

Why Canada Needs Postal Banking

International Symposium on Postal Banking

John Anderson

613-290-0016

andersjs1@gmail.com

“Millions do not have a bank account, or use costly services like payday loans and check cashing exchanges just to make ends meet. The entire underserved population comprises more than a quarter of all households — some millions of adults.

They are an economically diverse mix of working and middle class families, poor and unemployed people hurt by the recent economic crisis, young people, immigrants, and others who are trying to make it paycheck to paycheck.

Together, they represent a huge market. In 2012, they spent about \$89 billion just on interest and fees for alternative financial services.”

Canada Post never studied the postal bankingpublicly

- The Conference Board of Canada report, *The Future of Postal Services in Canada*, in 2013, provided the “policy research” for the 5 point December bombshell announcement which included shutting down home delivery
- The Conference Board hired by Canada Post . The CP CEO is on the Board of the CB!
- The Report recommended many changes but it failed to recommend financial services or even to examine their possible application in Canada.
- The Report began with a very favourable analysis of the effects of financial services in post offices around the world:
- “For international postal operators, the primary new business line being entered is financial services. In some countries, such as Japan and Great Britain, financial services have been a core element of the post office for many years. In other countries, financial services have been gradually introduced to postal services over time. The addition of financial services through postal outlets offers many potential benefits. For instance, it can facilitate financial inclusion in rural areas while also mitigating the decline in postal revenues. Postal banks serve large markets, but can be low in incremental cost because they make shared use of the postal retail network.”

Canada Post nixed financial services

- But in the end the Conference Board report announced why it was nixing financial services:
- “Canada has a highly developed financial services sector that extends from large banks to small credit unions. 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.”
- Canada Post just followed the report’s cover... But we found out recently CP had done its own study of financial services!

Why we need it

- Failure of existing banking system to answer needs of many groups and many regions
- Need to find other revenue sources for the post office to survive and develop.
- Or else we are faced with a Canada Post management backed by the present federal government which seems committed to running Canada Post into the ground... and preparing the ground for privatization

Meanwhile widespread support for postal banking in Canada

- For years we have known this could work
- 3 CEOs all supported postal banking: Past presidents and CEOs of Canada Post, from the first president Michael Warren, to André Ouellet and Moya Greene, now CEO Royal Mail
- Even a secret report by Canada Post just discovered with hundreds of redacted pages said in one of its unredacted titles (on a blank page): “This would be a win-win strategy”
- Opinion polls show 2/3 support postal banking
- Survey of rural mayors and band chiefs showed similar levels

Why it would work in Canada

- 1) It works in other countries
- 2) It has worked here in the past
- 3) Banking is a very profitable industry in Canada and yet millions are not well served or not served at all
- 4) Canada Post has the workforce and the infrastructure to deliver financial services

1) Success in other countries

- Postal Banking is a huge success story around the world
- Among the 100 largest banks are the 5 big Canadian banks but also the Japan Postal Savings Bank the Postal Savings Bank of China and the Banque Postale de France
- In many countries, the Postal Bank plays a key role in offering services which the private sector banks do not offer or offer less widely
- The competitive services of the postal banks have been not only an opening to a billion account holders but they offer an alternative to the private and co-operative sector banks

FIGURE 1 Summary of Postal Banking Models and Services in the United Kingdom, France, Italy, Switzerland and New Zealand

Postal Financial Services	Name of Financial Services Institution(s)	Structure of ownership of Financial Services	Services Offered	Bank Charter	% of Post Office sales or profits for latest year	Rank of Services
United Kingdom	Post Office	Main partnership with Bank of Ireland and agreements with other banks	All financial services, including new chequing accounts	No	25% of sales	No ranking
France	La Banque Postale	La Poste	All services	Yes	36% of before-tax earnings	44 th Safest Bank in World
Italy	BancoPosta and insurance companies	Poste Italiane	All services; savings in partnership with the CDP (Cassa Depositi e Prestiti)	No	67% of total profits	Largest retail bank in Italy
Switzerland	PostFinance	Swiss Post, with partnership on all loan and insurance products	All services	Yes	71% of total Swiss Post operating profits	Number 1 in payment services and number 3 in customers
New Zealand	Kiwibank	NZ Post	All services	Yes	70% of profits	Largest NZ-owned bank

2) It has worked here for 100 years: History of Postal Banking in Canada

- One of the oldest postal banking countries 1868-1968
- Postal banking instituted just after Confederation in 1867
- Successful with millions in assets and tens of thousands of customers
- Disappeared under mysterious circumstances in 1968 just as the US Postal Savings Bank also went down

3) Banking industry highly profitable and yet leaves out millions of potential users

- Michael Warren said 2000 communities had no bank

4) Canada Post has the workforce and the infrastructure to deliver financial services

1. Canada Post has the largest network of retail outlets already in place across Canada. Canada Post had a total of almost 6,400 postal outlets in 2012. In 2012, 3,900 were Canada Post-owned and 2,500 were managed by private dealers as franchise outlets.

2. 3,800 Canada Post outlets or 60% are in rural areas where there are fewer banks and credit unions.

Advantages of Canada Post for Banking services

- **3. A number of communities in Canada have a postal outlet but no other (or limited) banking services.**
- **4. Canada Post has a high trust factor among the Canadian public. Nine out of 10 Canadians had a favourable or somewhat favourable impression of Canada Post, and seven out of 10 were satisfied overall with Canada Post.**

- **5. Canada Post already has an existing skilled and stable workforce that would be open to skills upgrading.** Canada Post has a large and skilled workforce of 68,000 employees in 2012.
- **6. Canada Post already delivers a number of financial services**
- **7. Many Canada Post outlets are already open 6 or 7 days a week and could operate longer daily hours than 9:00 a.m. to 5:00 p.m..**

- **8. The federal government already has significant experience in the financial industry.**
 - **Business Development Bank of Canada**
 - **Farm Credit Canada**
 - **Canada Savings Bond**

What kind of services: the principles

- Profitable for Canada Post.
- Tested regionally before being launched nationally;
- Delivered through both bricks-and-mortar locations as well as by Internet and telephone, including mobile phones;
- Transparent, meaning without hidden fees;
- Fair, meaning delivered at lowest cost while assuring profitability
- Contribute to financial literacy in the schools using the kind of financial literacy programs developed by Desjardins in Quebec and VanCity in Vancouver.

Particular emphasis

- 1) Neighbourhoods both rural and urban without a bank or credit union
- 2) Aboriginal communities
- 3) Underbanked and unbanked
- 4) Special groups without an adequate such as small businesses in rural areas, seniors,

Building on services Canada Post delivers

- Expanding existing services
 - Money orders
 - Money transfers
 - Bill payment –expand epost
 - Prepaid Visa

New services

- Withdraw and deposit with Interac
- Chequing and savings accounts
- Savings products such as bonds
- Low interest credit cards
- Debit cards prepaid and then
- ❑ Mortgages
- ❑ Loans
- ❑ Insurance products
- ❑ Mutual funds and stocks

Special services

- Short term loans
- Rent to own
- Joint mortgages
- Aboriginal mortgages (based on home not land)
- Special services for NGOs and Social Economy

How could it work here

Several Possibilities

- Non-chartered bank
- Chartered Bank
- National credit union

All services own by postal institution or partner on some or all services

First step establish a task force on what financial services to deliver first and then move forward to postal banking.

Next Step Task Force