

distortion climbs to more than 70 percent. An important result emerging from Table 5 is that 8 of the top 11 firms were subjected to fixed-price mechanisms⁷⁷, whereas 9 of the bottom 11 companies faced a cost-plus regulation⁷⁸. Once again, our findings tend to corroborate the theoretical argument about the efficacy of high powered incentive schemes in increasing efficiency.

Table 5. Ranking of firms by mean cost distortion over the frontier (time period 1996-1998)*

LPT company	Cost distortion		LPT company	Cost distortion	
Firm 44	0.0207	(0.000)	Firm 31	0.0964	(0.024)
Firm 43	0.0243	(0.001)	Firm 40	0.0978	(0.089)
Firm 3	0.0258	(0.003)	Firm 22	0.1052	(0.009)
Firm 33	0.0261	(0.001)	Firm 2	0.1137	(0.030)
Firm 5	0.0336	(0.002)	Firm 34	0.1202	(0.008)
Firm 26	0.0367	(0.017)	Firm 32	0.1232	(0.057)
Firm 17	0.0368	(0.015)	Firm 24	0.1324	(0.017)
Firm 15	0.0462	(0.006)	Firm 11	0.1366	(0.032)
Firm 6	0.0463	(0.005)	Firm 35	0.1401	(0.052)
Firm 27	0.0492	(0.010)	Firm 30	0.1401	(0.034)
Firm 28	0.0513	(0.008)	Firm 9	0.1761	(0.041)
Firm 41	0.0519	(0.010)	Firm 37	0.1764	(0.132)
Firm 4	0.0522	(0.015)	Firm 7	0.2096	(0.041)
Firm 29	0.0545	(0.004)	Firm 39	0.2195	(0.006)
Firm 18	0.0546	(0.005)	Firm 38	0.2269	(0.019)
Firm 14	0.0556	(0.005)	Firm 19	0.2455	(0.041)
Firm 36	0.0576	(0.006)	Firm 13	0.2966	(0.009)
Firm 20	0.0594	(0.014)	Firm 10	0.3105	(0.035)
Firm 23	0.0606	(0.019)	Firm 1	0.3450	(0.031)
Firm 8	0.0625	(0.017)	Firm 42	0.3763	(0.028)
Firm 45	0.0703	(0.016)	Firm 16	0.3769	(0.108)
Firm 12	0.0836	(0.002)	Firm 25	0.7555	(0.068)
Firm 21	0.0906	(0.014)			

* Standard deviations are given in parentheses.

To better understand the role played by network characteristics (i.e., average commercial speed) in the above ranking, we assigned the individual predicted inefficiencies to four speed classes, defined in terms of brackets of average kilometers to the hour: very low speed, $SP_{vl} \in [13, 17.3]$; low speed, $SP_l \in [17.4, 23.2]$; high speed, $SP_h \in [23.3, 31.4]$; very high speed, $SP_{vh} \in [31.5, 45.5]$. We distinguished then operators

⁷⁷ These are: Firm 44, Firm 43, Firm 3, Firm 33, Firm 5, Firm 6, Firm 27, and Firm 28.

⁷⁸ These are: Firm 25, Firm 16, Firm 1, Firm 13, Firm 19, Firm 38, Firm 39, Firm 7, and Firm 37.