Cost Function

Ln Cost = 1+ 0.77*Ln Output

Case 1: one incumbent firm

Output	Ln Cost	Cost
100	4.545981	**94.3**

Case 2: 5 new firms

25%

Output	Ln Cost	Cost Pre savings	Cost Post savings
20	3.306714	27.3	20.5
20	3.306714	27.3	20.5
20	3.306714	27.3	20.5
20	3.306714	27.3	20.5
20	3.306714	27.3	20.5
100.0		**136.5**	**102.4**

Cost increase from splitting up the industry

9%

Cost Function

Ln Cost = 1+ 0.77*Ln Output

Case 1: one incumbent firm

Output	Ln Cost	Cost
100	4.545981	**94.3**

Case 2: 5 new firms

25%

Output	Ln Cost	Cost Pre savings	Cost Post savings
50	4.012258	55.3	41.5
50	4.012258	55.3	41.5				
100.0		**110.5**	**82.9**

Cost increase from splitting up the industry

-12%