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FOREIGN EXPERIENCE OF MANAGING NATURAL MONOPOLY ENTERPRISES

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Abstract: This scientific article covers the experiences of foreign countries in managing natural monopoly enterprises. In particular, the existence and development of natural monopolies, mainly their interaction with the external environment, including determining the efficiency of the natural monopoly subject and comparing it with the alternative efficiency of the competitive market, the causes of market defects, market participants and types of activities Problems related to this are theoretically studied and methods of state regulation of natural monopoly enterprises are justified.

Keywords: monopoly, natural monopoly, oligopoly, competitive environment, competition mechanism, "market defects", pricing theory, profitability, limited amount of price growth, relative price growth, social policy, environmental protection, economic security.

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INTRODUCTION

Natural monopolies are branches or enterprises that form the basis of the national economy in any economic conditions. The uniqueness of the products or services produced by them allows them to have a unique position in the market and dominate the pricing of the product or service. Natural monopolies in foreign countries traditionally include electricity, railways and pipelines, gas and water supply, and others. If these natural monopolies manifest themselves as an integral technological element of all industries within the country, they are the main link of economic cooperation with neighboring and other countries in the country's foreign policy.

The reform of natural monopolies does not lead to their complete disappearance, they are aimed at increasing the competitive environment in terms of quality and price while applying modern management and market mechanisms in their activities, moving to a balance of low costs, and satisfying the wishes of consumers. lead to changes. The existence and development of natural monopolies in the country's economy mainly depends on the nature of their interaction with the external environment. The reason for the dominance of natural monopolies in the market: the fact that the type of product or service offered by them is unique in the market; high availability of natural resources; based on the presence of state support in certain aspects.

This effect of natural monopolies is often manifested in negative consequences, namely: increasing prices (tariffs) for monopoly products (services); creating conditions that discriminate

against other manufacturers or service providers; creating significant barriers to entry into the monopolized market of potential competitors. Controversial situations arise as a result of state control, regulation and management of the activities of industries, enterprises and enterprises that belong to the spheres of natural monopolies. In particular, as a result of control, regulation and management, structural changes to their activities, restrictions on economic aspects, and legal restrictions on types of activities are carried out.

The need for legal regulation of public relations arising under the influence of structural changes, market mechanisms and the introduction of advanced technologies is felt by the state under the influence of improving and changing the role of regulation.

Today, in economic theory, there are different opinions about the methods and limits of regulation of natural monopoly. These issues are controversial. However, there is a general view that any regulation can harm not only the natural monopoly, but also the country's economy and society as a whole.

The products of natural monopolies are of high social value, so the effectiveness of state regulation of these industries directly depends on the functioning of the economy as a whole. It should be noted that, as of today, there are no universal methods of state regulation of natural monopoly in the world. Each method and regulatory system will have its own advantages and disadvantages.

Analysis of literature on the topic. Having studied the experiences, methods and criteria in the practice of natural monopolies management and regulation, it will always be relevant to improve modern management and regulation methods in the activity of natural monopolies.

The first way to create a competitive environment in the conditions of a monopoly was presented by A. Cournot in 1838 in the work "Research on the Mathematical Principles of the Theory of Wealth". In his opinion, if the production of goods is concentrated in the hands of one person, it constitutes an absolute monopoly.[1]

Natural monopoly is the structural structure of the economy - an element that ensures its stability, integrity and efficiency. The operation of natural monopoly subjects has a significant impact on the final macroeconomic indicators, the social sphere and the security of the country.[2]

L.I. Lopatnikov defines the concept of "natural monopoly" as follows: On the one hand, this is a situation in which, based on the technological characteristics of production, the producer (seller) of goods and services effectively responds to the demand of the industry in the absence of competition in the market.[3]

From the first stage of market reforms, Uzbekistan reflected the policy of regulating the activities of natural monopoly organizations in the economic and legal legislation, and in the process of deepening economic reforms, this policy gained further development. [4]

The concept of "natural monopoly", among the first, J.S. Mill gives his attitude as follows. As an active supporter of competition, he does not recognize the advantages of natural monopoly in some areas of management, "An enterprise of real social importance can benefit in the performance of its tasks only on such a large scale that the freedom of competition almost disappears".[5]

Based on A. Marshall's technological concept of competition, he explains the reasons for the emergence of monopoly by the presence of some "natural" conditions. It shows the connection between the concept of economy and production. "Expanding production quickly increases its competitive advantage and lowers the cost of selling its products."[6]

Stratified approach to monopolistic markets and separation of natural monopoly sectors. In the economy of any country, there are areas where market mechanisms, including the system of pricing through the market, are not reasonable. Natural monopolies, industries where it is impossible to develop competition or economically inefficient are among such industries. The main task of the state in relation to such industries is to agree with their monopolistic activities.[7]

Analyzing the structure and nature of additional costs, M. Clark made a great contribution to the formation of the concept of "natural monopoly". He noted that the competitive environment in some sectors with a high share of gross costs is not perfect. When demand falls, prices in such industries may fall below average costs. At other times, one can observe attempts by manufacturers to compensate consumers by price discrimination, hidden discounts and other means.[8] M. Clark is the inventor of the empirical study of areas where costs decrease, in his opinion, costs can be considered constant in the short term and variable in the long term.

I. Nikuyko defines the necessity of state regulation of natural monopolies with three main factors, i.e. "failure" of the market; unstable balance; connected with the need for macroeconomic stabilization.[9] The task of state regulation of natural monopolies is to encourage the firm to produce more products at lower costs, and at the same time to reject them (in full or in part) by setting monopoly prices.[10] E. According to Chamberlin, monopolistic competition is a differentiated form of products (services) with consumer characteristics in the market. In this, naturally, it provides access to the monopoly market for other firms as well.[11]

In the research work of A. Matin, the following are included in the inexpensive methods of regulating natural monopolies: standardization and certification of products of natural monopolies, mandatory audit, separation of the natural monopoly segment, keeping a separate balance sheet of potentially competitive and natural monopoly segments within one company, organizing tenders, applying for franchising mandatory service to certain groups of consumers.[12]

J. Sapir notes two types of regulation and control of natural monopolies. The first is external control - "Through adoption of regulatory documents or corrective tax (fines and subsidies)". The second is internal control - "The presence of representatives of state bodies (making decisions within the company with legal circumstances)".[13]

Thus, a natural monopoly arises where competition is impossible or economically inefficient and where competition makes less efficient use of society's resources. It occupies a privileged position in the market - due to the technological features of production and individual resources. At the same time, there is a natural monopoly in the field of activity, which is excluded or limited by natural, technological and other conditions that limit the existence of competition in the market. [14]

Both conditions for the emergence of natural monopolies are based on one thing. It is still technology. In the first case, the characteristics of technologies influence the emergence of natural monopolies from the supply side, and in the second from the demand side.[15]

The main task of regulation of natural monopolies is to increase its economic efficiency. However, in practice, it is very difficult to determine the efficiency of the natural monopoly and compare it with the alternative efficiency of the competitive market. In addition, history shows that it is not easy to choose an appropriate and measurable efficiency criterion that takes into account the specific characteristics of monopolized production.[16]

The analysis of the legal system of the member states of the Eurasian Economic Union shows that the law regarding natural monopolies is adopted in such a way that the activities of monopolists are focused on the interests of the final consumer.[17]

If we pay attention to the infrastructural features of the activity of natural monopolies, they serve as the main link for the recovery of economic activity after the crisis. Therefore, it is worth noting that regulation of tariffs by natural monopolies is often one of the most effective means of stimulating business activity. In addition, natural monopolies are mostly large tax payers.

A number of economists of foreign countries consider natural monopolies to be officially recognized inevitable monopolies on the production and sale of products, while the second category appears in economic sectors of natural monopolies to meet the needs of the population and based on the interests of the country. they think that.

In addition to the advantages inherent in the influence of natural monopoly industries in the country's economy, there are also some disadvantages that can be caused by them[18]: Advantages of natural monopoly industries: high possibility of increasing economic efficiency and reducing costs by expanding the volume of production; compliance with uniform standards for manufactured products and provided services; plenty of opportunities to gain a place in the market and adapt to market mechanisms; the possibility of reducing economic losses according to the position of superiority in internal management and the terms of contracts with partners; the high level of use of scientific, technical and innovative technologies, especially if they are produced within the framework of a monopoly.

Disadvantages of natural monopoly industries: the possibility to determine the price of the produced products and services not on the basis of market requirements, but as a result of this, costs are transferred to the final consumer; monopolies can hinder technological development due to lack of competition; a monopolistic enterprise can reduce its costs by reducing product quality.

Research methodology. The methodological basis of the research was the work of foreign scientists, scientific theoretical and practical rules, legislative and regulatory documents of the Republic of Uzbekistan, dedicated to the problems of managing natural monopoly enterprises.

Analysis and results. The process of regulation and management of natural monopolies is one of the most urgent issues in the present time. Most of the monopolies belong to the electric power sector, the oil and gas industry, and the transport network. These sectors and industries have a direct impact on the development of our economy. The influence of these sectors or industries is especially great in the conditions of an economic crisis or a pandemic. Before analyzing the nature, measures and goals of the anti-monopoly policy of the state, first of all, it is necessary to clarify the meaning of the following concepts: "monopoly", "pure natural monopoly", "legal (legal) natural monopoly", "oligapoly", "monopsony". ", disadvantages of monopoly, preventing the formation of monopoly, concepts such as "perfect competition" and "monopolistic competition".

In the economic literature, perfect competition is interpreted as imperfect forms of competition that cannot be addressed by antitrust and competition laws. Imperfect competition is defined as monopolistic competition, oligopoly or monopsony. Monopolistic competition means a relatively large number of enterprises producing differentiated products in the market. Oligopoly means a large number of sellers and buyers in the market. Monopsony is the existence of a single buyer of certain products or services in the market. Pure natural monopoly and legal natural monopolies, the types of natural monopolies mentioned in the legislation during scientific research are divided into two. Specific characteristics of natural monopolies' impact on the competitive environment in the commodity-financial market are presented in Table 1..

Table 1. Economic characteristics of the influence of natural monopolies on the competitive environment in the commodity-financial market

Market type	The number of business entities in the market		Product exchange	Uniformity of the product	Market entry and exit	Enterprise of the market share in	The market is a subject exchange of the esurrection
	seller	buyer					
Monopoly:	one	many	no	the same	limited	complete no one	no one
A pure natural monopoly	one	many	no	the same	limited	complete no one	no one
Legal natural monopoly	check lang	many	partially or not	small difference or the same	limited	complete	very little or not
Oligopoly	one	many	there is, but the benefit	same or different	limited	big	important

Monopsony	many	one	importance	small difference or the same	limited	complete	no one
Perfect competition	many	many	complete	the same	free	equal and not greater	no one
Monopolistic competition	check-lang	many	high level	various	limited	singular advantage and small share	importance

Factors ensuring competitiveness in economically developed countries: high level of technical and technological development; scientific and innovative development of the production process; high rates of literacy and health of the population; high integration of subjects of economic activity through the information and communication system; high quality and efficiency of the market infrastructure; high level of domestic market capacity; high pace of favorable investment and innovation environment, etc.

In the practice of countries with a high experience of regulating the activities of natural monopolies, Table 2 shows which bodies manage them.

Table 2. Industry regulators and supervisors operating in France, Germany and the UK[19]

Network names	France	Germany	Great Britain
Energy (electricity and gas) network	Commission for Energy Regulation (CRE)	Federal Network Agency (BNetzA)	Office of gas electricity market (OFGEM)
Aviation transport	Directorate General of Civil Aviation (DGAC)	Civil Aviation Authority (CAA)	Federal Aviation Administration
Car transport	Regulatory authorities of railways and roads (ARAFER)	Federal Office of Motor Transport	Office of Rail and Road (ORR)
Railway transportation			
Mail services	Electronic Communications and Communications Regulatory Authority (ARCEP)	Federal Network Agency (BNetzA)	Office of Communications (OFCOM)
Telecommunication cations			
Audio-visual	Superior Audiovisual Council (CSA)	Board of directors of state media institutions	

Currently, in many foreign countries, natural monopolies - electricity, oil and gas, communication and transport sectors - are widely being liberalized. In foreign countries, the boundaries of the liberalization of sectors are different, and according to the legislation of each country, they constitute the spheres of natural monopolies.

Natural monopoly sectors are divided based on the economic and technological limits of state regulation and social and strategic limits of the selected market. Determining areas of activity on the basis of market boundaries determines state regulatory mechanisms (Table 3)

Table 3. Determining areas of activity on the basis of market

Areas of activity	Border standards	Description	State regulatory mechanisms	
			main	addition
A pure natural monopoly	technological	Due to process technology, competition is impossible	technical	market access
	economic	Competition is economically inefficient	pricey	market access
Legal natural monopoly	strategic	Competition is against the interests of the state	market access	antitrust pricing
	social	Competition is inefficient in terms of social benefits	subsidy	price, market access, anti-monopoly

In the leading foreign countries in terms of control, regulation and management of industries, enterprises and enterprises included in the spheres of natural monopolies, the following are recognized:
- improvement of national legislation and positive change of the situation in the fields of natural monopoly in a short period of time, extensive use of public-private partnership cooperation;
- implementation of "Structural division" works in the main link of natural monopolies and adaptation of the necessary conditions for creating civilized competition to the directions of potential competition;
- ensuring the transparency of the pricing process, which allows to exclude the absolute position of natural monopoly enterprises in the market.
As a result of researching scientific sources, putting an end to unfair competition is the main task in the practice of developed countries, in the anti-monopoly policy of the state. To stop unfair competition:
In Germany, the law "On putting an end to unfair competition" adopted in 1909 is the most important regulatory document in the field to this day.
In the United States, the Trademark Law adopted in 1946 and the experience of local courts in dealing with unfair competition in the States are important.
In France, the "Civil Code" stipulates an end to unfair competition. Based on the provisions contained in this Code, other laws related to the fight against unfair competition were later developed.
We can point out the following as a basis for the establishment of the Ministry of Regulation of Monopoly Sectors and Protection of Consumer Rights of the Republic of Uzbekistan:
- the fact that the anti-monopoly system, in many cases, is becoming a control body;
- abuse of a dominant position in the commodity and financial market, increasing cases of collusion and cartel agreements, formation of competitive environment and regulatory mechanisms in the market, not based on modern scientific and methodological research;
- the fact that all industries included in the spheres of natural monopolies are regulated according to common characteristics, that is, there is a need for separate regulation of the industries included in the spheres of natural monopolies, according to their specific characteristics;
- the existence of the need to monitor their future activities and assess their economic efficiency for three years without interfering with the activities of branches and enterprises removed from the register;
- that the establishment of tariffs for products and services produced during the activities of enterprises and enterprises in the sphere of natural monopoly, including in the power industry, is entrusted to the interdepartmental tariff commission. This task should be assigned to the proposed ministry based on market principles;
- assigning tasks of coordinating economic regulators and strengthening the competitive environment in the field to the newly established ministry in control inspections of state enterprises that are in the sphere of natural monopolies and in a monopoly position;
- to increase the number of states at the expense of reducing the departments of the ministry for the regions of the republic and to establish regional departments with 2 or 3 regions attached to it.
The reason is that instead of fighting monopolies and natural monopolies in the economy, based on modern management and world experience, before regulating their activities and protecting consumer rights, creating an environment for preventing consumer rights violations, instead of controlling monopoly prices, it is necessary to set monopolistic prices, to develop the tasks of regulating natural monopoly areas in the economy by sectors.
Natural monopolies are unfairly dominant in the market during their operation because of the uniqueness of the products or services produced by them or because they control the market with their products and services. Although natural monopolies are different in terms of activity, they have similar characteristics:
High barriers to market entry - competitors cannot be under sole control.
A single seller is a market where there is only one seller of a product or service.
Price setting - natural monopolies can set the price of their product without lowering the price of a competitor's product or service. Monopolies can raise the price of their products or services at will.
Economic situation - natural monopoly enterprises can buy raw materials with huge discounts. After that, they can reduce the price of their products to such an extent that competing small producers face economic crisis.
Summary. Monopolies can be distinguished in the following forms according to the characteristics of their impact on the market:
1. The product produced by a monopoly enterprise is controlled only by this enterprise.
2. A product produced by a monopoly enterprise is unique and there is no similar product on the market.

3. Monopoly products and services are fully controlled by the monopoly enterprise and the price is set. This leads to a position of clear market dominance.
4. Market entry is completely closed due to lack of competition. The reason is that there is no product other than the product of the monopoly enterprise.

Natural monopolies may provide a product or service of their choice at a lower price than any potential competitor, but are often heavily regulated by the government to protect consumers.

According to the experience of economically developed countries, natural monopolies are regulated by the following pricing methods:

1. Marginal cost method - the state requires the price set by the monopoly enterprise to be equal to its limited costs and ensures its control.
2. The average cost method consists in subtracting all the profits of a monopolistic enterprise, except for the usual (that is, the part equal to the average cost of the price). This method can result in the production of very little output compared to what is needed for the economy as a whole to function effectively. At the same time, he is not interested in cost minimization (the monopolist knows in advance that his costs will be covered).
3. The method of determining the price limit - as a result of the use of this method, the production of products in the market decreases, that is, it leads to a shortage of products. As a result, the volume of imports will increase, and the volume of national currency outflow will increase.
4. Subsidization method - most economically developed countries use this method in practice at an average level and follow the option of marginal costs.

Thus, from the significant experience of leading foreign countries in regulating natural monopolies, we can distinguish two main trends in the reform of economic segments, which should be taken into account in the practice of internal regulation:

- structural division of monopoly - as the main component of natural monopoly and its organizational division from potential competitive relations (separation of monopoly activity into entrepreneurial activity with a competitive environment);
- the influence of the economy on the traditional restriction of competition in the spheres of natural monopoly in the conditions of globalization. With the expansion of economic opportunities and geographical size, even a natural monopoly is limited by competition in a developing environment
- the consumer will have more opportunities to choose a supplier.

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