

Nature of public and their regulation

- Public utilities are those business undertakings which provide necessary services to the society. The undertakings dealing with the supply of electricity, gas, power, water and transport etc. are all covered under public utility services. All these things are needed in the day-to-day life of the people.
- The undertakings dealing with public utilities require large scale capital investments. It is expected that the services should be provided at reasonable rates. Public utilities tend to be monopoly concerns. The entry of other entrepreneurs in these fields is generally barred by the government.

- The purpose of making public utilities as monopoly concerns is to serve the consumers in a better way and to provide services at cheap rates. Certain special privileges are also given to these concerns with a view to improve their working.
- R.G. Hawtrey defines public utilities as “a service in which a tendency to a local monopoly necessitates, the intervention of a public authority to defend the interest of the consumer.” Garuham Roper defines a public utility as “any undertaking that meets the needs or inconveniences of a considerable section of the public and that places the undertakings in a position justifying the imposition of the control in return for monopolistic or other special privileges.”

Characteristics of Public Utilities:

- **Protection of Consumers:**

- Public utilities are meant for serving the consumers. The supply of services like electricity, water, power, transport should be adequately maintained. Public cannot do without these services.
- These services should also be provided at reasonable rates. These services being necessities, consumer exploitation is possible. The supply of essential services should not only be at lower prices but they should be constantly maintained.

- **(ii) Monopoly Position:**

- Public utility enterprises are given monopoly in a particular area. These undertakings are the outcome of special legislations. The entry of other concerns is barred to these fields. Monopoly position is necessary to avoid duplication in providing these services.

- **(iii) Special Franchise:**

- Public utility concerns are given special powers and privileges so that regular and satisfactory supply is maintained.
- The privileges and special status is conferred by the legislations passed for creating those concerns. Franchise is a charter of special powers, privileges and duties as well.
- Public utility concerns may acquire and use public property, if necessary. The powers are given in good faith and these concerns should not make misuse of these powers.

- **(iv) Large Investments:**

- Public utility concerns require large investments of capital. The investments are more in fixed assets.
- In case of railways, large amounts are spent on providing railway lines, purchase of engines and wagons and constructing railway stations. In the same way, electricity concerns require large investment on setting up lines. The expansion of supply of these services reduces cost per unit as no additional investment is required. Cost per unit will go on decreasing with the expansion in service.

- **v) Public Regulations:**

- Public utility undertakings are generally created by special legislation of Parliament and state legislature. Indian Railways are set up under a special act of Parliament.
- Electricity Boards are set up in different states by state legislatures. Special acts are necessary because certain special powers and privileges are needed to maintain regular and efficient service.

- **vii) Pricing Policies:**

- The primary aim of public utility services is to help the society in getting essential services at reasonable prices.
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- The prices are also affected by the nature of demand and laws of returns. These concerns operate under decreasing cost conditions. So, they should charge reasonable prices.
- The pricing policy of these undertakings is generally guided by the government. Some margin of profit is allowed to maintain efficiency and expansion of these services.