

The Case for a Price Multiple Alternative

The express industry is fundamentally different from postal services. This is evidenced by the public being willing to pay a greater fee for an “express” service than for a “postal” service. Jurisdictions throughout the world recognize this distinction by excluding express services from the monopoly that is granted to a national post in order to provide a universal service. The most common and effective method of distinguishing between a postal product and an express product is by price.

If the Indian Post Office is suffering declining mail volumes and it wants to arrest the slide, that is understandable. Any national post, especially one with the geographic size and population of India, must maintain a huge infrastructure and a large workforce. Posts throughout the world are faced the challenge of alternative means of communication, like fax and e-mail, or more affordable telephony.

The answer to this challenge should not be, however, at the expense of express carriers and their customers.

Express customers want time-definite delivery of high value documents and goods, across India and across the world. They want security, quality, on-line shipment tracking and a host of other services that require expensive infrastructure. They provide services which the Post Office cannot provide and they charge accordingly.

The accompanying table shows that most countries in the world, or at least those that are not already fully deregulated, employ a price-multiple alternative to the minimum weight monopoly of the post office. Private operators can deliver documents as long as they charge a multiple of the cost of a basic postage stamp. In other cases there is a simple minimum price. This market-based solution recognizes that two items – even if they are the same weight – are not the same product.

The price multiple is one of those rare solutions that makes everyone a winner: the Post Office, the couriers, the express industry – and most of all the consumer. This solution, as opposed to using a simple weight-based monopoly – will serve India’s greater interest.