



Comments on “Regulation incentives for investment and technological change”

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Key points from talk

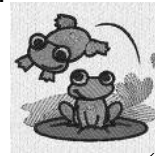


- **Legacy v new/innovative infrastructure investment**
- **Legacy:**
 - ‘Intermediate’ price regulation best for investment in longer term.
- **Innovative:**
 - No regulation v holiday v light regulation

Background: Regulation will *always* affect investment – and we want it to!

- **The investment level absent regulation need not be socially optimal**

- Regulation of monopoly facility and requirement to serve market
- Regulation versus race to build natural monopoly facility



Background: regulation may result in investment above or below the socially optimal level

Regulation can lead to over investment (e.g. Issues of interconnectors and electricity transmission regulation – a ‘free option’?)

Issues of parties who invest (e.g. DSLAMS and the internet; defensive investment in cable)



Its not just the price!



- **Regulation affects investment in a variety of ways**

- Service standard requirements
 - For end customers
 - For other providers
- Structure
 - For example, Telstra

Issues in regulation

- **Does certainty beat accuracy?**
- **Should there be appeals?**
- **Legacy investment and formulaic regulation**
 - Commitment
 - If it is certain, does it need to be 'soft'?
- **Is a 'holiday' or generous rule (e.g. MECPR) better than no regulation for innovative investment?**
- **What about cross-over investment**