

Competition is the customers' friend

All monopolies conspire against their users. State owned ones also conspire against the taxpayers that own them. As some used to say "We do not own the nationalised industries, they own us" . Any loss or outrage they commit means we have to take the blame and pay the bill.

Monopolies are usually created by law and regulation. Some are said to be natural, but it is difficult to find many of these in large scale provision of goods and services. Of course the owners of the Taj Mahal or the Tower of London have a monopoly of their visitor attraction. The suppliers of water or of electricity or of rail travel need have no such monopoly. In each case it is possible to allow or encourage competition.

State and private monopolies have a tendency to avoid innovation, not wanting to undermine their own way of doing things. They have a tendency to cost plus, allowing their cost base to expand in the knowledge they can pass the costs on to the consumer. They may keep supply tight by not investing in sufficient additional capacity to provide an excuse for high prices and poor service.

State monopolies are particularly good at blaming customers for wanting too much and expecting too good a service. The shortage of roadspace for a growing population in the UK leads to constant demands that we travel less, not to more provision. The shortage of capacity to turn round passport and driving licence applications leads to delays in receipt. Many Councils keep parking dear and scarce to put people off visiting their town centres.

Highly regulated monopolies in the UK are also good at rationing and blaming customers. The water companies, far from wanting to meet expanding demand with more supply, impose limited use bans and try to educate us into using less water. The railways are not good at meeting peak demands with enough trains with enough seats, though the decline in daily commuting has eased this tension somewhat. Big popular events often remain badly served by public transport. The electricity system often needs imports to keep the lights on as it is run with insufficient domestic capacity. Customers are told to cut their use and to switch their use to different times and night and day.

In some pieces to follow I will look at what scope there is to increase competition in regulated monopolies where customers pay for the service and what this might achieve in terms of more capacity, better service and lower prices.