



State of Competition: Annex 1 – Terms of reference

Objectives

1. The objectives of this work are to provide:
 - Government with a robust assessment of how well competition is working across the economy to inform the design of effective and targeted economic policy to promote competition;
 - the CMA with useful evidence to steer its work; and
 - an authoritative, accessible and transparent source of public information on how competition is evolving across the UK economy that can inform further research, policymaking and business decisions.
2. This work will provide regular assessments of the evidence on how competition is changing in the UK economy over time to inform Government, the CMA and the public.

Statement of scope

3. The CMA's analysis of the state of competition in the UK will be presented in published reports. The CMA's work will be carried out independently. To deliver these reports, the CMA will draw on expertise, intelligence and aggregated data gained from their markets, mergers and enforcement work and from academic expertise. The CMA will also draw on research and data compiled by other bodies, both in the private and public sector, who should cooperate with the CMA in this work.
4. To meet the above objectives, each report will include:
 - (i) Metrics relevant to the measurement of competition across the UK economy. This could include extending, as appropriate, preliminary BEIS research at Annex 2 covering concentration and mark-up measures or including other metrics such as profitability, productivity and measures of consumers' living standards.¹²
 - (ii) Analysis and commentary on the implications of the findings, potentially including a discussion of local or regional comparisons, and international comparisons if feasible.
 - (iii) An assessment of the robustness of the metrics used and, where appropriate, the feasibility of making substantial improvements to them and the data from which they are derived, working with the ONS and other stakeholders.

¹ This could include, for example, indicators of consumer trust, confidence and satisfaction.

² Professor Thomas Philippon's recent analysis of the state of competition across the US economy provides examples of the types of metrics these reports could usefully cover (Philippon (2019) "The Great Reversal: How America Gave Up on Free Markets").

5. The CMA will publish a first report in Summer 2020 containing its initial findings. This is likely to include the CMA's preliminary assessment of the data, including the conclusions that might be drawn from it about the state of competition; a discussion of how the measurement of competition might be developed and improved; and further detail on the scope of subsequent reports.
6. Subsequent reports may include discussion on particular topics, or a focus on particular sectors or local or regional markets. A particular interest of Government is the link between competitive conditions in the economy and the UK's productivity performance. We would welcome the CMA's consideration of this topic.