

## "A Quick guide": competition assessments (CAs)

Many Government policies affect the scope and nature of competition between firms. Where a policy restricts competition, this can be expected to lead to an economic cost. Conversely, some policies – such as removing regulations – can stimulate greater competition and economic benefits. The CA is designed to identify these costs and benefits, and ensure they are taken into account in the overall Impact Assessment (IA). The CA also seeks to help the design of policy proposals in a way that meets policy objectives, without unduly limiting or damaging competition in markets.

There are two parts to the CA in Impact Assessments (IA):

1. Summarise **costs & benefits (CBA)** to competition including *the significant effect on competition question* in the IA summary template.
2. Draft a CA **Specific Impact Test (SIT)** for the evidence base or in an Annex.

Policy makers should answer both parts of the CA by answering the **4 OFT competition filter questions**. If answering *yes* to one or more filter, you will need to complete a full CA in the evidence base or annexes of the IA.

### 4 OFT Filter questions

Does the policy:

1. **Directly limit the number or range of suppliers?**
  - e.g. will it award exclusive rights to a supplier or create closed procurement or licensing programmes?
2. **Indirectly limit the number or range of suppliers?**
  - e.g. will it raise costs to smaller entrants relative to larger existing suppliers?
3. **Limit the ability of suppliers to compete?**
  - e.g. will it reduce the channels suppliers can use or geographic area they can operate in?
4. **Reduce suppliers' incentives to compete vigorously?**
  - e.g. will it encourage or enable the exchange of information on prices, costs, sales or outputs between supplier?

Please see the guide [completing competition assessments in impact assessments](#) for a detailed discussion and further examples, or contact OFT.

Assessing the effect of policies on competition in the CA SIT and evidence base will not be meaningful unless:

**First;** a discussion of the dynamics of the markets in question is carried out. Crucially, this includes any related markets. A CA should have as a minimum, a discussion of the markets affected by the proposed policy and/or how the policy is implemented.

**Second;** consideration, using the 4OFT filters, of the variety of ways in which Government policies can impact on markets and competition. New regulations or changes to existing regulations often have significant effects. Similarly, subsidies or changes to tax arrangements can affect competition.

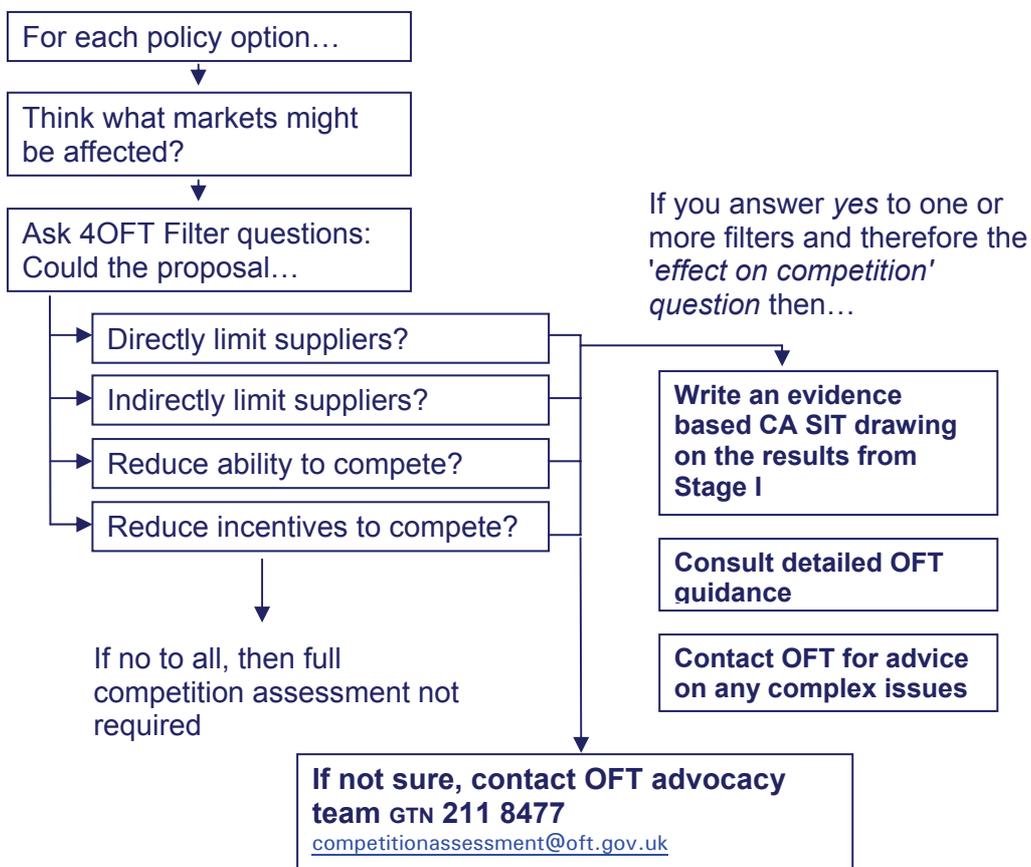
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Also Government plays a direct role in some markets, frequently as a buyer (procurer), and sometimes as a direct provider. Our guide to [Government in Markets](#) contains a more detailed discussion.

Policy makers should advise their departmental specialists (economists and lawyers) on this at an early stage when considering the effect of a proposed policy on competition.

Additionally, contact OFT on **GTN 211 8500** or at [competitionassessment@oft.gov.uk](mailto:competitionassessment@oft.gov.uk) where you require advice on competition issues.

### Competition Assessment (CA) Flow Chart



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