



Index of Postal Freedom

India Post



Overview

The **Indian Postal Service**, or **India Post**, is a government-operated system. It consists of more than 155,000 post offices scattered across India's vast land expanse of more than three million square kilometers and serves a population of roughly 1.3 billion citizens. India Post claims to be the largest postal system in the world, with nearly 500,000 people working for the company.

Last restructured at the time of Indian independence in 1947 from the remnants of the British system, India Post rests on a legislative foundation laid out by the British in the Indian Post Office Act of 1898. The Indian Parliament attempted to revise the 1898 Act in 1982 and again in 2002, but their proposed changes were never adopted. A sweeping reform measure that would have strengthened India Post at the expense of competitors was introduced in 2006 but has not advanced.

India Post supplies a variety of services to the Indian population, including small savings banking and other financial and documentary services. It is the oldest and largest savings bank in India and the second largest provider of life insurance in the country. In total, financial services provide over half of the revenues of India Post.

There have been studies by global consultants on the paths to reform and liberalize India Post and other critical infrastructure sectors, but real reform has not matched the hopeful rhetoric.

Liberalization and Privatization

India Post remains a government-owned entity operated by the Department of Posts (DoP), which is part of the Ministry of Communications and Information Technology. India Post enjoys a state-protected monopoly on letter delivery, but



the definition of "letter" is open to interpretation. The only exceptions to the monopoly named in the Post Office Act of 1898 are private communications delivered by the writer to the recipient, those sent by messenger, and related notes within parcels of goods.

India Post is also not liable for lost or damaged letters, according to the statute. This protection from liability contradicts the Consumer Protection Act of 1986. India Post has sporadically lost cases brought by consumers alleging delinquent service, but such consumer-friendly judgments are by no means the norm.

Outlines for reform have come in draft bills in 2002 and 2006. These proposals would have given India Post a weight-based monopoly covering both letters and parcels on mail deliveries of 500 grams or less.

These draft bills would strengthen India Post's monopoly by defining the word "letter" and explicitly barring the private carriers that currently deliver low-weight parcels from doing so. The draft legislation would also assess a levy on private carriers to finance India Post's universal service obligation.

The proposed 2006 bill stipulated that private carriers would have to pay a fair wage rate determined by the government and comply with all applicable national labor laws. Such mandates essentially would have required that private carriers adopt India Post's cost structure. They also effectively would have undermined any potential for liberalization.

Ownership and Structure

Echoing the original British structure, postal service in India is divided geographically into 22 postal circles (originally "routes"), each headed by a Chief Postmaster General. Within each circle there are regions called Divisions under the control of a Postmaster General. An additional circle, the so-called Base Circle, handles the postal needs of the Indian armed services.

The government exercises its authority through a Postal Service Board consisting of a chairman and three members who are responsible for Operations & Marketing, Development, and Personnel. A government-appointed Joint



Secretary and Financial Advisor also attends all meetings.

Nearly 90 percent of India Post's offices are in rural areas. According to the Planning Commission for the Government of India, on average, rural post offices cover just 34 percent of their costs. In hilly areas, cost coverage is just 15 percent.

Regulation and Universal Service

Under the Indian Postal Act of 1898, the "Central Government" fixes the prices for postal services and seeks the approval of Parliament on its decisions. This vague responsibility falls to the Postal Services Board.

India Post bears the Universal Service Obligation but receives significant subsidies from the government. Of the 23 services provided by India Post, only Insurance, Speed Post, and Foreign Mail yield a surplus of revenues.

The 2006 draft bill would have required private carriers to contribute roughly 10 percent of their revenues to a fund to compensate India Post for fulfilling the Universal Service Obligation. This USO Fund contribution would be a cost passed on to consumers.

Although the bill has not passed, there were rumblings that smaller companies might be required to pay less. Observers predicted that larger carriers would split their businesses into smaller units -- losing economies of scale -- to avoid the maximum contribution.

The bill proposed that an Independent Mail Regulatory and Development Authority be set up to level the playing field and enforce standards.

There would also have been a Mail Dispute Settlement Tribunal to resolve disagreements between the Registering Authority and the Service Providers, between the Service Providers themselves, and between Service Providers and Consumers. India Post, under the proposed legislation, would have continued to enjoy immunity from liability charges stemming from failed delivery.



Competition

Private courier companies have been delivering various types of written and printed communications without calling them letters. Some 2,500 have registered with the government. At times, senders have included a small "object" in the envelope in order to categorize it as a parcel.

The proposed 2006 bill would have restricted foreign ownership in any private courier to below 49 percent.

Private carriers operate almost exclusively in urban areas.

The market has been growing rapidly -- by 20 to 25 percent per year. Of the 16 billion items sent in India each year, private firms deliver more than 7 billion.

Future

Studies by McKinsey and others have pointed out that, in the future, India Post will be a great vehicle for public-private partnerships. Following models of liberalization undertaken in other countries, some planners look to debundling the owner, operator, and regulatory functions of India Post.

India Post's huge distribution network -- the largest in the world -- may be its most significant asset in any future partnership with either private-sector concerns or with other government agencies.

The National Postal Policy statement on India Post's Web site explains that "the new economy and modern markets require [the postal service] to become more financially autonomous and commercially flexible in order to deliver its core functions and other services." To that end, India Post has continued to look for new revenue-producing projects as the volume of traditional letter and parcel mail shrinks. In recent years, for example, the company has begun to offer gold coins, books, and mobile connections at many of its postal outposts. The Post has also launched a partnership with ARM I-Solutions to sell railway, bus, airline, and even movie tickets at post offices in several states. With the private firm's "Genie Ease-Ticket" service, customers can also make hotel reservations at select India Post outlets.



Moreover, in addition to the banking and financial services it already offers, India Post has announced plans to open the Post Bank of India in order to expand banking services to the rural areas of the country -- in which 60% of India's population resides. India Post is also looking to further break into the lucrative sectors of data processing and electronic communication.

Prompted by recommendations from a study conducted by the Jamnalal Bajaj Institute of Management Studies, India Post is also exploring technology that would make it possible to scan letters into the Post's system for reprint and delivery anywhere in the country.

While a large-scale restructuring of the current postal system is certainly imminent, no decisive movement towards privatization is expected.



Useful links

[India Post Website](#)

[India Post's Speed Post](#)

[India Post's Citizen Charter](#)

[India Post Plan from Indian Government Planning Commission](#)

[Highlights of 2006 India Post Reform Measure](#)

Consumer Postal Council

1600 Wilson Boulevard

Suite 900A

Arlington, VA 22209

Tel 703.312.4563

Fax 703.312.4564

<http://www.postalconsumers.org>