

COMMENT

Post Office Bill 2011

THE DEPARTMENT OF POSTS HAS sent the Draft Post Office Bill, 2011 to the Cabinet for approval. Courier Companies will be required to charge double the amount charged by the Post Office for letters up to 50 grams sent by Speed Post. Present charge for Speed Post is Rs 25. It will be obligatory for Courier Companies to charge minimum Rs 50 for such letters. This will provide some relief to the Department. Postal delivery will become cheaper than Courier. This restriction will be removed after 15 years.

The imposition of minimum charges defies logic, however. Objective of the Government should be to bring about a reduction in the cost of these services. The Government is making efforts to bring down the cost of infrastructure such as by privatizing distribution of power in metropolitan cities. The same policy should be applied here.

It will be difficult to implement such a provision anyway. Small courier companies will issue a receipt for Rs 50 but charge only Rs 30 from the customers. The Government will be providing encouragement to the people to violate the law. This provision will be especially harmful for small courier companies. Bigger Companies presently charge about Rs 40 to Rs 100 for a letter. They will be scarcely affected. Small Companies presently charge Rs 25 to Rs 40. They will come under pressure. Some may have to close down. This will be harmful for the country. The Government must provide protection to small companies and enable them to stand up to the big brothers. Such competition alone will save the customers from the tyranny of big business.

The purpose of providing protection to the Department of Posts is to compensate it for the services provided by it in the rural areas. The Department runs many post offices in small villages. These Post Offices provide less business but cost of running them is high. On the other hand Courier Companies only serve the large-volume big city markets. Thus the costs of the Department are high. This needs to be compensated. The argument is correct. However, this compensation can be provided by imposing an 'Access Deficit Charge' on Courier Companies along the lines imposed on telecom companies.

The proposed amendment will, in the main, provide more opportunities to Postal Inspectors to harass small courier companies and for indulging in corruption.

The objective of reduction in budget deficit can be better attained by allowing full freedom to courier companies to fix charges but imposing higher taxes on them. The government can calculate the amount of subsidy it wishes to provide to the Department of Posts for its rural services and impose taxes of like amount on courier companies. The economy can bear the burden of such taxes but not that of restrictions on charges.

The Department argues that Postal Departments enjoy monopoly on delivery of letters in most countries. India is only trying to follow this international best practice. This is only partially true. The Civil Society Exchange tells on its website that the Postal Department has monopoly on letters weighing less than 350 grams in England, 250 grams in Australia and 50 grams in Netherlands and Germany. On the other hand there is no restriction in New Zealand. Japan is slated to privatize its postal services. European Union also requires its member countries to open up their postal services to private players.

The basic problem is that technological developments have made postal delivery *outdated*. It is cheaper to talk on mobile phones than to send a letter. Email has reduced the need to send many letters. The Department is moving into provision of financial products to regain profitability. 4000 post offices will soon have Core Banking Services. It will be possible to encash a cheque at any CBS post office. Ten years down the line, the Department of Posts may be renamed as Department of Rural Banking. □□□