016, approved the following: “That Item 7.6 respecting A Bank for Everyone – Support Postal Banking, be referred to the General Manager of Finance and Corporate Services and the City Solicitor for a report to the General Issues Committee with further details about Postal Banking”.

Information:

This Report presents some key points on postal banking and includes information contained in one of the studies on postal banking by the Canadian Centre for Policy Alternatives entitled “Why Canada Needs Postal Banking”, published in 2013 and attached as Appendix “A” to Report FCS16052 (the “Study”).

Postal banking, a term used to describe the provision of banking and financial services through a post office, is being debated in Canada as to whether it might address market demand not met by the existing major banks and credit unions (including improving affordability and accessibility of banking services for all Canadians) and improve and stabilize Canada Post’s services and revenues. Canada Post had a postal savings bank until 1968 when it was closed and legislation is still on the books.

On May 5, 2016, the federal government announced an independent formal review of Canada Post, with final recommendations to be made by the end of 2016. The appointed taskforce will produce a discussion paper by September 2016 which will include viable options for postal service in Canada. Privatization of Canada Post was

ruled out and whether postal banking would be included in the paper has neither been confirmed nor ruled out.

Support for Postal Banking

The Canadian Union of Postal Workers (CUPW) with their current campaign “A Bank for Everyone – Support Postal Banking”, the Canadian Postmasters and Assistants Association, Ontario ACORN, and Leap Manifesto are advocates of postal banking. CUPW launched their campaign in October 2013, and held a symposium on postal banking in Ottawa in April 2014, called “Banking on A Future for Canada Post”.

The cities of Toronto and Victoria recently passed resolutions to support the possible addition of financial and banking services at Canada Post. The City of Toronto resolution, in particular, takes aim at payday lenders. Hundreds of other municipalities, approximately 60% of which are in Quebec, have already passed resolutions supporting postal banking.

In 2013, a Stratcom poll survey of 1,514 Canadians showed that nearly two-thirds of Canadians supported Canada Post expanding revenue generating services, including financial services such as bill payments, insurance and banking.

The “Study” concludes that the idea of Canada Post expanding into financial services is a sound one. It presents reasons why postal banking should exist in Canada and uses examples of success in postal banking from France, Italy, New Zealand, Switzerland, and the U.K., each of which has a Post Office that is publicly owned. Taken from the “Study”, the following key points are made for the case supporting postal banking:

“Delivering financial services through the post office could offer competitive new services and diversity of choice.”

The rise of non-traditional banking, such as virtual and new retail banking, and Fringe Financial Institutions (FFIs), which provide services such as payday loans and / or cheque cashing, show that traditional banking is not meeting all the needs of Canadians. Few of their services offer competitive value and FFI’s charge interest rates that are regarded as usurious. Additionally, fees that Canadians pay for their accounts from traditional banks are also very high.

“Offering postal financial services could allow those Canadians without local bank branches or easy access to banking the access they need.”

Many Canadians do not have physical access to banks or credit unions, particularly in Northern and rural Canada and on Aboriginal reserves. However, banking at branches is still seen to be important for many Canadians, especially for opening new accounts, advice, trading securities, applying for mortgages and loans and for business banking with a need for daily deposits and withdrawals of cash and cheques. Canada Post, with the largest network of retail outlets (6,400 in 2012) across Canada and with 60% (approximately 3,800) of these in rural areas, could address this need. In addition, it is

estimated that between 3% and 15% of the adult population do not have a bank account. Many Canadians use FFIs at a high personal cost.

“Offering postal financial services could help stabilize revenues and services of Canada Post.”

The post offices of France, Italy, New Zealand, Switzerland and the U.K. received a substantial percentage of their sales and profits from financial services while other sources of revenues declined. The key component for success is cited to be characteristics of the Post Office, including widespread locations, trust in the institution and the staff. Canada Post could decide on the type of model to adopt such, as a chartered or non-chartered bank or partnership with an existing bank.

“Canada Post has strengths that could be translated into banking.”

Strengths include the largest network of retail outlets already in place across Canada and especially in rural areas where there are fewer branches and credit unions such as in Aboriginal communities and in Northern Canada; a high trust factor among the Canadian public; an existing skilled and stable workforce open to upgrading; its long history of delivery of some financial services; and, the federal government’s existing experience in the financial industry.

“The kind of new financial services that Canada Post could provide would be delivered through physical branches, internet, telephone and mobile phone. There would be no hidden fees and they would contribute to financial literacy.”

Brand new services might be introduced: low-fee chequing accounts, access by bank and credit union customers to their accounts to deposit and withdraw cash (example: U.K.), low interest credit cards, and prepaid debit cards. Future services might include mortgages, small business and agricultural loans, insurance, mutual funds and stock trades, special products for low-income Canadians (example: New Zealand and France) and Aboriginal Canadians (example: New Zealand) and special services for non-governmental organizations and social economy organizations (example: France).

Doubt About Postal Banking from Canada Post

From Canada Post’s website on June 2014, “Protecting Canada Post’s Future” Deepak Chopra wrote, “One of those is postal banking, which Canada Post looked at years ago. We found the conditions underlying the success of postal banks in other countries—such as a strong history of postal banking, or providing a more secure option than traditional banks—aren’t present in Canada.” A 2010 Conference Board of Canada study commissioned by Canada Post stated: “While there is clearly room for Canada Post to explore digital products involving financial transactions such as invoicing and bill payments, the conditions that allowed other postal administrations to succeed in banking do not exist in Canada. Therefore, this report does not explore financial services as an option in Canada.”

Former Canada Post President Michael Warren in the Toronto Star in December 2015 wrote, “A new review will likely conclude there is no sustainable business platform left

for Canada Post that won't require massive subsidies" and "Canada Post should be privatized and the proceeds go to paying off as much of its debt and pension shortfall as possible."

This Information Report addresses the matter respecting "A Bank for Everyone – Support Postal Banking" and can be removed from the General Issues Committee Outstanding Business List.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS16052 – Canadian Centre for Policy Alternatives Study: "Why Canada Needs Postal Banking", October 2013

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