

It's Time for a Postal Bank for Everyone

**How a bank in the Post Office
could help you**

A research report prepared by John Anderson
for the Canadian Union of Postal Workers, 2018

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Postal workers' unions — the Canadian Union of Postal Workers (CUPW) and the Canadian Postmasters and Assistants Association (CPAA) and more than 600 municipalities¹ are supporting the set-up of postal banking and making financial services available in every post office. Here is why we think this should be a project you could support and why it could even be of major help to you and your community.

A. Why do we need it?

1) Many Canadians no longer have access to a bank or credit union.

Do you no longer have a bank branch or credit union in your neighbourhood or community? Well, it is not just missing in your community. In fact, the total number of bank and credit union branches has declined massively. Today, there are 6,190 bank branches in Canada, down from 7,964 in 1990, and there are 2,831 credit union branches in 2017 compared to 3,603 in 2002. And closures are still going on today.²

Many communities now have no banks or credit unions at all. A study showed in 2014 that 45 percent of small towns and rural communities with a post office did not have any bank or credit union. British Columbia and Nova Scotia had rates above 60 percent, and Newfoundland above 80 percent!

Table 1: Rural Post Offices Surveyed on Financial Services & Franchises 2014			
Provinces and territories	Total	No bank or credit union	% Communities with no bank or credit union
British Columbia	176	107	61%
Alberta	211	60	28%
Saskatchewan	322	144	45%
Manitoba	177	85	48%
New Brunswick	111	55	50%
Nova Scotia	157	102	65%
Newfoundland and Labrador	255	215	84%
Prince Edward Island	27	16	59%
Ontario	457	202	44%
Quebec	718	189	26%
Nunavut	3	1	33%
Yukon	6	2	33%
Canada	2620	1178	45%

Source: John Anderson, *“Why Post Offices need to offer banking services”*, Canadian Postmasters and Assistants Association, September 2014
http://cpaa-acmpa.ca/pub/files/banking_services_SEPT23Eng.pdf

But, it is not only in small town and rural Canada that this is happening. Many neighbourhoods in large and medium-sized cities now have no bank or credit union branch or now have fewer branches. In Ottawa, central downtown Bank Street (as the name implies, once home to major branches of all the major banks), now has more payday loan locations than bank branches.³

- 2) **Existing banking services are very expensive for most people** and a postal bank could offer very affordable services while still making a profit.

The big six Canadian banks are among the most profitable banks in the world. They collectively earned \$42 billion in profit in 2017, a 13 percent increase over 2016 and double the profits that the banks made in 2010.⁴ Their total profits are more than twice the total of all annual deficits for 2016 of federal, provincial and municipal governments combined, which according to Statcan was \$18 billion!⁵

The average monthly fee levied on chequing account plans rose by 13.6 percent from 2005 to February 2013.⁶ Fees for chequing accounts with unlimited transactions range around \$16-30 per month at the major banks.⁷ This means many people are paying \$360 a year for basic banking services! Cheaper plans are available but charge extra for many services or for using basic services multiple times.

- 3) Most Indigenous communities do not have a bank or credit union.** While there are over 700 Indigenous communities, there are only about 66 bank or credit union branches in Indigenous communities, or less than 10 percent of communities have a bank or credit union branch. A Canada Post bank could work with Indigenous communities to offer banking services in their communities.

Table 2: Indigenous Communities Bank or Credit Union Branches	
RBC ⁸	11
RBC branches in territories NWT, YT, NU	6
First Nations Bank ⁹	12
CIBC ¹⁰	6
TD ¹¹	5
Scotiabank ¹² + 28 Aboriginal Banking Centres in major municipalities	4
BMO ¹³	14
Total Banks	58
Credit Unions ¹⁴	8
Total	66

Figures are from the September 2017 websites of the major banks and credit unions.

4) Most people still need to use a branch

But does anybody still use branches? Don't we do it all online? One argument used against starting a postal bank is that nobody uses a bank branch anymore. But the reality is that people still need bank branches. A study from the Canadian Credit Union Association showed that over 50 percent of Canadian still use a bank or credit union branch on a regular basis.

Table 3: Use of Branch (not ATM) Channel by Financial Institution						
	2015			2011		
	C.U. Members	Bank Customers	C.U. Difference	C.U. Members	Bank Customers	C.U. Difference
Never	10%	9.8%	0.2%	8.3%	10.1%	-1.8%
Over 6 months ago	20.7%	23.5%	-2.8%	18.7%	23.7%	-5.0%
Past 6 months users	69.3%	66.7%	2.6%	73%	66.2%	6.8%
Within the last 3 to 6 months	14.2%	16.7%	-2.5%	16.6%	18.5%	-1.9%
Less than 3 months ago	55.1%	50.1%	5.0%	56.4%	47.7%	8.7%

From Canadian Credit Union Association, System Brief, December 2015 https://www.ccu.com/publications/system_briefs

5) **We need an alternative to pay day loans.** Pay day loan rates are usurious. At the lowest rate in Canada – which is now in Ontario – a \$100 loan at \$15 interest over two weeks still amounts to an annual interest rate of 391 percent! Yet pay day loans are only accorded to people who have a reliable income source. Thus, a new postal bank could offer alternative products to pay day loans at similar rates to credit cards, which at their most expensive are under 30 percent. For example, a 29% rate would cost about \$1.11 over two weeks instead of \$15.

6) **Banking services help support other post office services such as mail service, home delivery, and local post offices.** When we look at how banking services work in other countries, we find that postal banking helps support other post office services. Mail delivery is itself an important service in a large country like Canada where the cost of mailing a letter 9,300 kilometers (the width of Canada) is the same as mailing one to a recipient in the same town. Also, home delivery which has been cut needs to be re-expanded and this requires revenues from multiple sources. Postal banking revenues have proven to be valuable in many countries, as the following chart shows.

Table 4: 5 Major Successful Postal Banks

Country	Service	Number of customers	No. of employees	Profits of postal financial services	Sales	Profits of group	Fin/services % of total profits/sales 32%
United Kingdom	Post Office Money ¹⁵		80-100 at HQ		£301 mill. out of £940 mill.	UK PO does not publish profits by sector	32%
New Zealand	Kiwi-bank ¹⁶	800,000	1,000	\$122 million NZ before write down of IT and then \$58 million		\$27 million NZ ¹⁷	214%
France	Banque Postale ¹⁸	10.7 million	2,541	538 million € before tax 477 million € after tax		975 million € (before tax) ¹⁹	55%
Switzerland	Post-Finance ²⁰	3 million	3,599	542 million CHF ²¹		558 million CHF ²²	97%
Italy	Banco-Posta ²³	9.55 million users 5.8 m depositors ²⁴	1,824	813 Million €		622 m. €	144%

Sources: All figures are from the 2016 annual reports of the Post Office Groups and Postal Banks

B. How would it work?

Postal banking can be run in many different ways. The simplest one would be as a subsidiary of Canada Post. It could be set up in one major region of the country at a time. The easiest way to set it up would be as a Crown Corporation in the same manner as the other federally-owned banks. (see below)

C. What services would be offered?

First, basic banking services such as savings and chequing accounts and bill payment. Then it could build to other services such as mortgages, business and personal loans, foreign exchange, investments, insurance and alternatives to payday loans.

D. What do the Post Office and the federal government know about banking?

Some ask “What do Canada Post and the Federal Government know about banking and financial services?” But the answer may surprise you.

1) The past and the present of Canada Post and financial services

- Canada Post has had 100 years of banking experience. Postal banking in Canada was introduced in 1868 right after Confederation and lasted until 1968. The legislation that enabled postal banking is still on the books.

- Canada Post already delivers some financial services at its 6200 plus offices, the largest retail chain in Canada. It sells money orders, credit cards and has an on-line bill delivery service *epost* which could easily be modified to allow bill payment on-line. Canada Post already has a secure delivery system in place which can be further developed. Canada Post already has the trained staff who can learn how deliver new financial functions to support banking services.

2) Four profitable and successful federal banks already

The federal government, it already administers four very successful banks, all of which made a profit totaling \$3.2 billion in 2016. These banks could provide support for the new postal bank as they already have 242 offices across the country, provide loans to farm families and businesses as well as offer savings products such as Treasury Bills and until recently Canada Savings Bonds. Staff expertise from over 7000 public servants could be seconded to the new postal bank.

Name	Assets	Number of Customers	Profits	Number of Offices	Head-quarters	Employ-ees	Services
Farm Credit Canada ²⁵	\$33 billion	100,000	\$613 million	100	Regina	1800	Loans, mortgages
Business Development Bank of Canada ²⁶	\$25.3 billion	49,000	\$464 million	118	Montreal	2200	Loans
Export Development Bank ²⁷	\$63 billion	7150	\$1072 million	18 Canada 19 International	Ottawa	1400	Loans
Bank of Canada ²⁸	\$106.1 billion		\$1057.6 million	6 Canada 1 International	Ottawa	1700	Treasury Bills
Total	\$227.4 billion	156150	\$3207 million	242 Canada 20 International		7100	

Source: Table figures from Annual Reports 2016

E. Who would pay for it?

While a new postal bank would require initial investments from the federal government, Canada Post already has the bricks and mortar offices as well as the staff – who would need training on new financial products, but already deals with financial products and retail sales. The profitability of postal banks world wide shows that any new investments in equipment and training would be quickly repaid.

F. How would it benefit me?

If you use the new services, you would have access to services for all your banking needs in your neighbourhood or community – where many have either had no bank or credit union, or perhaps only one other banking service to choose from. Postal delivery workers could also be equipped with a tablet to help with some of your banking needs if you were unable to leave your home or could not use online services.

If you do not use the services, you would still benefit because postal banking would support the economic development of your community and your country, especially helping local citizens get fair rates and helping local businesses access services they need. Also, postal banking would help guarantee the postal services we have now and even help expand them.

G. Who would use the services?

Research carried out for the Government of Canada’s Postal Service Review Task Force in 2016²⁹, showed that, even without having all the details or being able to see how exactly the postal financial services would work, a large number of Canadians wanted to use them. 11 percent of Canadians say that they would definitely use some financial services at Canada Post. There are 29.65 million Canadians over 18, meaning that 3.26 million Canadians would immediately be interested in the new banking services.³⁰ The 7 percent of Canadians who said a definite yes to using full banking services at the post office, plus the 22 percent who said they would probably use them, means some 2.075 million Canadians could soon have accounts at the postal bank, with another 6.5 million Canadians as probable users.

Since 47 percent of Canadians said new banking products were a good or excellent fit for Canada Post, the future for increasing the above numbers looks excellent. The 27 percent Indigenous support for adding banking services was also very encouraging. Finally, the 39 percent of business support and 11 percent of businesses committed to using banking services would make a Canada Post Bank one of the top business banks in Canada. There are 1.17 million businesses³¹ (small medium and large) so an 11 percent of businesses using the services would mean 128,700 businesses ready to use postal banking services.

H. Postal banking could become the anchor of many other additional community hub services offered in the post office location.

In *Delivering Community Power*, <http://www.deliveringcommunitypower.ca/>, we saw how the post office could become the new hub of Community services. As well as traditional post office services and financial services, the local post office could offer such services as:

- 1) Other federal, provincial and municipal services such as passports, tax payment, drivers’ licenses and car plates
- 2) Charging stations to recharge your electric vehicle, assuring that there is a charging station offering fair prices in every neighbourhood;
- 3) Internet services at cheaper rates as well as places to use computers: Many communities still have no high-speed internet, which the Post Office provides in many other countries³²

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- 4) Centre for checking on seniors and people with disabilities: Postal delivery workers are often in regular contact with many of our citizens. By building on this role and checking in on our most vulnerable residents, postal delivery workers could help build more healthy and secure communities.
 - 5) Drop off and pick up points for fresh healthy food. Most people would like to eat healthy food but for many it is difficult to obtain in their community. The post office could serve as a regular weekly drop off point for fresh food baskets at reasonable process.

Because of the number of people who want to use banking services, and because of the revenues that can be made even while offering better and less expensive financial services, the postal bank can become the anchor for these other roles, cementing the long-term place of the post office within the community.

I. How you can help get postal banking in Canada

First, you can start talking about it with your friends, relatives and workmates. You can find more resources on postal banking at <http://www.cupw.ca/en/campaign/resources/postal-banking>

Second, you can contact your MP and tell him or her that we need postal banking.

<http://www.cupw.ca/en/campaign/postal-banking/resources/send-your-mp-message-support-postal-banking>

Third, if your town or city is not on this list of one supporting postal banking, please contact your councilor or mayor and get them to pass a resolution.

<http://www.sttp.ca/en/campaign/resources/municipalities-and-groups-have-passed-resolutions-or-sent-letters-support>

Fourth, if your labour council or your union or your community organization or NGO has not passed a resolution in support of postal banking, get one passed.

Fifth, if you need a speaker on this topic, please let us know and we will try to help you.

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1 Municipalities and groups that have passed resolutions or sent letters in support of expanding services like postal banking

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