



## **CANADA'S ECONOMIC ACTION PLAN FUNDING PROPOSAL FOR SMALL MAIL BUSINESSES IMPACTED BY THE POSTAL DISRUPTION**

### **Background**

*Canada's Economic Action Plan* introduced by the Harper government was designed to fight the effects of the global recession by providing significant stimulus to safeguard jobs and protect families, while making important productive investments to contribute to Canada's long-term economic prosperity.

The next phase of *Canada's Economic Action Plan* is designed to secure the recovery and to improve the well-being of Canadians over the long term. To this end, Budget 2011 supports job creation and continues to lay the foundation for sustainable economic growth.

In recognition of the ongoing fragility of the world economy, Budget 2011 announced new targeted measures to support jobs and growth. As the private sector moves ahead as the engine of growth and job creation, the Government is returning its focus toward sustainable actions that create the right conditions for long-term economic prosperity.

The focus of the *Next Phase of Canada's Economic Action Plan* will be supporting job creation, supporting families and communities, investing in innovation, education and training, and preserving Canada's fiscal advantage. This funding proposal is based on the cornerstones of the Plan: Supporting job creation by helping businesses and entrepreneurs succeed; Investing in innovation, education, technology and training.

There remains considerable risk and uncertainty in the global economy, and at home too many Canadians still remain out of work. For these reasons, the Government remains focused on the economy. For these reasons as well, the Labour Minister, the Honourable Lisa Raitt, tabled back-to-work legislation for Canada Post Corporation. Although almost all business suffered some setback from the postal uncertainty, none endured the economic hardship as much as the most vulnerable, the small to mid-size business infrastructure that forms the support for the Canadian mail industry. There are over 500,000 jobs in the mail industry, many of which are in this vulnerable SME category.

## **Postal Disruption Impact**

**May 2011** - *Significant media coverage escalated about acrimonious negotiations between Canada Post and CUPW*

**June 2, 2010** - *CUPW rotating strikes started.*

**June 14, 2011** - *Canada Post locked out workers.*

**June 26, 2011** – *Back-to-work legislation given Royal Assent*

**July 4, 2011** – *Work backlog in Canada Post is cleared, new mail induction is being staged*

The postal disruption delivered a devastating economic impact to Canada Post and its employees, Canadians, and Canadian businesses and their employees. Economic recovery was a priority even before the disruption for all businesses - small, medium and large – and this postal situation has now wiped out any recovery in the mail industry, and inflicted irreparable harm.

The Canadian mail industry employs more than 500,000 people, many of them in the vulnerable SME sector. Layoffs and cashflow injury began even before the rotating strikes due to the uncertainty of a stable delivery system; the rotating strikes and eventual lockout escalated industry layoffs and cashflow hardships, as clients withdrew mail campaigns.

Mainly the infrastructure that supports the mail channel, these small businesses include all phases of the creative, production, data management, software development, and Value Add Mailer (VAM) mail execution and entry provider sectors. There is no Canada Post without the significant volumes generated by this mail industry – these businesses are Canada Post's best sales representatives, their largest users. They now urgently need some targeted, short term assistance.

The normal flow of business engaged in by small and medium size businesses has been adversely affected from the time that a possible Canada Post strike was made public. Hardest hit are direct mailing companies which include Value Add Mailers (VAM's). Regular and prospective customers withheld their business associated with mailing in anticipation of the Canada Post strike, and much business was diverted to other media. The revenue expected to be ploughed back into operations could not materialize primarily because nothing was coming in, and the on-going fulfillment contracts of products and statements could not be moved out. The prolonged uncertainty/disruption situation kept these companies hostage and robbed them of their most important asset - working capital to keep their operations going.

Value Add Mailers, like other small businesses, employ people whose livelihood is dependent on how/if the mail is moving. Struggling small businesses are always severely affected by any disruption such as a prolonged Canada Post work stoppage. They lack many of the resources and access to funding available to large companies. The shortage of available working capital has kept employees away from work depriving them of income to support their families. Without access to immediate working capital, many small businesses might not make it.

Temporary shutdown and major employee layoffs available for struggling small business organizations to survive are not solutions. There will be even more unemployment claims and unpaid debts which will negate the economic recovery plan.

### **Funding Proposal**

Minister of State for Small Business, the Honourable Maxime Bernier, acknowledges that small businesses are the backbone of the Canadian economy, entrepreneurship and economic development go hand-in-hand. The Minister's goal is to maintain the best environment possible so that Canada's small businesses continue to prosper.

As an important part of *Canada's Economic Action Plan*, we are requesting immediate, stop-gap working capital assistance for these small businesses. The ***Stop-Gap Working Capital Assistance Program*** will help small businesses get back on their feet and will have a resounding, positive effect on the Canadian economy. This will create an economic stimulus and reinforce government commitment to support small entrepreneurs. This new funding initiative will give small businesses the necessary relief to the situation caused by the postal disruption by giving them access to working capital without penalties attached. The proposed government assistance is very much in keeping with both the Minister's vision and *Canada's Economic Action Plan*:

- Engaging in smart stimulus spending that creates jobs
- Helping Canadians who are hardest hit by the recession
- Investing in innovation, education, technology and training

The requested stop-gap working capital assistance could take the form of a "non-repayable loan" or a "grant" for two months' working capital; or a long-term, interest-free loan for a more substantial amount, giving more leeway for small businesses to recover and invest in resources to become globally competitive.

We understand that small businesses are the engines of economic growth and we believe that we are active participants in *Canada's Economic Action Plan*, the country's aggressive response to global recession. In this light, we are requesting consideration, approval and immediate implementation of the ***Stop-Gap Working Capital Assistance Program***.

**Program Administration and Cost**

This Federal initiative could be distributed provincially for easier access and cost-efficient implementation. The cost of not funding some relief to these entrepreneurial businesses is arguably Canada's continued economic recovery. As with other programs, a funding cap is anticipated, and with industry consultation, a reasonable and equitable formula for calculating the amount of assistance and the criteria to be met, can be quickly agreed.

In this regard, our Value Add Mailer Council Chair, Laura Artibello, President, Mailennium, would be of valuable assistance. At this point, we estimate 2,000-5,000 companies would qualify for this *Stop-Gap Working Capital Assistance Program*.

NAMMU – Value Add Mailer Council  
July 4, 2011