

***Industry Concentration and the Changing  
Role of Regulation***

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**NATIONAL CHAMPIONS IN AN  
INTERNATIONALISED WORLD**

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# Internationalisation of network industries

- Supra-national regulation, esp EU
- Reforms overseas, esp in the US
- Growth of transnational companies- inc by cross-border M and As

# Limits on traditional instruments of national industrial policy

- Privatisation
- Quotation on stock exchanges
- End of monopolies
- Delegation of powers to IRAs
- EU rules- sectoral, state aid and general competition

# Holders of remaining national instruments

- Governments
- Sectoral IRAs
- General competition authorities
- State-owned investors/banks

# Remaining national instruments

- Sectoral regulation of competition
- Industry structure- mergers and acquisitions-  
growing in importance?

# Sectoral regulation

- Allocation of licences if limited number of suppliers (eg 3G mobiles)
- Licence conditions
- Regulated tariffs (eg energy in France)
- Structural separation (eg threat Telecom Italia)
- Subsidies or financial transfers (eg renewables)

- Interconnection and allocation of costs
- Allowable costs
- Future orders
- Help with administrative barriers (eg planning permission)

# Industry structure

- Sale of government shares
- Pre-emptive M and As (eg GDF-Suez) or sale of shares
- Conditions on M and As
- Delays on M and As (eg Spanish electricity)
- White knights and encouragement of other bidders (eg Spanish electricity)

- Pressure on banks and other investors (eg Alitalia)
- State-owned investors intervening
- Government rescues- eg France Telecom, British Nuclear
- Corporate law on M and As (eg voting rights)

# Example: British and French energy markets

- Lack of British national champion
- Entry by overseas firms
- Tariff variability
- Creation of French international champions- EDF and GDF-Suez
- Use of regulated tariffs in France