



# Addressing New Service Sectors in WTO/FTA: Express Delivery and India

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# Developments in Services Sector

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- Global trade in services increased from \$1.3 trillion in 1998 to \$3.8 trillion in 2008
- Liberalisation, technological developments, innovative business practices
  - Different modes of services delivery
  - Inter-linkages
  - New services – express delivery
- Classification of services – is W/120 adequate? – poor classification leading to inadequate liberalisation
- Scheduling – positive list, negative list, hybrid
- Going beyond service sector commitments – Investment, IPR, Trade Facilitation, especially in FTAs



# Objective and Structure

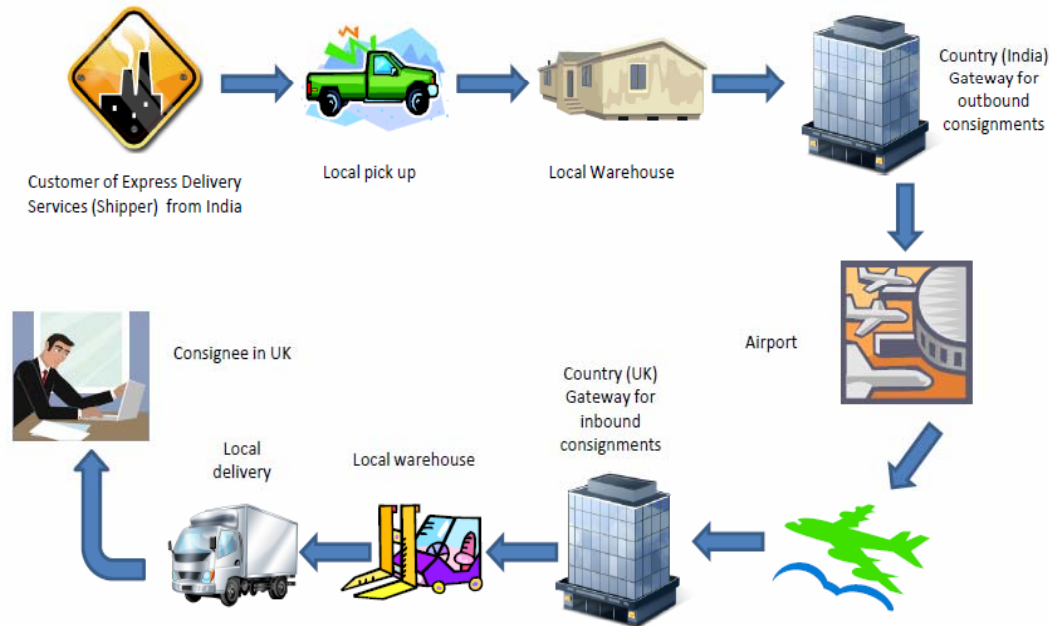
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How developing countries like India should address new sectors like express delivery services in WTO/FTAs

- Structure:
  - Recent developments in the express delivery sector
  - Express delivery sector in India
  - Multilateral liberalisation in postal, courier and express delivery sector and transport linkages
  - Liberalisation in FTAs/PTAs
  - India's negotiating strategies and options
  - Some thoughts.....



# Express Delivery Services



- Part of Communication services
- Turnover of \$175 billion in 2008
- Employment intensive – in 2008 direct employment 1.3 million
- Key component of logistic chain- trade facilitating agent

The EDS industry provides services which include integrated door-to-door transport and quick delivery of time-definite shipments of documents, samples, parcels, etc.



EDS and Telecommunication

# Global Developments

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- Heterogeneous market
- Postal Reforms – As on July 2009, out of 156 in 70% of the countries, public postal operator has been corporatised
- Difficult to distinguish between postal, logistics, express companies based on ownership, services offered, etc.
- Regulatory regimes are developing: India & China, various barriers

## WTO

- W/120: derived from UNCPC classifies post and telecommunications together
- Postal and courier services based on ownership, no mention of express delivery
- Discussion in Doha Round – classification, getting commitments
- Regulatory issues

## FTAs

- Each country has a different approach
- Deeper commitments – not possible to sign FTAs with the US and EU without commitments in this sector, although their approach vary

# EDS/Courier Industry in India

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- One of the oldest industries
- Organised courier started in 1980s
- **Governed by Indian Post Office Act, 1898**
- Fragmented industry: Global integrators and their partners, large Indian companies, small/medium regional companies, local companies (Total around 2500) and India Post (EMS) – setup different from telecom
- Turnover: US\$1.4 billion in 2005-06
- Medium and large companies contribute 76% of the revenue
- Employment: one million
- Growth rate: 20-25%
- Some key clients: IT, banking, telecommunication, textile, pharmaceutical, auto-component, organized retail, etc.
- Non-document is growing faster than documents
- Medium to large companies earn over 50% of revenue from express/logistics, and similar number from non-document
- Document constitute over 70% of business of smaller companies



# The New Regulation...and India

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- In 2006, the Indian Post Office Amendment Bill was initiated, it went through several rounds of revisions and then withdrawn in January 2009
- New bill likely to be in place this year
  - Why a new regulation?
  - Reserved area – letter
  - Definitional issues and classification
  - Postal reform - India is one of the few countries where postal sector is **least liberalised**
- India's international negotiating strategy
  - Proponent of services liberalisation both in WTO and FTAs
  - Offensive in Mode 4, Mode 1, IT, knowledge-based services
  - Defensive in postal and courier services (incl. EDS) – no commitments in WTO/FTAs
  - Major trading partners have strong interest in liberalising postal, courier, EDS, allied sectors like transport – focus on regulatory issues



**New Regulation and WTO/FTAs**

# Multilateral Liberalisation

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- In principle, the GATS covers all services except those supplied in the exercise of government authority.
- However the GATS Article I.3c defines such exclusions narrowly as *“any services which is supplied neither on a commercial basis nor in competition with one or more service suppliers.”* In case of postal services, it is often argued that while basic mail services, reserved area, etc. can be under USO and therefore outside the scope of GATS, services where national postal administration competes with private sector should be in principal covered under the GATS.
- (S/C/W/39 dated 12 June 1998) stated that *“Postal service of a member, whatever the status of the postal supplier, would be services covered by the GATS so long as, and which is usually the case, they are supplied on a commercial basis.”*





# Commitments in Uruguay Round

- Limited – no major country in postal sector
- Postal considered essential service – public good

	Postal	Courier	Air Transport	Rail Transport	Road Transport	Services auxiliary to all modes of transport
Australia			√		√	√
EU			√	√	√	√
USA		√	√	√	√	√
Japan			√	√	√	√
New Zealand				√	√	
Singapore		√				
Thailand			√	√	√	√
Korea			√		√	√
Turkey	√	√	√	√	√	
Brazil		√		√	√	√
Mexico		√	√		√	√
Argentina		√				
Israel	√	√				
India	×	×	×	×	×	×



# Doha Round : Postal, Courier, EDS

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- Postal Reforms
- From ownership based definitions to USO service provision
- Two approaches:
  - EC's classification – who handles the services (public or private)
  - US proposed express delivery as a new sub-sector
- Joint Communication of 2005
- To reduce uncertainty adopt a common approach to scheduling –
  - Fully describe the committed activities (based on the type of items or type of services delivered)
  - Distinguish between competitive activities and reserved areas
  - Use a neutral classification to ensure that commitments on competitive areas apply to all suppliers including holder of postal monopoly rights if they compete to provide services beyond the scope of their monopoly
  - Members have to clarify the relationship between activities covered under postal, courier and express services and other interlinked sectors like transport services.



# Doha Round : Postal, Courier, EDS

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- Listing of barriers: The US proposal (S/CSS/W/26 dated 18 December 2000)
- Reference Paper: EC (TN/S/W/26 dated 17 January 2005)
- Not many commitments from acceding countries unlike other services
- India received a plurilateral request in postal and courier and in air transport and logistic. The logistic request included express delivery
- **Plurilateral request** in Postal and Courier:
  - Recognises USO
  - Focus on clarity of definition
  - Distinguish USO from high-value added services
  - Additional commitments - unreasonable practices by dominant supplier, licensing requirements and independent regulator
- *Some key issues*
  - *WTO versus UPU*
  - *Domestic Regulatory Regime and Commitments*
  - *Linking with other sectors*



# Offers/Commitments of WTO Members

Service Sector	UR	Doha Round							
			Postal	Courier	Air Transport	Rail Transport	Road Transport	Services auxiliary to all modes of transport	
Postal	5	12							
Courier	33	54							
Air	35	59							
Rail	18	34							
Road	32	52							
Auxiliary Services to all modes of transport	22	50							
			Australia	×	×	◐	◐	◐	◇
			EU	■	■	◐	◐	◐	◐
			USA	◐	◐	◇	◇	◐	◐
			India	×	×	■	×	×	×
			Japan	■	■	◇	◇	◐	◇
			Singapore	×	◇	×	×	×	×
			Thailand	×	×	◐	◐	◐	◐
			Turkey	◇	◇	◇	◇	◇	×
			Brazil	×	◇	×	◇	◇	◇
			Mexico	×	◇	◐	■	◇	◇
			Argentina	×	◇	×	×	×	×

Note: × - No commitment; ◐ - Improvement in revised offer; ◇ - No improvement in revised offer; ■ - No commitment in UR but in revised offer; \* - Given only Initial offer



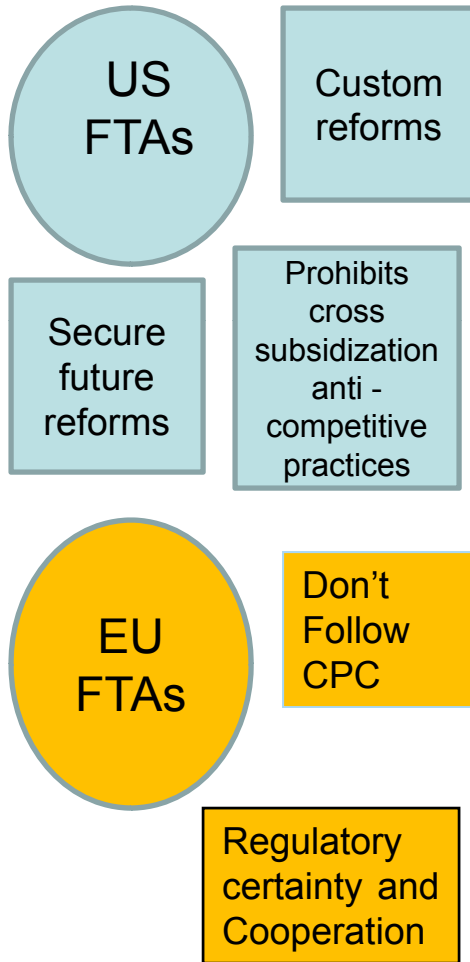
# Allied Sectors : Transport and Auxiliary Services

- Classification and coverage
- Air transport
  - Curve out, bilateral agreement
  - Transport of mail by air not covered in courier
  - Modernisation – Ground Handling
- Integrated logistics - Logistic check list
  - Core freight services
  - Transport services
  - Other logistics
  - Business services
  - EDI trade facilitation
- Ground Handling
  - Should it be included? (US versus EU)
  - Competitive ground handling

IATA Classification of Ground Handling Activities
• Representation, Administration & Supervision
• Passenger Services
• Ramp Services
• Load Control, Communication & Flight Operations
• Cargo and Mail Services
• Support Services
• Security
• Aircraft Maintenance



# Liberalisation through PTAs



Members	No Commitments in UR of GATS but Commitments in PTAs	Improvement in PTAs compared to GATS	Similar Commitments in PTAs and GATS	No Commitments in GATS and PTAs
Australia	√			
Brazil			√	
Chile	√			
China			√	
Colombia	√			
EC-15		√		
India				√
Japan	√			
Korea	√			
Malaysia				√
Mexico	√			
New Zealand	√			
Oman		√		
Philippines		√		
Singapore		√		
Switzerland	√			
USA		√		



# Transport

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- Limited liberalisation in air transport in FTAs
  - Security, subsidies
  - Airport privatisation, maintenance, ground handling
  - Cooperation
- Open Sky Policies
- Single market- EU

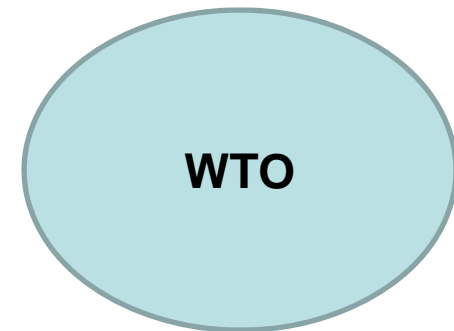
Road, Railway, auxiliary services: better commitments in FTAs



# India's Existing Commitments

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- As of date no commitments in postal and courier services
- Signaling Conference of July 2008 – India offered to take commitments in courier
- Difficult to undertake commitments in postal services
- Follow W/120 Classification
- National Treatment – special treatment to EMS



- So far followed GATS type positive listing approach in services
- Negative listing of investment with Korea
- No commitments in services or investment in postal or courier
- Similar commitments in transport in WTO/PTA



**Commitments are Lower than Unilateral Regime**



# Negotiating Strategies

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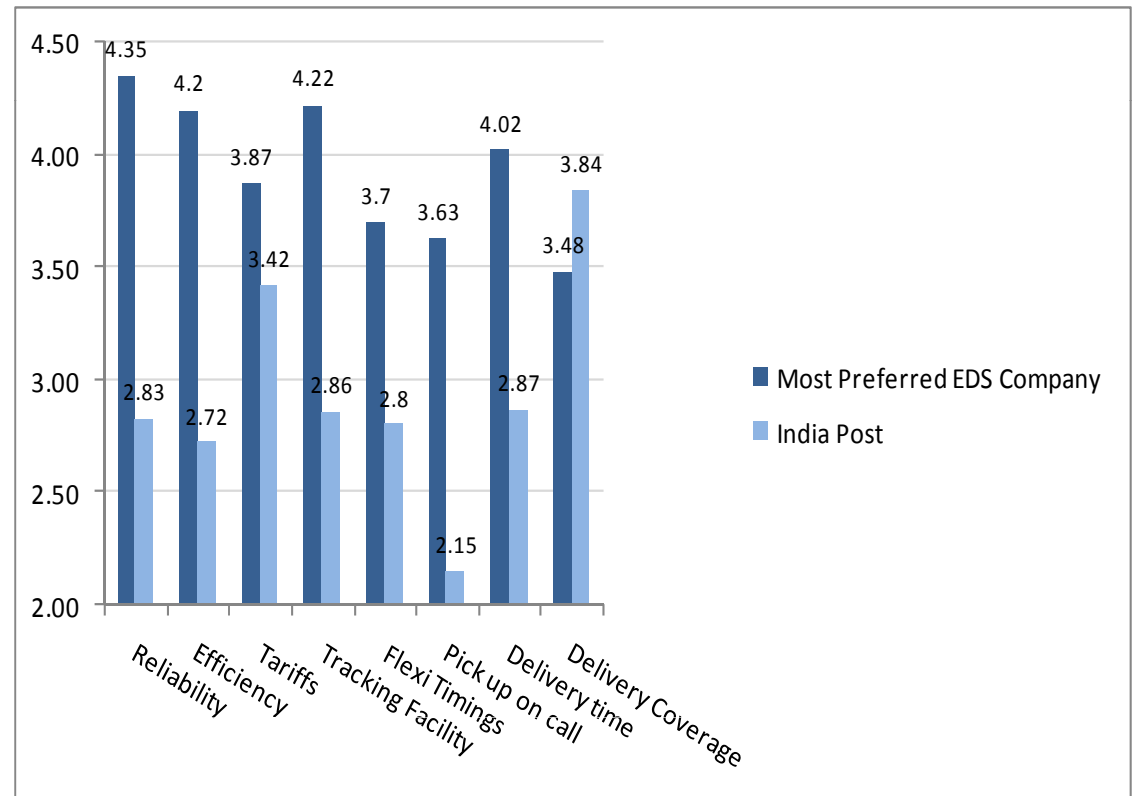
- Scope for broadening commitments
- Trade offs with other sectors/modes of India's interest
- **Countries with more restrictions have offensive position**
- Sound regulatory framework
- **Postal and Courier: New Regulation**
  - What should it cover – postal, courier, express (who provides the services) or USO/non-USO services (type of services)
  - Definition
  - Reserved area weight and price multiple – what it should include (letter, parcel, EMS??)
  - FDI restrictions?
  - USO – coverage, funding, etc.
  - Regulator: role, responsibilities (quality monitoring, tariff setting??), independence, etc.
  - Regulatory transparency
  - Service quality, anti-competitive practices, interconnection



# Should we go for Registration?

- Why it is needed - different views
- Should there be entry/exit barriers?
- Registration Authority
- Registration fee
- Process – periodic or one time
- Quality monitoring
- **Who suffers?**

Perception Ranking of India Post and the Most Preferred EDS Provider of Sample Companies (Scale of 1 to 5, Higher is Better)



# Air Transport

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- India would not go beyond Air Transport Annex in WTO/FTA
- In September 2007, the Ground Handling Policy was announced, implementation has been deferred
- Limits to three service providers in Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad (a) airport operator or its JV (b) Subsidiary companies of national carrier or their joint ventures and (c ) any third party providers selected through competitive bidding
- Concern of express companies: competitive ground handling, right pricing, service quality, how to address the specialized needs of this sector (time-bound deliveries), existing investment on equipments, employment
- Policy consistent with international regulation and India's bilateral agreements
- Airport Economic Regulatory Authority of India – tariff regulation – competitive ground handling



# Some Thoughts on Postal Bill....

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- Regulation needs to take into account international best practices, should be transparent and support competition and technological development while taking into account USO
  - Clearly define USO, reserved area, etc.
  - No cross-subsidisation or reservation of premium products/services
  - Removal of anti-competitive practices
  - Independence of regulator from government and postal/EMS service provider
  - Inter-ministerial coordination

Regulation should be designed in a transparent manner by an independent organisation with sound knowledge of international law.

Different from telecommunication:  
Regulatory regime need to take into account the special needs of this sector



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**Thank You!!!**

