

# Banking on a Future for Posts?



**P**ost offices around the world face significant financial challenges due to economic recession, electronic diversion and increased competition. On the one hand, these challenges have led to falling mail volumes, which have weakened the economic viability of many postal administrations. On the other hand, they have spurred some administrations to bolster, innovate and expand services in an attempt to improve their economic viability.

The Canadian Union of Postal Workers (CUPW) has produced a paper that looks at the financial and banking services provided by postal administrations in Brazil, France, India, Italy, Switzerland and the United Kingdom. The paper is entitled *Banking on a Future for Posts? A financial assessment of postal banking and financial services at various postal administrations*. It examines how these services have contributed to the economic situation of these post offices. In addition, it explores the potential for expanding financial services and introducing banking services at Canada Post.

## **Finding: Postal banking is lucrative!**

**Italy:** BancoPosta at Poste Italiane brought in 48% of this post office's net profits (2012).

**Switzerland:** PostFinance generated 71% of Swiss Post's operating results (2012).

**France:** Banque Postal at La Poste did well enough in 2012 that it paid € 186 million (\$253 million CAD) in dividends to La Poste.

## **Finding: Postal banking has social & economic benefits**

**France:** Banque Postale has an obligation to provide products and services to as many people as possible. It provides a Livret or passbook savings account, at no charge, to anyone who requests it. It also provides banking services to the financially vulnerable and financing for social housing, micro-business and voluntary organizations.

**Brazil:** Since its creation in 2002, Banco Postal at Brazil's post office has opened more than 6,300 postal bank branches and provided bank accounts to more than ten million people. These efforts are largely designed to meet the needs of poor and marginalized populations living in rural and underdeveloped areas.

**Italy:** BancoPosta offers passbook savings accounts on behalf of Cassa Depositi Prestiti (CDP). The CDP, which is 80% owned by the Italian government, uses the money from these savings products to finance public investments of general economic interest, such as roads, schools and energy and water projects.

## **Finding: Postal banking could work here at home**

## **Talk about bringing postal banking back**

Our public post office offers limited financial services. However, it used to have a savings bank. This bank operated for one hundred years, from 1868 to 1968.

**1982-** Former CPC President Michael Warren argued for an increase in financial services at retail counters. He pointed out that there were 2,000 communities in Canada which had a post office but no bank and suggested that the postal service could step into this service vacuum.

**2005** - Canada's Library of Parliament produced a research paper arguing in favour of CPC offering financial and banking services. The paper said, "the financial services option would seem to be the logical way to ensure the Canadian postal system's viability."

**2010** - Former CPC President Moya Greene told a standing committee of Canada's Senate that she was giving serious consideration to providing "a more traditional and generalized banking offer."

Unfortunately, Deepak Chopra, CPC's current president, does not think the post office should get into banking.

## **There is a need**

- Many communities do not have a bank. There have been close to 3000 closures since 1990.
- Many low-income individuals do not have a bank account or have a precarious relationship with mainstream financial institutions.
- Some people are forced to use fringe financial institutions that charge them interest rates well above those charged by banks and credit unions.

- Many people also have concerns about money transfer organizations (high fees) and mainstream financial institutions (high fees, huge profits).
- Groups like Democracy Watch, the Canadian Community Reinvestment Coalition, the Aboriginal Business Development Centre and the Canadian chapter of the Association of Community Organizations for Reform Now are pushing for financial service improvements

## **There is support**

**Poll:** Close to two out of every three respondents (63%) to a Stratcom poll supported Canada Post expanding revenue-generating services, including financial services like bill payments, insurance and banking.

**NDP:** The New Democratic Party (NDP) has encouraged Canada Post to deliver lucrative financial and banking services instead of cutting as suggested by the Conference Board of Canada report on the future of postal service.

**CUPW:** CUPW wants Canada Post to reconsider its focus on cutting and instead follow the example of other postal administrations around the world by expanding revenue-generating services like banking.

**UPU:** The Universal Postal Union (UPU), a United Nations agency, thinks post offices should be looking at expanding financial services. It has produced a global roadmap for the future. This roadmap calls for the continued development of postal networks along three dimensions – physical, financial and digital/electronic.

You can get a copy of *Banking on a Future for Posts?* at <http://www.cupw.ca>