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PRICING OF POSTAL SERVICES IN INDIA

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The present study was commissioned by the Expert Committee on Excellence in Postal Services, Ministry of Communications, Government of India in February 1988. The focus of the terms of reference of the study was on evolving principles for determining the structure of tariff for various services provided by the Indian Postal Department. In several important respects postal services partake of the character of a public utility, and their pricing gives rise to intricate issues. Questions of efficiency and equity come up in a complex way. The study addresses these issues analytically, taking due note of the available literature on the subject.

The study provides certain analytical methods for fixing postal tariffs in India. First, it critically evaluates the current practices of fixing postal tariffs by the Indian Postal Department. It then presents alternative scenarios of pricing with illustrations using Indian data. In particular, illustrations of computing the first best/cross-subsidy-free prices and second best Ramsey prices for postal services in India are provided. Finally, a detailed review of methods of public utility pricing is attempted.

We believe this is perhaps one of the first attempts to suggest ways of designing the structure of the postal tariff in the country on rational principles. We hope the study will be of interest and use not only to policy-makers but also to the wider academic community working in this area.

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