

**India****Issue and background:**

European and global express delivery services companies are facing challenges to their operations in India, these challenges include:

1. New Postal Law

India is in the process of proposing new legislation on postal and courier services, which will reform the 1898 India Postal Act. While there is not yet any official proposal various proposed elements have been made public, some of them with a potential significant affect the operations of European express delivery service companies. These include:

- a reduction of foreign shareholding to 49% where there is currently no limit on foreign ownership
- a weight restriction
- a contribution of 10% of turnover to a fund for companies above a threshold of 25 lakh rupees per annum.
- Introduction of a Regulator for the EDS and Posts
- Registration of EDS operators by payment of a fee.

The original adoption of the new legislation was expected in 2008. The official position is that the bill stands 'withdrawn'. It is now expected that the new government will revive the proposal in the coming months. The persisting uncertainty about the content of the future legislation in India is creating obstacles for the European companies currently operating in India. Despite the increasingly difficult investment climate based on the introduction of the equity restriction, express delivery companies have been operating successfully in India in recent years and we hope that their operations will not have to be scaled back as a result of any new legislation. EU express and courier companies offer a national and international delivery infrastructure to Indian shippers and exporters that cannot be matched by the incumbent.

2. Import and Export regulations

In 1998 India introduced Courier Import and Export regulations to facilitate trade and simplify procedures. The overall objective was to bring India in line with the WCO (World Customs Organisation) practices. In a recent review of the regulation by India's Central board for excise and customs it was indicated that the regulations for courier and express operators will result in that restrictions on import will be applied. For example, only shipments below 3 kilograms containing "samples and gifts" are subject to duty free clearance.

This requirement is not in line with international practice and would require courier and express operators to make major changes to their existing clearance applications. The introduction of a value based de minimis threshold of 10.000 Rs to replace the current weight- and description-based threshold would bring the system in line with international practice.

The effectiveness of customs procedures has a significant impact on the growth of international trade. Bringing the practices in line with the international WCO framework will benefit all parties involved in this process.

3. Ground handling

A new ground handling policy will reduce the number of third party airport handlers to three and prohibit self-handling. Although the policy was to be effective since 1 Jan 2009, it has been postponed twice: first until 1 July 2009 and subsequently until 31 December 2009.

Whereas most countries move towards further liberalization of ground handling at airports, India seems to do the opposite by introducing additional restrictions which did not exist before this new policy.

Latest Developments:

The Indian Government has now commissioned an external agency to re-write the draft postal law, with the project term set at 9 months. Express industry representatives have been invited to a dialogue on 2 December to provide their input. The EEA will circulate a further update on these discussions during the course of December.

Next steps:

The EEA calls on all parties concerned to raise these issues further with the Indian authorities in the context of the ongoing EU-India FTA negotiations and, where appropriate, in the context of the Doha round negotiations.

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