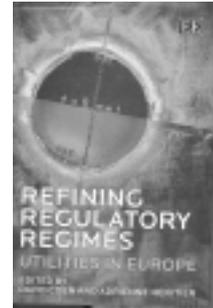


Refining regulatory regimes

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The book provides a comparative study of the regulatory regimes governing the energy, telecommunication, and railway subsectors in the UK and Germany. The book, divided into three parts, first details the development of the informal and formal regulatory regimes covering these three subsectors in the two target countries with different political institutional architectures, administrative traditions, and economic legacies. The book then goes on to analyse the business–regulatory relationship in the two countries and explores how liberalization in Europe has resulted in greater cross-border and inter-institutional issues cropping up, thus requiring that the European Commission play an ever more complex role in national business–regulatory interface. Finally, the book explores how multiple levels of regulations and regulatory institutions, in the sectors under review, have influenced development of policies governing these sectors.

It is evident that the regulatory regimes in each of the subsectors in both the UK and Germany are dynamic and continue to be modified to meet changing demands of the market and the state. These changes are necessitated as much to meet the objective of market creation or market corrections, as they are to maintain the relevance of the government policies in shaping the sectors and the services they provide to the consumers. The most important force behind this dynamic evolution of the

regulatory regimes, in both countries, is the continuing conflict between regulators and regulatees as also the conflict between consumers and regulatees. Changes in the governments and consequent changes in political priorities, emerging European legislations, ambitions of regulatory agencies and institutions, and technology are other key factors that have impacted the evolution of regulatory regimes.

The process of change in regulation is often set in motion by third party dispute resolution. Courts set new standards of regulation through their rulings and this in turn leads to renegotiation of the regulatory regimes and shapes new regulatory practices. The change in regulatory regimes results in increased or decreased autonomy of the regulators and the consequent lowering of or raising of the legislative and executive interference and control over regulators through specific policy directives. And it is these policy directives that result in convergence or divergence of regulatory regimes across sectors and across countries. In the case of Europe, such convergence or divergence is also the outcome of the emerging pan-European level institutional structures.

The authors successfully establish that the extent of a regulatee's access to the regulator and the extent of the regulatee's compliance with regulatory orders is impacted by the market structure as well as the structure of the regulatory regime. Typically large firms and associations do not have easier access to regulators as the latter endeavour to cultivate smaller market players. There is no evidence that multiple regulatory structures promote non-compliance by allowing for regulatory shopping. However, sectoral structures, especially where multiple market players are available, make control of regulatees easier and thereby yield better compliance. It also appears that the monitoring for compliance with the regulatory compact is the maximum where the sector is most liberalized. The rail sector in the UK bears out the premise that the level of intrusive monitoring rises with the degree of liberalization.

It is seen that in both countries, there is a tendency to increase political interventions in all three sectors covered by the book. Further, while the main regulatory arena, especially in the rail sector, is the national arena, European political influence is gradually increasing. Having said that, the European Court of Justice has ensured that national courts and national policies are given ample latitude in the shaping of public services. The book

clearly demonstrates that the unitary state structure such as the one in the UK is less flexible in instituting new policies and directives compared to federalist Germany.

The most important lesson that flows from the comparative and empirical analysis presented in the book is that in neither country was the regulatory regime designed just right. This is true across all three sectors. The regulatory regimes across all three sectors faced constant adjustments and refinements, in both the UK and Germany, in order to deliver the reform goals. While most regulatory regimes are costly in administrative terms, those that promote extensive and radical deregulation are relatively more costly. Contrary to expectations, higher levels of deregulation and reliance on markets raise the need for more complex and costly regulatory practices. This is a fact that governments are gradually coming to terms with worldwide.

The book is indeed a comprehensive text for the student of regulation and regulatory institutions. It successfully imparts lessons in the evolution of regulation and regulatory institutions in two market economies with different political structures. More importantly, the book exposes the limits of 'independent' regulatory regimes in a liberalized market place with multiple players, which, nevertheless, includes some dominant ones.