

NOTE

## Postal Reforms

**Bharat Jhunjhunwala writes :**

The Union Cabinet has given green light to the amendment of Post Office Act. Courier companies will be prohibited from carrying letters of less than 150 grams and pay a fine of Rs 1,000 for violation of the same. They will be required to charge at least 2.5 times the rates charged by Speed Post, large companies having turnover in excess of Rs 25 lac per year will have to pay 10 percent of their revenues into a Universal Service Obligation Fund which will subsidize the provision of postal services in rural areas by the Department of Posts. A Mail Regulatory and Development Authority will be set up with an Additional Secretary as Chairperson to resolve other issues. The basic thrust of these measures is welcome because the courier industry surely needs regulation. But these amendments will not serve the purpose in present form.

The objective of the Government is to reduce its budget deficit by increasing income of the Department of Posts. The idea is that restriction on carrying of letters by courier companies will lead to an increase in the business of the Department of Posts and reduction of losses that are to be met by the Union Government. The Department provides postal services in rural areas that are unprofitable. It also hugely subsidizes postcards and low-value money orders used by the poor people. The Department will be compensated for this loss by higher income from carrying of letters in urban areas.

It is doubtful whether this approach will lead to a reduction in the budget deficit, however.

The courier companies will try to surreptitiously book letters of less than 150 grams and the corrupt officers of Regulatory Authority may extract bribes for letting them go. Courier companies will give heavy month-end or year-end discounts to customers to evade the mandatory high charges. They may give a receipt of Rs 60 to the customer while collecting only Rs 20 in cash. This will lead to the generation of black money.

The subsidy for provision of rural- and postcard services can be allowed to private players also. The courier companies can be classified in categories such as those providing services in metropolitan cities, state capitals, district headquarters, small towns and rural areas. The rates of tax can be lowered and subsidies provided to both private- and government players on a staggered basis. This will encourage courier companies to provide courier services in small towns and help spread economic development downstream to remote areas. Higher use of courier services in small towns will reduce the losses of Department of Posts.

The requirement that courier companies charge 2.5 times speed post rates is unwarranted. The objective of the Government should be to bring about a reduction in the cost of these services. This move defies logic. The Government is making efforts to bring down the cost of infrastructure such as by privatizing distribution of power in metropolitan cities. If at all, the government should fix the upper limit of charges to be collected by private players.

The Government must not create laws that are ineffective, slow down the economy and create opportunities for corruption by government servants. The single solution for all the woes is to impose higher taxes on courier companies and provide adequate cross subsidy to those providing services in rural areas. □□□