In the absence of meaningful competition or regulation, a monopolist, particularly in a holding company structure, will not expand the network to the extent needed by society. This result is quite predictable:

Left to its own devices, the utility would build a network reaching a lower

percentage of the population than [policymakers] would desire. For a fixed

geographically averaged price, the utility would stop expanding its network

when the private marginal cost of doing so began to exceed the private

marginal benefit. [Policymakers] would prefer to have the network expanded

to the point where *social* marginal cost equals *social* marginal benefit.

Alternatively, the utility would depart from pricing its services at a fixed price,

and instead charge higher prices to customers in high cost areas. Thus, the

need to impose on the utility an obligation to extend its network is the direct

implication of policies of universal service and rate averaging.[[1]](#footnote-1)

 J. Gregory Sidak and Daniel Spulber, Deregulatory Takings and the Regulatory Contract: The Competitive

Transformation of Network Industries in the United States, 120 (2003).

1. J. Gregory Sidak and Daniel Spulber, Deregulatory Takings and the Regulatory Contract: The Competitive

Transformation of Network Industries in the United States, 120 (2003). [↑](#footnote-ref-1)