

Competition and Regulators

Yesterday I attended a meeting with John Penrose MP who updated us on his Report into reforms of our competition policy and approach to regulating industries. He is rightly critical of the complexity and ineffectiveness of much contemporary regulation of business. He thinks it combines high cost with poor outcomes. One of its worst features is the high cost and difficulty it imposes which reduces competition, putting off challenger companies and reinforcing the position of industry giants that can handle the expense and time consuming detail of the regulations.

John thinks there should be a general duty on all business regulators to promote competition, and to seek to reduce the amount of detailed regulation they need to do as competition takes the strain. Competition can keep businesses honest, can fuel innovation, can offer consumers real choice, can show established companies how quality and price can be improved as competitors raise standards and improve ways of delivering.

In the case of the railways a few challenger companies have been allowed to run lower cost better services over parts of the network in popular ways. It is now very difficult for a company to gain permission to do this, with a more protectionist approach by the Regulator and defensive tactics by the incumbent regional monopoly providers. Government has controlled more and more features of railway contracts, expanding their cost and complexity and removing the scope to innovate, to flex services in popular ways and to cut costs in safe ways. As a result we have far fewer passengers paying good fares for travel, larger deficits and an explosion of subsidy paid for by taxpayers.

The government is planning new competition legislation which could make some of the necessary changes. It has said its recent legislation on public procurement will open up more public contracts to UK challenger companies. There is plenty of scope for improvement. I raised the tangled web of rules, price controls, windfall taxes, carbon taxes, subsidies and double increased corporation tax that now bestrides our energy sector. It is likely these interventions will deter new investment and stand in the way of the government's proclaimed aim of greater self sufficiency. They also get in the way of delivering more reliable and affordable power.