

contracts. High advertising costs may be unaffordable to new entrants who typically have limited resources. Predatory pricing can make a particular product unprofitable for potential entrants. Finally, when incumbents are tied into long-term contracts with buyers, new firms face difficulties in selling their products even when their prices are competitive.

1.4.3 Regulatory and Legal Barriers

Federal income tax depreciation allowances encourage substandard building construction and discourage investment in energy conservation renovations. Building construction and short-term ownership is often motivated by acquiring income tax write-offs against business income rather than by long-term or life-cycle economics (Science Applications, Inc., 1983).

Design and product liability requirements also may slow the adoption of innovations. These requirements sometimes inhibit the adoption of new products because of a lack of product validation procedures and facilities (Science Applications, Inc., 1983). Even when traditional methods are used, there are considerable fears about liability within the buildings industry (Moavenzadeh, 1983).

Codes and standards covering building materials and equipment could be used to encourage the implementation of energy-efficient options. But, this approach has limited effectiveness for several reasons: (1) codes are often mostly concerned with safety and reliability rather than energy efficiency, and (2) industry consensus standards take a long time to adopt and modify (Achenbach, 1982). In addition, codes and regulations often specify obsolete technologies, thereby inhibiting innovation (Quelch, 1980; Goldstein, 1983; Brown et al., 1985; Moavenzadeh, 1985; Rollin and Beyea, 1985).