



FEDERATION OF NATIONAL POSTAL ORGANISATIONS

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To

The Chairman ,
Postal Services Board,
Dak Bhawan,
New Delhi 110 001.

Sub: FNPO /NUR-C & NUR MG&M.TS views on PNOP.

At the outset, while My Federation/ Unions acknowledging the importance of conducting a BPR (Business Processes Re-engineering) as an essential exercise in every sphere of its activity to remain relevant, especially in the context of emerging innovation and consumer expectations, it is unfortunate to place on record that the unions are considered for inclusion in the loop at the eleventh hour as thirteenth guest after formalizing all the proposed directions in which the parcel segment of India Post is destined to travel. However, keeping aside the apprehensions in the interest of the 150 Year Old Department and its fraternity, the Key concerns noticed in the note circulated by the department are furnished hereunder for consideration.

1. Firstly the engagement of KPMG, the mandate given to consult, the terms of reference for consultancy, Scope of work assigned, the deliverables identified, the deliverables delivered by the consultant are not known by the association.

2. The samples, surveys, customer preference and behaviour, analytical review done by the Consultant M/s KPMG with reference to the DoP's current strength, operating sphere , revenue generation needs to be studied before offering the conclusive opinion on the veracity of recommendations/a suggestion.

3. It is true that Road Transport Development Network (RTDN) was aimed to strengthen the delivery and movement of parcels in quicker manner. Though primarily it was intended for augmentation of extra cushion to parcel segment most of the circles have defeated the concept of engaging the private players on a contractual basis (Contractual MMS) to carry all kinds of mails ignoring the root cause for which it was conceptualized. In turn, it has resulted in a total mess with most of the road transport development network being used to carry the mails that were left over by alternate mode of conveyance such as sections sand departmental MMS. There was no clear vision or aim to move parcels from one end to the other end with lesser time by identifying the areas where parcel segment is fully uncovered by other transport players. Therefore, it is necessary to discuss the funds allotted so far by the Directorate to circles under the model Road Transport Development Network, the internal rate of return achieved so far circle wise, the average parcels that have been handled by each such route where RTDN was deployed. The economics of scale achieved on account of engaging CMMS under RTDN has to be quantified so that we could have better lessons before us on gaps and failures.

4. It has been stated in the note that the Department is presently having 4% of revenue market share on parcel segment and is handling 2 Lakh parcels every day. It is not made known what is the rate of (Return to Sender) parcels , what is the cost involved in handling the return to sender parcels, the mechanism evolved to address the cost of handling such parcels etc and what is the share of B to C segment among the 4% revenue earned from parcels since it has been identified that DoP has 7% share out of 36% share from the Business to Consumer Segment.

5. It has been mentioned in note that Top 5 cities i.e 1% of total cities (345) contribute 31% of total departmental mail both inbound and outbound of all parcel products, whereas (31) Unique locations contributes to 80% of overall volumes while 300+locations contribute only 20% volumes. The logical reasons behind such findings made by KPMG shall be made available for better understanding to find out what were the areas that need special focus (either logistical or customer preferences/ behaviours) to satisfy the requirement of the users between B to B segment and B to C segment so that we can capture the clientele.

6. Given the landscape of the DoP it is difficult to understand the logic of consolidation of parcels in fewer hubs on the basis of many locations handling fewer volumes. Instead of focusing on

consolidation of Parcels at fewer hubs by rationalizing the existing wide spread parcel hubs the focus should be on to find out how to minimize the transportation delays and ensure time bound delivery under the prevailing odds of single delivery attempt in the day.

7. A mention has been found that due to the higher number of L1/L2 parcel hubs the following inefficiencies were noticed. (i) Higher number of Sorts, (ii) Under-utilization of major locations, (iii) Diseconomies of scales. Firstly, it has to be understood whether the KPMG has given any SWOT (Strength, Weakness, Opportunities & Threat) analysis under existing framework as well as proposed framework. Secondly Underutilization of major locations cannot be a yardstick as much of present day L1 or L2 hubs operate within a minimal space and that too inside the RMS unit. Only in very big metro cities the Parcel Hubs function under exclusive locations. To improve the utility rate of any major location the existing environment of that particular location with reference to the nature of customer who resides there, his/her requirements, type of product moving etc has to be studied and plans charted accordingly to drive parcel business to that location specific.

8. There is no mention in the note about warehousing plan, the charges/revenue likely to be generated when we aim to set an internal target to capture 15% of entire Parcel market by 2026.

9. It has been stated that the KPMG has defined new optimized network for parcels with three step methodology which included volume projections by 2021. (Projected volume of parcel hub by 2021). The details along with the justified rationale behind the projections given by KPMG has to be analysed not only in terms of scenarios, but in real terms of direct towards which parcel industry is moving and keeping in mind the degree of expansion by private players.

10. It also stated in the note that the KPMG has suggested and recommended for an optimized network with (49) L1 hubs and 126(L2) Parcel Hubs throughout the country with minimum handling of (350) parcels per day. The recommendations have been shared with circles and the workshop/seminars have been conducted in November 2017 after which their inputs were obtained for changes/additions in the network based on geographical and connectivity issues. After discussions with circles the new network for parcels were expanded to 57-L1 PH & 133 -L2 PHs. My Federation/ union believes that the department at this stage of after implementation has considered the unions as stakeholders in this project. It would be relevant to mention that the inputs provided by each circle, the responses of the consultant i.e. KPMG on each of them and the impact of tweaking the recommendations of the consultant shall be shared with the unions/associations to understand the complexity and impact involved in downsizing the number of parcel Hubs.

11. The financial implications i.e both the support to be sought from the government and the internal rate of return likely to be achieved as projected by the consultant KPMG has to be made available for estimating the economic viability of the project.

After receipt replay for the above doubts my federation/ union will submit a detailed note on PNOP.



T.N.Rahate
President FNPO

Yours Sincerely,



N. K. Tyagai
General Secretary NUR-C.



Prithviraj Bavikar
General Secretary NUR-MG&MTS.