Index

access deficit charging 127–8
AEA Technology 122
agency costs 44
air transport market, European 132, 139
airports Ch.7
different from other utilities 145, 164
economic regulation of 145–8
framework reviews 147–8
general powers 145–6
price controls 146–7
issues arising from regulatory framework 148–56
airport designation criteria 149–50
nature of airport user 148–9
service quality 150–52
single till 153–6
structure of charges 152–3
reform options 156–60
abolition of price cap 158–60, 161–2, 164–5
more focused regulation 156–8, 161, 164
timing of 162
Airports Act (1986) 145–6
section 40 (designation) 146, 149
Airtours/First Choice decision 195
Alfon, I. 50
Andenas, M. 211
Anglia 133–4, 136, 142
Anglian Water 6, 8
anti-competitive prices, control of, in telecommunications 101–2
application programme interfaces (APIs) 107
Argentina, financial regulation in 38, 39
asset-pricing models 39
attributable costs 177
Australia, air services market in 160
Austria, mobile operators in 105
Austrian School 64
Automobile Association ‘Gridlock Index’ 123–4
avoidable losses 57
BAA
divestment by 159–60
efficiency savings in 2
London’s airports owned by 145, 146, 147
rents of 149
Scottish airports owned by 149–50, 162
service quality monitored by 151–2
windfall tax applied to 145
see also British Airports Authority
Baker, P. 177
balancing mechanism
electricity 78–80, 96
gas 96, 97
Bangemann Report (1994) 115
bank directors 35, 45–6
Bank for International Settlements (BIS) 36
Bank of England 39, 46, 55
Bank of Scotland (later Royal Bank of Scotland) 46
bank regulation see financial regulation
Banking Act 55
banking crises 34, 37, 39, 45
regulatory intervention in 41–3
Barings collapse 34
Basle capital requirements 36
Basle Committee 38, 40, 43, 45, 50
BCCI closure 39
Beesley, M. 1, 15, 19, 145, 147, 152, 164
Belgian Wallpaper case 198
Bellamy, Christopher 189, 196, 201
Benston, G. 21
Bermuda II Agreement 162
beta coefficients 14
Bhattacharya, S. 36
Biermann, A. 172
bilateral air service agreements 149
bilateral contracts, in electricity industry
78
Billett, M. 28
Black, J. 32
block exemptions 192-3
block tariffs 182
Bosworth, D. 4
BP/Kuwait reference 208
Bradley, J. 168
Brealey, R. 26
Briault, C. 25
British Airports Authority 152, 168
see also BAA
British Gas 159, 169, 171
British Gas Trading 180, 181, 182
British Rail profit centres 134-5
British Railways Board 131
broadband access 106, 107, 113, 117-18
broadcasters’ networks, access to 107
Broadcasting Act (1990) 192
broadcasting licences 103
Brown, Cedric 169
BT
access deficit charging mechanism in
127
Cellnet 105
efficiency savings in 2
flotation of 170
price cap regulation in 15, 105, 168,
170
budget payment units 182
Bulletin of Rail Statistics 138
bundling practices 101
see also local loop unbundling (LLU)
Burns, Lord 54
bus industry 129, 130, 142
Byatt, Ian 1, 4, 9

cable TV networks 107, 113
call origination 108-9
call termination 107, 108, 114
Calomiris, C. 38
capacity rights 72, 97-8
capital, cost of 1, 4-5, 10, 12, 13, 15,
147, 154, 161
Capital Asset Pricing Model (CAPM)
4-5
Caprio, G. 38, 40
car ownership 123
Cardiff-Newport rail route 137
cash-out prices 80-81
Cave, M. 115
Central Trains 136, 137
Centrica 159
Chadwick auction 121
Chiltern 136
chronically sick, needs of 167, 174
Civil Aviation Authority 148, 161-2,
164-5
Civil Evidence Act (1995) 205
Commerce Act (New Zealand) 162
Communications Committee (COCOM)
111
competition
and capacity 143
efficiency criterion to evaluate 59-61
conceptual framework underlying
61-71
measurement of 58, 59
OFT guidelines on 74, 194, 203,
205-6, 213
reason for seeking to promote 58-9
see also Competition Act (1998);
Competition Commission
Competition Act (1980) 191
Competition Act (1998) 18, 97,
190-95
CAA powers under 161, 165
change in emphasis marked by 56-7,
63, 70, 191-2, 213
compared with previous legislation
57-61, 73-4
Competition Commission created
under 189-90, 196
complexity of 194
consistency with EC regime 75, 190,
193-4, 198, 199, 205, 206
‘general principles’ clause (section
60) 193
dynamic approach needed in 69-71,
75-6
evaluation of rules used to determine
company dominance in 65-9
fines under 61, 73-4, 190-91, 196,
201, 203, 204, 206-7
modelled on Treaty of Rome 190-95,
211
role for economic analysis under 56
Competition Commission 73, Ch.9
and airports 148, 164
Appeal Tribunal of 144, 189, 192, 196-8, 199, 204-7, 211, 212
Council of 189, 204
created under Competition Act (1998) 189-90, 196
mergers and monopoly jurisdiction of 195, 207-10, 212-13
officials of 201, 211
problems facing 202-10
consistency 205, 206
evidence adduced in Tribunal 205-6
merger investigation responsibilities 195, 207-10, 212-13
performance of DGFT 206-9
relationship between two parts of Commission 204-5
resource requirements 204
scale monopoly references reduced 203-4, 212
shift to open approach 202-3
prospects for 200-201
reporting side of 189, 198-9, 202-11
staff resources of 199, 204
Competition Directorate 114-15
complex monopolies 195, 208, 209
compliance costs 48
compliance culture 50-51
concentration doctrine 66-8
conditional access systems 107
congested airports 146, 149, 153-4, 157, 160, 161, 164
Connex South Central 129, 136
Conservative government 167, 173, 207
consumer compensation arrangements 36
consumer councils 168, 175-6, 188
consumer protection 117, 119, 127, 133, 143, 148-9, 167, 178
Consumers Association 39-40
contestable markets 59
Continental Can case 198
contract regulation 23-4, 47-9
contracting out 170
corporate governance, in banks 43-6
Cory, B. 26
cost-benefit analysis 47, 50-51, 58, 60, 64, 131
limitations of 62
cost comparisons, in water industry 14
cost of capital 1, 4-5, 10, 12, 13, 15, 147, 154, 161
Council on Tribunals 196
Court of First Instance (CFI) 194, 196, 197, 201
Crafts, N. 4
Cross, S. 39
cross-border effects 103, 109, 110
Crowther, P. 115
Dale, R. 34
damages 112, 193
Darlington buses 73
data protection 102
depts, transfer of 188
dedicated rail fares 129, 130, 138
demand complementarities 157-8, 161
demand elasticity 66-8, 177
demerger, effects of 135, 157-8, 160
Denmark, implementing directives in 111
Department of Environment, Transport and the Regions (DETR) 131, 132, 179
Department of Trade and Industry annual energy review by 178
Consultation Paper on UK Merger Forms (July 1999) 195, 207-10
A Fair Deal for Consumers, Regulatory, Environmental and Equal Treatment Appraisals 178
MMC recommendations rejected by 207
Department of Transport
Gaining Access to the Railways network (the Government’s Proposals (1993) 125
New Opportunities for Railways (1992) 125
deposit insurance 33, 36
depositors, monitoring role of 32-3
designation of airports 146, 149-50, 161, 164-5
Deutsche Telekom 114
Dewatripont, M. 38
differential risk weights 35-6
Regulating utilities

direct debit payment 170–73, 176–7, 181, 187
Director General of Fair Trading appeals against decisions of 189, 196, 197, 198, 199, 201, 205, 206–7, 211, 212
consistency requirement applied to 193, 198, 205, 206–7
powers of 148, 191, 195
disabled persons 167
disconnection for bad debt 166, 169, 170, 175, 179, 182
discount rate 169
discrimination, undue 167–8, 175–7, 187
diversification of utilities 8
Doble, M. 174, 184
doctrine of unilateral effects 69
easyJet 139
economic rents 149, 154–6, 158, 161
economies of scale 109, 158
economies of scope 158
Edinburgh airport 150
effects-based approach 56
efficiency benchmarks 57
efficiency savings 2–4
elasticity of demand 66–8, 177
elasticity of supply 66–8
Electricity Association 181
Electricity Consumer Councils 188
electricity industry
cost of capital in 5
divestment of generating capacity in 159
Electricity Consumer Councils in 188
incentives in 4
payment methods by consumers of 172–3, 180, 187
price control in 4, 187–8
productivity growth in 3–4
rate of return in 7
Social Action Plan for 179–80, 182–3, 188
subsidies for consumers of 174
see also NETA (New Electricity Trading Arrangements)
electronic programme guides (EPGs) 107
Employment Appeal Tribunal 211
environmental charges 152
equitable risk premia 4–5, 14
essential facilities doctrine 107
Estrella, A. 49
Europe Economics 4
European Commission (EC)
appeals against fines imposed by 197, 201
Communications Review (1999)
and enforcement 111–12
evaluation of 113–15
and institutional change 109–11, 118
major proposals in 102–4
particular issues raised by 104–9
access and interconnection 106–9
controlling market power 104–6
universal service 106
policy objectives in 99–100
regulatory background to 100–102
Competition Directorate of 14–15
Directive 91/440 (access rights for international rail services) 125
landing slots trading opposed by 153
lengthy decisions of 197–8
resources allocated to 200
European Communities Act 191, 194
European Community Merger Regulation 195, 200, 208, 209
European Convention on Human Rights 194
European Court of Justice 111, 112, 194
European Night Services case 201
European Regulatory Authority (ERA) 109–10
evidence, English law of 205
Exeter–Plymouth rail route 136
externalities 59, 162
Fair Trading Act (1973) 57, 148, 190, 192, 195, 198, 201, 204–5, 208, 209, 211
limitation of scale monopoly jurisdiction under 203–4
Family Expenditure Survey (FES) 121
Faulhaber, G. 184
financial regulation Ch.2
cost-benefit analysis applied to 47, 50–51

<table>
<thead>
<tr>
<th>Economic Rationale for 21-2</th>
<th>Price Cap Regulation in 168-9, 171, 180, 181</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Perspectives on 24-5</td>
<td>Productivity Growth in 3-4</td>
</tr>
<tr>
<td>Monopolist Regulators and 24, 25-6, 37, 47-8</td>
<td>Regulatory Burden for 168</td>
</tr>
<tr>
<td>Regulatory Regime for 22-4, 26-7</td>
<td>Restructuring of 159</td>
</tr>
<tr>
<td>Contract Regulation 23-4, 47-9</td>
<td>Shareholders in 169</td>
</tr>
<tr>
<td>Corporate Governance 43-6</td>
<td>and Social Needs 166</td>
</tr>
<tr>
<td>Disciplines on Regulator 46-7</td>
<td>Cross Subsidies and Relative Prices 170-74</td>
</tr>
<tr>
<td>Incentive Structures 33-6</td>
<td>Current Proposals 179-84, 188</td>
</tr>
<tr>
<td>Intervention Arrangements 41-3</td>
<td>Disconnection for Bad Debt 169, 170, 175</td>
</tr>
<tr>
<td>Market Discipline 37-41, 46</td>
<td>Elderly and Disabled Persons 167, 173</td>
</tr>
<tr>
<td>Monitoring and Supervision 32-3</td>
<td>Gas Consumers Council 168, 175-6, 188</td>
</tr>
<tr>
<td>Rules 30-32</td>
<td>Prepayment Meters 166, 169-77</td>
</tr>
<tr>
<td>Shifts within 49-51</td>
<td>Regulatory Response 173-8</td>
</tr>
<tr>
<td>Trade-offs within 27-30, 51-2</td>
<td>Social Action Plan 179-80, 182-3, 188</td>
</tr>
</tbody>
</table>

Financial Services Act (1986) 25
Financial Services and Markets Bill 47, 54
Financial Services Authority (FSA) 25-6, 35, 44, 47, 54-5
Fines
  - Under Competition Act (1998) 61, 73-4, 190-91, 196, 201, 203, 204, 206-7
    - By European Commission 197, 201
Finland, Mobile Operators in 105
Fischer, K. 39
Flannery, M. 39, 44
Foreman-Peck, J. 169
Foreman, P. 163
France
  - Leased Line Costs in 111
    - Mobile Operators in 105
franchised passenger service access agreements 125, 128
Freight Operations 131
FTSE All Share Index 6-7
Fuel Costs 123
Fuel Poverty 178, 181, 182, 183, 187
Gains from Trade 57-63
"Gaming" 5
Gas Act (1986) 167, 176
Gas Consumers Council 168, 175-6, 188
Gas Industry
  - Balancing Regime in 96, 97
  - Capacity Rights in 72, 98
  - Job Losses in 169-70
Gibson, M. 182, 183
Glaessner, T. 42
Glaister, S. 121, 124
Glasgow Airport 150
GNER 136, 137
Goldstein, M. 43
Goodhart, C. 25
Goyder, D. 211
Grandfathering 91
Great Eastern 136
Greece, Implementing Directives in 111
Gross Domestic Product (GDP) 121-2
Gueyie, J. 39
GWT 136, 137
### Regulating utilities

<table>
<thead>
<tr>
<th>Author</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hall, S.</td>
<td>39</td>
</tr>
<tr>
<td>Hancock, R.</td>
<td>173</td>
</tr>
<tr>
<td>Hayek, F.A.</td>
<td>64-5</td>
</tr>
<tr>
<td>Heathrow airport</td>
<td></td>
</tr>
<tr>
<td>designation of</td>
<td>146, 149, 161</td>
</tr>
<tr>
<td>landing slots</td>
<td>153</td>
</tr>
<tr>
<td>limits on air</td>
<td>146</td>
</tr>
<tr>
<td>transport</td>
<td>146</td>
</tr>
<tr>
<td>movement</td>
<td>146</td>
</tr>
<tr>
<td>ownership of</td>
<td>159</td>
</tr>
<tr>
<td>peak load</td>
<td>152</td>
</tr>
<tr>
<td>pricing</td>
<td>147</td>
</tr>
<tr>
<td>revenue sources</td>
<td>147</td>
</tr>
<tr>
<td>Herfindahl</td>
<td>135-7</td>
</tr>
<tr>
<td>concentration</td>
<td></td>
</tr>
<tr>
<td>index</td>
<td></td>
</tr>
<tr>
<td>Heseltine,</td>
<td>207</td>
</tr>
<tr>
<td>Michael</td>
<td></td>
</tr>
<tr>
<td>High Level</td>
<td>110</td>
</tr>
<tr>
<td>Communications</td>
<td>Group</td>
</tr>
<tr>
<td>(HLCG)</td>
<td></td>
</tr>
<tr>
<td>High-Level</td>
<td>110, 118</td>
</tr>
<tr>
<td>Regulators</td>
<td>Group</td>
</tr>
<tr>
<td>Hogan, Bill</td>
<td>95</td>
</tr>
<tr>
<td>Horton, Robert</td>
<td>144</td>
</tr>
<tr>
<td>Human Rights</td>
<td>Act (1998) 194</td>
</tr>
<tr>
<td>Act (1998)</td>
<td>194</td>
</tr>
<tr>
<td>Hutton, S.</td>
<td>178</td>
</tr>
<tr>
<td>Hyder</td>
<td>6, 8</td>
</tr>
<tr>
<td>hypothetical</td>
<td></td>
</tr>
<tr>
<td>monopolist test</td>
<td>65, 69</td>
</tr>
<tr>
<td>incentive</td>
<td>contracts 25, 35</td>
</tr>
<tr>
<td>incentive</td>
<td>structures 4, 15, 33-6</td>
</tr>
<tr>
<td>increasing-cost</td>
<td>industries 158-9</td>
</tr>
<tr>
<td>incremental</td>
<td>rules approach 21, 23</td>
</tr>
<tr>
<td>Independent</td>
<td>Regulators’ Group 118</td>
</tr>
<tr>
<td>Regulators’ Group</td>
<td></td>
</tr>
<tr>
<td>information</td>
<td></td>
</tr>
<tr>
<td>decentralization</td>
<td>of 62, 70</td>
</tr>
<tr>
<td>disclosure by</td>
<td>banks 35, 37, 39-40, 41</td>
</tr>
<tr>
<td>suppliers’ social</td>
<td>programmes 181</td>
</tr>
<tr>
<td>innovation</td>
<td></td>
</tr>
<tr>
<td>competition in</td>
<td>60</td>
</tr>
<tr>
<td>60</td>
<td></td>
</tr>
<tr>
<td>liberalization</td>
<td>and 139</td>
</tr>
<tr>
<td>and 139</td>
<td></td>
</tr>
<tr>
<td>market power</td>
<td>69-70</td>
</tr>
<tr>
<td>and 69-70</td>
<td></td>
</tr>
<tr>
<td>in rail sector</td>
<td>139</td>
</tr>
<tr>
<td>spillover of 16</td>
<td></td>
</tr>
<tr>
<td>institutional</td>
<td>investors 46</td>
</tr>
<tr>
<td>investors</td>
<td></td>
</tr>
<tr>
<td>Insurance Act</td>
<td>55</td>
</tr>
<tr>
<td>insured deposits</td>
<td>28</td>
</tr>
<tr>
<td>intellectual</td>
<td>property rights (IPRs) 61</td>
</tr>
<tr>
<td>rights (IPRs)</td>
<td>61</td>
</tr>
<tr>
<td>interavailable</td>
<td>fares 129, 135</td>
</tr>
<tr>
<td>fares 129, 135</td>
<td></td>
</tr>
<tr>
<td>InterCity</td>
<td>Cross-Country services 134</td>
</tr>
<tr>
<td>services 134</td>
<td></td>
</tr>
<tr>
<td>interconnection</td>
<td>101-9 passion, 112, 113, 114</td>
</tr>
<tr>
<td>101-9 passion</td>
<td></td>
</tr>
<tr>
<td>Interconnection</td>
<td>Directive 111</td>
</tr>
<tr>
<td>Directive 111</td>
<td></td>
</tr>
<tr>
<td>interest groups</td>
<td>62, 71</td>
</tr>
<tr>
<td>internal auditing</td>
<td>35, 43, 44-5</td>
</tr>
<tr>
<td>Internet</td>
<td>99, 103-4, 107, 109, 110, 111, 117</td>
</tr>
<tr>
<td>interurban rail</td>
<td>routes, non-London passenger demand forecast for 122</td>
</tr>
<tr>
<td>routes, non-London</td>
<td></td>
</tr>
<tr>
<td>passenger demand</td>
<td>forecast for 122</td>
</tr>
<tr>
<td>service</td>
<td>frequencies for 137</td>
</tr>
<tr>
<td>frequencies</td>
<td>137</td>
</tr>
<tr>
<td>intervention by</td>
<td>regulatory agencies 41-3</td>
</tr>
<tr>
<td>regulatory agencies 41-3</td>
<td></td>
</tr>
<tr>
<td>investment</td>
<td>cost related prices 87, 88, 93</td>
</tr>
<tr>
<td>cost related</td>
<td>prices 87, 88, 93</td>
</tr>
<tr>
<td>Investors’</td>
<td>Compensation Scheme (ICS) 36</td>
</tr>
<tr>
<td>Compensation</td>
<td>Scheme (ICS) 36</td>
</tr>
<tr>
<td>Scheme (ICS)</td>
<td></td>
</tr>
<tr>
<td>Ipswich-Basingstoke rail service 133, 142</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td></td>
</tr>
<tr>
<td>Jacobs, F.</td>
<td>211</td>
</tr>
<tr>
<td>job losses</td>
<td>169-70</td>
</tr>
<tr>
<td>joint dominance</td>
<td>195</td>
</tr>
<tr>
<td>joint ventures</td>
<td>160</td>
</tr>
<tr>
<td>Jones, I.</td>
<td>138</td>
</tr>
<tr>
<td>judicial review</td>
<td>47, 102, 199</td>
</tr>
<tr>
<td>Kaufman, G.</td>
<td>21</td>
</tr>
<tr>
<td>Kelda Group</td>
<td>6, 8</td>
</tr>
<tr>
<td>Kunz, M.</td>
<td>162</td>
</tr>
<tr>
<td>Kupiec, H.</td>
<td>49</td>
</tr>
<tr>
<td>Labour Government</td>
<td>173, 178</td>
</tr>
<tr>
<td>labour legislation, changes in 169</td>
<td></td>
</tr>
<tr>
<td>landing charges</td>
<td>146, 153</td>
</tr>
<tr>
<td>landing Slots</td>
<td>market in 153</td>
</tr>
<tr>
<td>Lane, T.</td>
<td>40</td>
</tr>
<tr>
<td>large user issue</td>
<td>148-9</td>
</tr>
<tr>
<td>lead operators</td>
<td>129, 130</td>
</tr>
<tr>
<td>leased lines</td>
<td>103, 104, 111-12, 114</td>
</tr>
<tr>
<td>legal certainty</td>
<td>57, 63, 69, 71</td>
</tr>
<tr>
<td>Lenaerts,</td>
<td>Koenraad 197</td>
</tr>
<tr>
<td>licensing</td>
<td></td>
</tr>
<tr>
<td>telecommunications 100-101, 102, 103, 118-19, 127</td>
<td></td>
</tr>
<tr>
<td>Lindgren, C.J.</td>
<td>26</td>
</tr>
<tr>
<td>line rentals</td>
<td>113, 173, 174, 182</td>
</tr>
<tr>
<td>Littlechild, S.</td>
<td>1, 15, 168</td>
</tr>
<tr>
<td>Liverpool-Manchester rail route 136</td>
<td></td>
</tr>
<tr>
<td>Llewellyn, D.T.</td>
<td>21, 26, 34, 40</td>
</tr>
<tr>
<td>local loop unbundling (LLU) 101, 103, 107-8, 113</td>
<td></td>
</tr>
<tr>
<td>locational price differences 82, 93, 94</td>
<td></td>
</tr>
</tbody>
</table>
Index

London-based InterCity routes
fares on 138
passenger demand forecast for 122-3
service frequencies for 137
London-Bedford rail route 136
London-Birmingham rail route 136
London Commuter/InterCity routes,
service frequencies for 137
London-Exeter rail route 137
London-Gatwick rail route 129, 134, 136
London-Glasgow rail route 136
London-Ipswich rail route 136
London-Milton Keynes rail route 136
London-Oxford rail route 136
London-Peterborough rail route 136
London-Rugby rail route 136
London-Southend rail route 137
long-run average incremental cost
(LRAIC) pricing 108
long-run marginal cost (LRMC) pricing
87-8, 93, 94, 97

MaCarthy v. Unichem 205
management accountability 44-5, 51-2
Manchester Airport
designation of 146, 149, 150
efficiency savings in 2
peak load pricing considered for 152
second runway at 152
Mandelson, Peter 117-18
market capitalization 8-9
market definition 68-9, 105
market discipline, on banks 37-41
limitations of 40
takeover market 46
market sector, productivity growth in 3
market share 65-9
and ‘significant market power’ (SMP)
104
and vertical agreements 192-3
Markou, E. 169, 174
Mas, I. 42
McCarthy, Callum 180
Merger Task Force 209-10
mergers, responsibility for examining
195, 207-10
Midland Main Line 134, 136
Miles, D. 39
Milk Marque reference 203-4, 207
Millward, R. 169
minimum regulatory standards 31-2
mobile operators 104-5, 107, 114, 119,
201
Mobile Telephone case 201
‘Moderation of Competition’ regime,
passenger rail services 120, 127,
130, 133-4, 139, 142-3
mechanisms for moderating
competition 127-8
monitoring and supervision of banks
32-3
Monopolies and Mergers Commission
(MMC)
airport reviews by 147-8, 151, 152,
158, 162
divestment proposal for gas industry
by 159
investigations by
BP/Kuwait (1988) 208
Milk Marque 203-4, 207
mobile operators 5, 105
privacy surrounding 202
South West Water (1994) 4
treated as evidence 205
mergers and monopolies jurisdiction
of 195
public interest test used by 56
termination of (1999) 189
third party interests protected by 210
monopolist regulators 24, 25-6, 37,
47-8
moral hazard effects 21, 26, 31, 33, 34,
36, 41, 46
Morton, Alistair 133, 139, 143
motor vehicle distribution 192
Mulholland, K. 166
National Balancing Point (NBP) 97
National Grid Company (NGC) 77-95
passim, 97
NatWest, takeover bid for 46
Nehl, H.P. 211
neoclassical tradition 64
NERA 122, 138
NETA (New Electricity Trading
Arrangements) Ch.4
aims of 77
and balancing 78-80, 96
and bilateral contracts 78
and cash-out prices for imbalances 80–81
and consistency with RETA approach 93
and costs 81
and economic efficiency 77, 97
and governance reform 96
and locational price differences 82–3, 93, 94
OFGEM publications on 77, 84
treatment of constraints 85–93, 94, 97–8
defining the zones 92–3, 94
long-run marginal cost (LRMC) pricing 87–8, 93, 94, 97
nature of problem 85–7
physical transmission rights 86, 90–92, 93, 94, 97–8
short-run marginal congestion charges 88–90, 94, 97
treatment of losses 83–5, 94, 97
marginal and average losses 85
NGC provides and charges for losses 84–5, 93, 94, 97
participants provide losses 84, 93, 94, 97
weaknesses of interim arrangements 81–2
Netherlands
implementing directives in 111
local loop unbundling in 107–8
network benefits 129, 130
network industries, rule-making in 65
Network South East 134
New Cars reference 203
New Electricity Trading Arrangements see NETA (New Electricity Trading Arrangements)
New Zealand, air services market in 160, 162
Newcastle–Edinburgh rail route 137
newspaper mergers 208
Nichols, A. 124–5
NIE, efficiency savings in 2
non-executive directors 45–6
North Western 136, 137
Northern Securities case 200
Northern Spirit 136
Norway, zonal boundaries in 92
O’Brien, J. 49
O’Donnell, P. 128
Occum’s razor 109
OFFER 180, 188
Office of Fair Trading (OFT) appeals against decisions of 189, 196, 197, 198, 199, 201, 205, 206–7, 211, 212
Competition Commission liaison with 200, 206–7
Director General’s powers 148, 191, 195
FSA reviewed by 47
guidelines issued by 56, 74, 194, 203, 205–6, 213
merger investigations by 208, 209–10
Office of Passenger Rail Franchising (OPRAF) 129, 131, 143
Office of the Rail Regulator 126, 127, 130, 131
OFGAS 176–7, 180, 188
OFGEM (Office of Gas and Electricity Markets) 77, 84, 86, 88, 90, 97, 179–83, 187–8
Social Action Plan of 179–80, 182–3, 188
OFTEL 105, 117, 118, 119
OFWAT 3, 11, 14, 15, 17, 18, 20, 179, 182
open access agreements 125, 138–9
Open Network Provision (ONP) Directives 110, 111, 114
OPRAF see Office of Passenger Rail Franchising (OPRAF)
OPTA 107–8
optimum patent life problem 61
Otero, J. 177, 184
OXERA 2, 3, 6, 7, 8

Passenger Demand Forecasting Handbook (PDFH) 122, 140
passenger facilities charge (airports) 146, 153
passenger rail services, on-rail competition in Ch.6 alternative approaches to 120–21 demand for passenger rail services 121–4
evolution of policy towards 124–33 background 124–5
Index

mechanisms for moderating competition 127-8
need to restrict entry 126-7
price competition 129, 132
renegotiating franchises 132-3
restricting entry 126, 130-31
franchise building 120-21
franchise replacement programme for 142-3
future policy recommendations for 139-40
industry structure and 138-9
on-rail competition and its effects 133-8
competitive entry 133-4
theoretical effects 134-5
empirical results (service and fares) 135-8
uncertainties surrounding 120
Passenger Service Requirement (PSR) 127, 130
patents 59, 61
pay-TV 75
peak load pricing 152
Pennon Group 6, 8
pensioners 167, 173, 174
perfect competition 59
Performing Rights Society reference 203
Personal Investment Authority 29
personal pensions 34
petrol prices 124
Pfähler, W. 162
physical transmission rights 90-92, 93, 94, 97-8
point-to-point flows, competitive entry on 128, 133-4
empirical effects of 135-8, 139
pollution regulation 2, 48-9
predatory pricing 73, 101
Prendergast, C. 34
prepayment meters 166, 169-77 passim, 180, 181-2, 187-8
Preston, J. 140
Price, C. 168, 182, 183
price regulation 166
in British Telecom (BT) 15, 105, 168, 170
deregulation causing shrinkage of 148
in electricity industry 4, 187-8
in gas industry 168-9, 171, 180, 181
in water industry 4, 5, 10, 15
see also RPI-x price cap regime
price competition 60, 66, 129, 132
price discrimination 101, 176
price fixing 73
privatization
airports 145, 162
British Gas 171
passenger rail industry 120, 132
social needs ignored by 166-70, 173
telecommunications 173
water industry 7, 9, 10, 13, 18
productivity improvements, comparative 3-4
profit maximization 166
profit-related bonuses 34
profit sharing 10, 12-13, 15
profits, excessive 150
‘progress’, as evaluation criterion 64
Prompt Corrective Action (PCA) rules 43
Prowse, S. 45
public call boxes 170, 179
public interest test 56, 57, 73, 208-9
Public Switched Telephone Network (PSTN) 104
PUG2 agreement 134
quantum meters 170, 175
rail fares, effect of on-rail competition on 137-8, 139
rail service frequencies, effect of on-rail competition on 135-7, 139
Railtrack 121, 125, 127, 128, 132, 134, 143, 144
railway franchising see passenger rail services, on-rail competition in ‘Railway Summit’ (February 1999) 132
Railways Act (1993) 120, 126
Railways Bill 125, 142
tariffs for airports 147, 159
in electricity industry 7
regulation of 4, 5, 168, 169
timeless 4-5, 13, 15
in water industry 6-14
rate rebalancing, in telecommunications 113
Regulating utilities

rating agencies 37, 38, 39–40
ready-mix concrete cartel 73
REC distribution, efficiency savings in 2
Regional Railways 134
regulatory asset base 8–9, 12, 19
regulatory failures, reasons for 26
regulatory intensity, degree of 47, 49
regulatory regimes 22–4, 26–7
corporate governance 43–6
disciplines on regulator 46–7
incentive structures 33–6
intervention arrangements 41–3
market discipline 37–41, 46
monitoring and supervision 32–3
rules 30–32
shifts within 49–51
trade-offs between components of
27–30, 51–2
Reid, John 132, 133
relative price regulation (RPR) 11–14,
15, 17, 19–20
Resale Prices Act 73
Restrictive Practices Court 73
Restrictive Trade Practices Acts (RTPA)
57, 70, 190, 193
RETA (Review of Electricity Trading
Arrangements) 77, 93
retail minus pricing rule 108–9
retail price index 12
retailing and property activities, airport
146–7, 154–6
demerger of 157–8, 160
removal from regulatory assessment
156–7, 161
revenue sources at BAA regulated
airports 146–7
Review of Electricity Trading
Arrangements see RETA (Review
of Electricity Trading
Arrangements)
risk control mechanisms 35–6, 44–5, 50
risk weights 35–6
riskless rate of return 4–5, 13, 15
road traffic volumes 123–4, 132
rolling stock, investment in 121, 132–3
RPI-x price cap regime 1
for airports 146–7, 149–50, 154, 164
abandonment of 158–60, 161–2, 164–5
modification of 11–14, 15, 17, 19–20
rule of reason 63, 70
rules, formal
for assessing competition 63–5,
70–71, 74–5
critical analysis of 65–70
choice of type of 32
impact of 32
for intervention by regulators 42–3
problems associated with 30–32
rural areas, consumers in 167
Ryanair 139, 159
safety net arrangements 21, 26, 36, 44
satellite systems 107
Saunders, A. 32
scale effects 109, 158
scale monopolies 195, 203–4, 212
Schinasi, G. 33
Schwartz, A. 21
Scottish airports 149–50, 162
Scottish Power 6
SEIR (structured early intervention and
resolution) approach 42–3
service level agreements 151–2
set-top box facilities 107, 108
Severn Trent 6, 8
share options 169
shareholders 44, 169
Sharratt, D. 182
Sheffield–Manchester rail route 137
Sherman Act (1890) 200
short-run marginal congestion charges
88–90, 94, 97
’significant market power’ (SMP), in
telecommunications 104–6, 108,
109, 111
Silverlink 136
Simon, Lord 75
Simons, K. 39
Simpson, D. 28
Single Market 193, 198
single parents 174
single-mill approach 146–7, 153–6
removal of 156–7, 161, 162, 164
Sinha, R. 45, 46
Snook, Hans 119
social exclusion 173
social needs Ch.8
cross subsidies and relative prices and
170–74
current proposals to address 179-84, 187-8
OFGEM Social Action Plan 179-80, 182-3, 188
ignored in privatization programme 166-70, 173
regulatory responses to
by gas industry 173-8
by government 178
by telecommunications industry 179
by water industry 178-9, 182-3
South East Asia, banking crisis in 37, 45
South east London based rail routes, passenger demand forecast for 122
South east non-London based rail routes, passenger demand forecast for 122
South West Trains (SWT) 134
South West Water investigation (1994) 4
Spain, implementing directives in 111
spectrum allocation 103, 106
Standard Oil case 200
standards
equipment 108
water quality 2, 48-9
standing charges 181-2, 183
Stansted airport
designation of 146, 149, 161
ownership of 159
revenue sources at 147
Starkie, D. 149, 158
Stoneman, P. 4
strategic game playing 128
Strategic Rail Authority (SRA) 131, 132-3, 139-40, 142, 143
submarine cables 107
subordinated debt 38
subsidiarity principle 102, 109, 114
‘sunset obligations’ 102
SuperGoal 94
Supermarkets reference 203
suppliers, consumers’ choice of 180-81
supply elasticity 66-8
Sweden, mobile operators in 105
Swift, John 120

takeover market, in banking sector 46
tariffs, rebalancing of, in telecommunications 103
tax and benefits system 173, 174, 184
technology spillover 16
technology transfer 192
Telecommunications Act (US, 1996) 99
telecommunications industry
European Commission 1999
Communications Review see
European Commission liberalization strategy of 100-102
social needs considered by 179
see also BT
Telford, R. 40
Terminal 5, development of 162
Thames 136
Thames Water 6, 8
Thameslink 129, 136
thermal capability 85
Thompson, D. 158
Ticketing and Settlement Agreement (TSA) 129, 130
time-limited essential facilities 107
Tirole, J. 38
track access regime, railways 125, 138-9
trade associations, airlines 146, 159
trade unions 169-70
Transco 2, 98, 171, 173-5, 181
transmission constraints and losses see
NETA (New Electricity Trading Arrangements)
transmission rights, physical 86, 90-92, 93, 94, 97-8
transport and storage industry, productivity growth in 3
Treasury, public reporting mechanisms to 47
Treaty of Amsterdam 103, 109, 112, 197
Treaty of Rome 110, 114, 190-95, 200, 211
Turner, P. 43
Turvey, R. 95

United Kingdom
leased line costs in 111
productivity growth in 3
United States
antitrust law in 193, 200
leased line costs in 111
rate of return regulation in 168
Telecommunications Act (1996) in 99
United Utilities 6, 8
universal service obligations 101, 102, 103, 106, 117-18, 170, 179
Regulating utilities

urban rail routes, non-London, passenger demand forecast for 122
US Department of Justice 69
Utilities Act (1992) 167
Utilities Bill (2000) 178
value-at-risk (VaR) models 50
vertical integration
air services 160
EC law on 192-3, 195
railways 139
Vickers, J. 176
Virgin Trains 134, 136
Vodafone investigation 5, 105
Waddams Price, C. 169, 172, 173, 174, 177, 184
WAGN 136
Wales and West 136, 137
Wallman, S. 30
Water Act (1999) 179
water industry Ch.1
consultation on charges by 1-2, 17
cost comparisons in 14
cost of capital in 1, 4-5, 10, 12, 13, 15
efficiency savings in 2-4
environmental standards for 2
incentives for 4, 15
privatization of 7, 9, 10, 13, 18
problems with current regulatory system for 9-11, 14-15
rate of return in 6-14
relative price regulation (RPR)
proposed for 11-14, 15, 17, 19-20
rising prices and share values in 167
scope for competition in 17-19, 20
social needs considered by 178-9, 182-3
subsidies for consumers of 174, 182
water quality standards 2, 48-9
Waterloo–Southampton rail service 133-4
Welsby, J. 124-5
West Coast Main Line 134, 140, 143-4
‘whistle blowing’ 56, 74
Wilson, B. 32
windfall tax 5, 145
Winsor 120
Yarrow, G. 159
York-Leeds rail route 136
York–Newcastle rail route 136
Young, A. 169
zonal boundaries 92-3, 94