

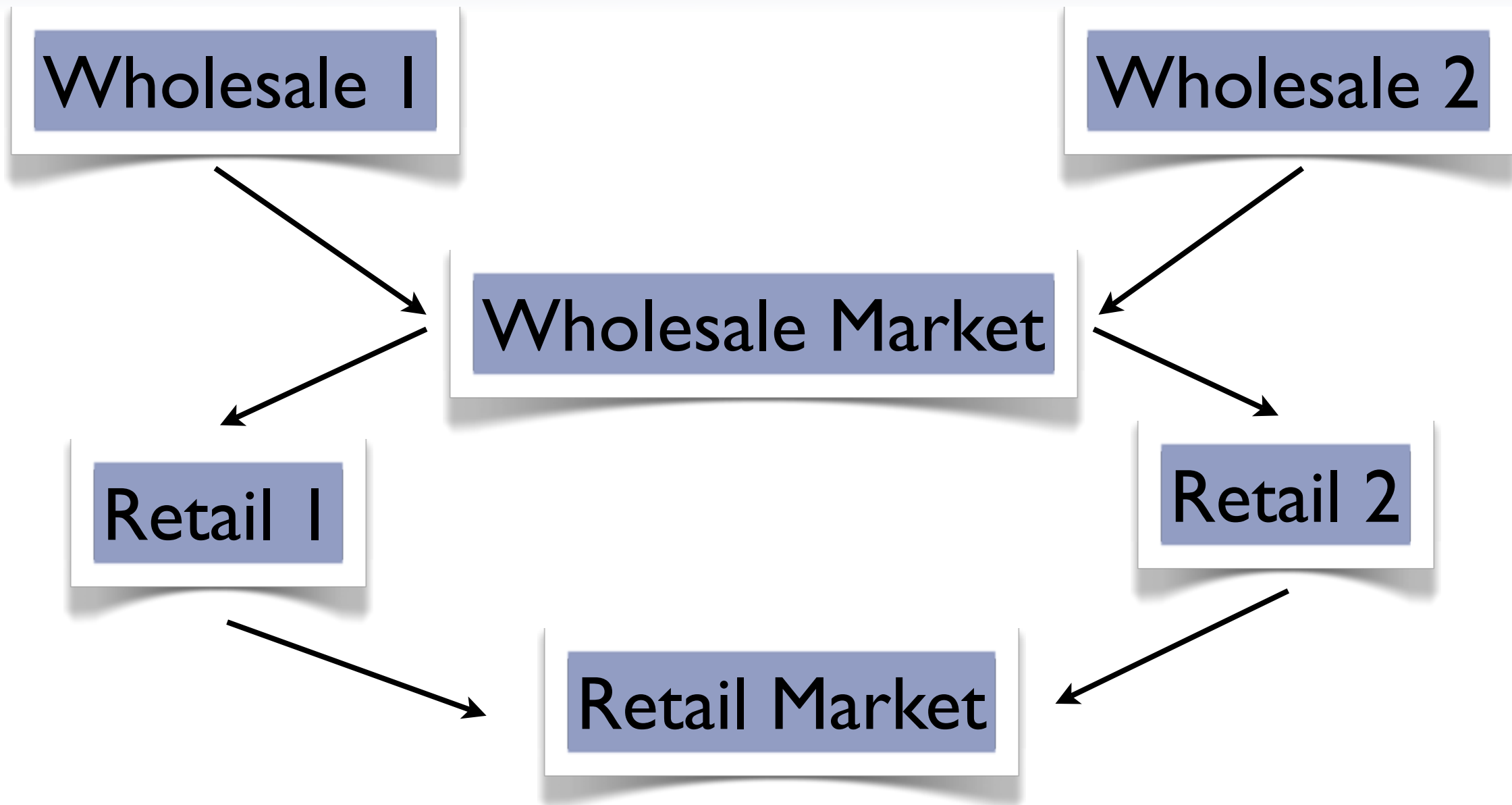
# Comments on: Vertical Integration with an Increasing Retail Supply Function

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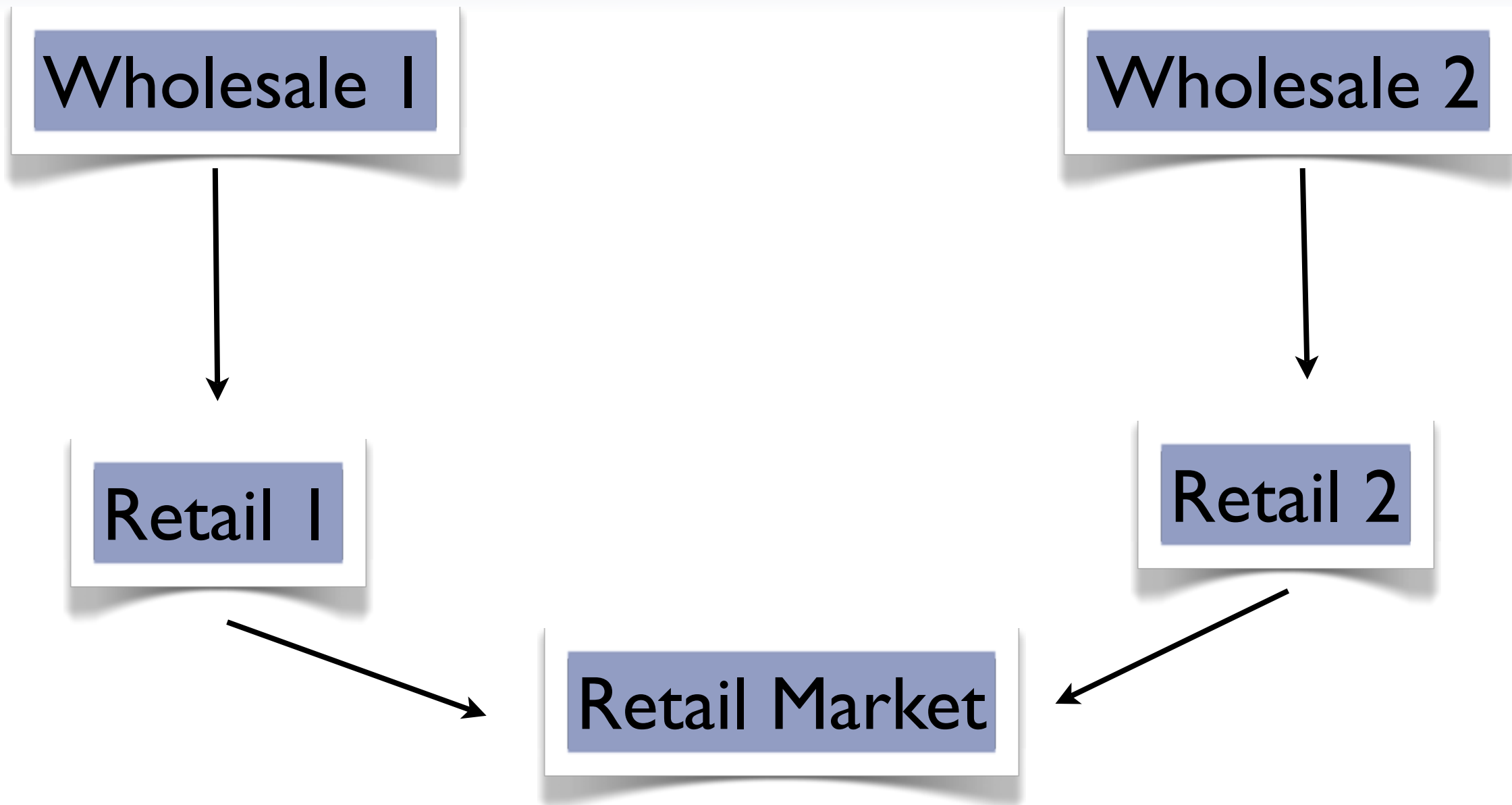
# What is done?

- Comparing vertical separation to vertical integration
- Also consider segmentation at retail level

# Vertical Separation



# Vertical Integration



# Novelty and Point

- Old: vertical integration is good for welfare, bad for firms.
- Novelty: Introduce marginal cost at retail level that is dependent on total quantity sold: “congestion/transportation cost”.
- New: vertical integration may be bad for welfare and firms because of congestion.

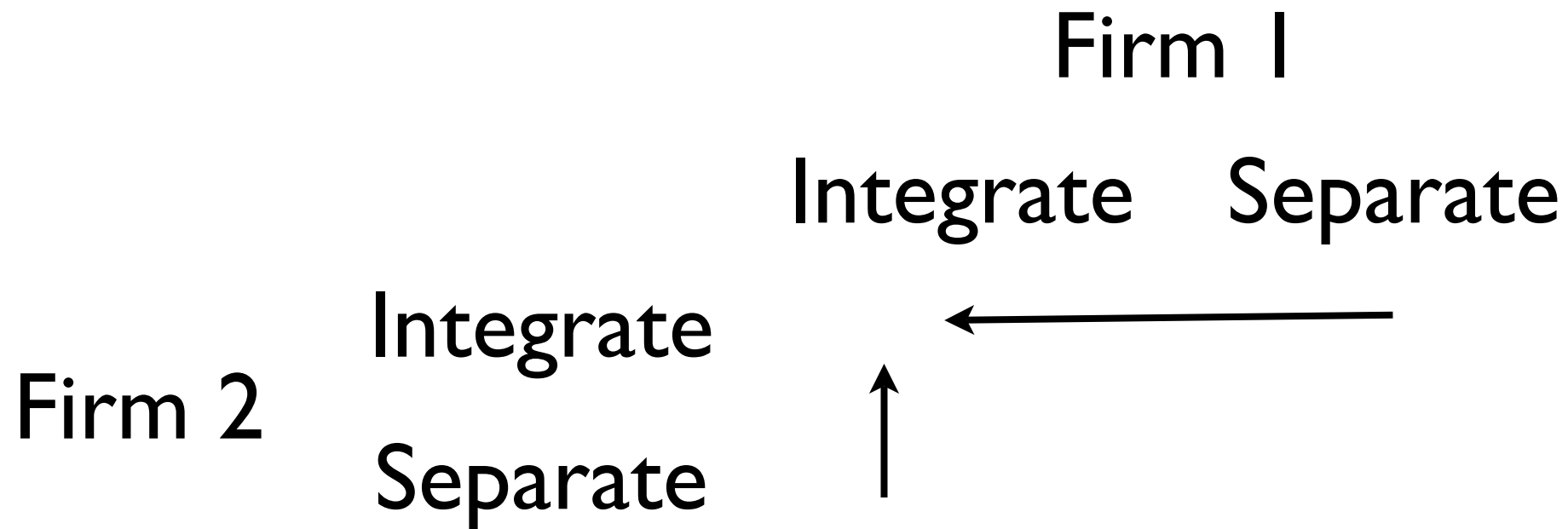
# Comments

- Congestion affecting marginal costs?
- Suggestion: show me marginal cost curves
- Integration may reduce costs

# Comments

- Firms want separation. Introducing congestion cost makes firms want separation even more (cost affects welfare through profits).
- No good arguments for why we might see integrated firms. No need for policy.
- Suggestion: Allow firms to play simultaneous integration game in stage 0.

# Comments



Competition leads to integration



# Comments

- Good in basic model.
- Bad with congestion costs.
- Need for policy.

# Other Comments?