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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

Methodologies to Measure Market Competition – Note by Ukraine

11 June 2021

This document reproduces a written contribution from Ukraine submitted for Item 3 of the 135th OECD Competition Committee meeting on 9-11 June 2021.

More documents related to this discussion can be found at
<https://www.oecd.org/daf/competition/methodologies-to-measure-market-competition.htm>

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Ukraine

1. Introduction.

1. Antimonopoly Committee of Ukraine (hereinafter - the AMCU) measures competitive intensity of a market and applies quantitative methods for competition analysis in market studies, antitrust investigations (abuse of dominance cases, merger control, etc.), and merger analysis.
2. Due to the fact that each market has its own specificities and performance features (in particular, the existence of administrative or economic entry barriers, the turnover of excisable products, the existence of state price regulation, retail sale of products or through public procurement procedures, etc.) the set of necessary information may vary, depending on the researched market or the study objectives.

2. Practice in market studies.

3. Not to waste the crucial time and human resources, the AMCU conducts the market research into two phases, as follows:
 - Phase I – the conduct of market analysis;
 - Phase II – the conduct of comprehensive market study.
4. During the Phase I (market analysis) the AMCU aggregates all available within the AMCU information and other information obtained from public available sources, Internet, state statistic agencies, the mass media, etc., which enables us to define specificities and operational features of the market.
5. Also, in Phase I the AMCU perceives the need of measurement market competition.
6. According to the established common practice, the market analysis includes:
 - structure and volume of product markets;
 - analysis of the market share of individual producers and buyers in the turnover of products;
 - assessment of administrative or economic entry barriers entry barriers.
7. During the conduct of market study the AMCU usually applies statistical methods of information analysis, main types of which include the following:
 - Correlation analysis (which enables us to detect and assess the direction of connections between researched parameters).
 - Cluster analysis (which enables us to divide group of objects into several groups, which are mutually disjointed in terms of the set of quantitative and qualitative characteristics, The main purpose is the market segmentation).
 - Comparative analysis.

3. Development of complex instrument.

8. But still, the AMCU requires the generalized approach to measure market competition during the market analysis, and for this purpose the AMCU started a project of the development of the calculation methodology of the Competitive Environment Monitoring Index.

9. The purpose of this project is to expand the information available to the Committee on the competitive environment in markets, monitor the competitive environment in dynamics, and prepare analytics to prioritize intelligence and provide competition advocacy initiatives. As a result, it is expected to increase the efficiency and enforcement of competition legislation by the Committee.

10. There are a large number of indicators that describe the state of the competitive environment in the markets. Since some indicators are ambiguous in interpretation, others require a significant amount of detailed data and have the different level of significance in the competitive environment, the Committee is guided by the following criteria when selecting indicators:

- Significance of the impact on the competitive environment;
- Ability to compare between different segments of the economy;
- Availability of information and its sufficiency for processing.

11. It is expected that the process of evaluating this Index will stimulate the search for better data and better analytical efforts, provide meaningful analysis over time, and facilitate future communication with concerned parties (government authorities, business entities, international organizations). In future, the methodology of Index may be used for intelligence, gathering and prioritization for competition investigations.

12. But also, the Committee is aware of limitations such as:

- sectors that will be investigated in the Index are not competition markets;
- the conclusions should be based on the overall evaluation process, but not only on the final number of the Index;
- in some dimensions or sectors, feeble data may exist.

13. Therefore, the Committee considers this project as a starting point of embedding the quantitative measurement of competition in Ukraine.

14. Due to the draft of the methodology four dimensions were defined:

1. entry barriers (capital investments/turnover, market entry/exit);
2. market concentration (HHI or CR);
3. market dynamics (market growth, stability of market shares);
4. prices/profits (profitability level and its dynamics, price analysis).

15. The results of the calculation are expected to be published annually with the highlights on conclusions and recommendations for the industries that have been analyzed on the state of the competitive environment for in-depth research and possible ways to improve it.

16. But during the development of Index methodology the AMCU faced several data challenges:

- data confidentiality (that is why the AMCU choose to evaluate the Index, not separate indicators);
- NACE codes are not equal to competition markets;
- comparisons between the industries (in some industries feeble data may exist).

17. As a result the AMCU negotiates with the State Statistics Office, the Ministry of Economic Development and Trade and other interested parties to face these challenges. It is expected to implement the calculation of competition indicators on a regular basis. Also, you can take a look¹ at the draft of the mentioned Index Calculation Methodology but please take a note that currently it passes the negotiation process and may be revised and changed.

¹ <https://amcu.gov.ua/storage/app/uploads/public/5ff/d8e/c45/5ffd8ec45f565836919952.pdf>