

Competition means choice

Most of the big networks need not be monopolies. Some of you are writing in to say energy or telecoms or water rests on some natural monopoly so it is best held in the public sector. This is a double mistake.

It is quite possible to have competing supplies of water using a pipe network as a common carrier. It is quite possible for there to be competing ways to route data and phone calls to people without having a single monopoly network of cables. The oil and gas industries do not need monopoly suppliers because the competing businesses sometimes share pipes. The electricity industry can have competing generators and competing retail companies whilst having some regulated shared network of cables.

Nor is it true to say the state regulates a monopoly well if it owns it. It is easier for the state to be a tough and good regulator of any monopoly elements that remain if it does not own it. As soon as ownership and regulation are confused the danger is the need to preserve jobs or generate cash or cover up for mistakes takes precedence over the correct regulatory response to poor service or damage done.

When I advised the Thatcher government on industrial strategy I always placed introducing competition above change of ownership. In the case of telecoms in the first round of arguments prior to the initial share sale the PM argued for competition but the Treasury was reluctant. The compromise only allowed for competition for business use through a single challenger. I was able to revisit this decision with Peter Lilley when we were Business Ministers and introduced wider ranging competition at a later date.

Wherever competition was introduced as into electricity and telephones service quality improved and prices fell after the event. Nationalised monopolies usually serve both customer and taxpayer badly. Labour's ruinously expensive proposals are unlikely to bring benefits after the initial shock of the costs.