

Set a base price to sustain the local courier industry

KUALA LUMPUR: The courier service has become a vital connector for Malaysians in a time of movement restrictions that have been in force since the start of the Covid-19 pandemic in March 2020.

During festive seasons such as Hari Raya Aidilfitri, it became a lifeline for those living apart from their families due to the interstate travel ban and restrictions where friends and families, instead of visiting each other, awaited special deliveries.

The Movement Control Order (MCO) also brought various uncertainties especially for businesses with the temporary closure of retail outlets and malls due to health and safety concerns, which added impetus to online shopping.

Online shopping is now the new norm and an increasing number of small and traditional businesses have gone or are going digital, either on their own or with government support and the assistance of tech-enabled companies.

E-commerce platforms around the world have seen a huge surge in transactions since last year. Even better, consumers and businesses are looking to do good as shopping moves quickly from offline to online, without needing them to be in the physical stores.

In Malaysia, there has been an upward trend in online purchases which, according to the Department of Statistics, increased by between 18 percent and 28 percent from January to March this year, compared to the same period last year.

While sellers and consumers are happy that their products are now not bounded by trade borders, they, however, are taking for granted the welfare of courier and postal personnel who are facing difficult times.

While everyone is enjoying the cheap delivery fees from online shopping, little do they know that they are at the receiving end of the rat race in courier and postal services.

Service dumping

Association of Malaysian Express Carriers (AMEC) president Teong Teck Lean said service dumping continues to be a dampener on the already crowded parcel delivery market in Malaysia, stamping out courier companies that are unable to provide low to zero rates.

(‘Service dumping’ is a term used to describe the situation where players in a sector disrupt a new market by offering very low prices.)

He said some last-mile delivery companies have been offering free delivery, particularly in the e-commerce space.

“The price dumping has affected many industry players who are unable to match prices and are losing money, some even resorting to cutting corners by reducing staff salaries or commissions due to their losses.

“Some of the industry players want to conquer the market by applying service dumping, which I think should not be allowed in Malaysia. In fact, in many countries, these people are being investigated and punished,” he told Bernama recently, adding that there is an urgent need to set a framework to determine the base price for parcel delivery in order for the industry to sustain itself.

Teong, who is also managing director and group chief executive officer of GD Express Carrier Bhd (GDex) said courier services were forced to compete with unrealistic pricing due to the absence of floor pricing and that this was directly affecting the livelihoods of the delivery employees of about 109 courier service providers in Malaysia.

“Without sufficient resources, industry players will not be able to invest in new technologies and sustain their businesses, and this would lead to players sacrificing on service quality,” he said.

He said although the Malaysian Communications and Multimedia Commission (MCMC) froze the issuance of new licenses for courier services for two years last year, they should do more by regulating the base price because there will be more newcomers in the industry.

Any talks about a base price have to be centered around consumer and employee protection and should be the industry’s top priority, he stressed.

“The regulators should have done it earlier due to the e-commerce boom. Setting a base price for courier delivery charges is essential to ensure a healthy business environment, as well as to ensure that the welfare of the industry’s workforce is protected,” he added.

MCMC announced a two-year moratorium on new courier service licenses starting Sept 14, 2020, saying it was to allow the government and the postal and courier industry time to formulate new plans through the National Postal and Courier Industry Lab to strengthen the industry.

Offer subsidy to sustain the industry

Nationwide Express chief executive officer Wan Mohamed Den Wan Mohamed Zin, meanwhile, suggested that instead of putting a base price for courier services, the government should step in by introducing a subsidy system to help industry players sustain their service delivery charges.

“By providing subsidies for the courier industry, apart from setting the base price for each parcel shipment, the profits from the set price can be used to upgrade infrastructure and improve services to customers.

“For example, in the United States, the government provides subsidy assistance to small industries to revive the economy during the Covid-19 pandemic, so why can't our government do the same thing?” he said.

He said if a base price is set, customers should be able to accommodate to it.

“I always agree that it should not be a price set to kill the consumers but one that is acceptable to both industry players and consumers.

“You want good service, then you need to pay. Of course, it is a free market for the consumers but unhealthy practices (such as service dumping) have put pressure on the financial position of local players, especially those who have made substantial investments as a long-term strategy,” he pointed out.

He said it is time for the government, industry and stakeholders to adjust the base price for the delivery sector in order to safeguard the wellbeing of the postal/courier partners.

During these trying times when the country is trying to reach herd immunity to curb the spread of the Covid-19 virus, online shopping has skyrocketed and people are purchasing literally everything from clothes to home appliances from e-commerce platforms.

Thus, the base price for delivery services must be regulated to create fair competition among the industry players. This will not only protect the interests of courier businesses and their employees but also the general public's expectations of the services rendered to them.

<https://www.thesundaily.my/local/set-a-base-price-to-sustain-the-local-courier-industry-MY7919907>