

## 2 Background to the reference

2.1. In 1986, 1987 and 1989 a consumer body, BEUC, undertook studies of a range of new car prices in the EC markets on behalf of Directorate General XI of the EC Commission. The results of some of these surveys were published in the United Kingdom by the CA. The 1989 survey in particular, published in 1990, attracted a good deal of comment because of the wide price variations reported between the most, and the least, expensive markets and in particular between the United Kingdom and neighbouring EC member states.

2.2. The DGFT made a monopoly reference of the supply of new cars in the United Kingdom to us on 9 May 1990. In making this reference the DGFT said:

in recent years consumer organisations have expressed concern that car prices in the United Kingdom are higher than equivalent models sold in certain other countries in Europe. The investigation will enable the Commission [MMC] to consider whether such price differences are caused by suppliers' exclusive distribution or other policies and, if so, whether those policies need to be changed. Consumers may benefit from the exclusive dealer arrangements under which new cars are sold in the United Kingdom as long as they lead to competitive pricing, efficient servicing and essential spares back-up. But if the distribution system leads to consumers paying more than is justified, that is another matter. It seems to me there are sufficient doubts about this to justify a thorough investigation by the Commission [MMC].

2.3. Whilst these concerns formed an important part of our inquiry the terms of reference, set out in Appendix 2.1, go wider and require us to investigate the possible existence of both scale and complex monopoly situations in relation to the supply of cars and to consider whether any facts found in pursuance of our inquiries operate or may be expected to operate against the public interest.

2.4. The distribution of cars within the EC is governed by the provisions of a block exemption, EC Regulation 123/85, which lays down conditions to which agreements between car suppliers and dealers must conform. During our inquiry we sought information and views from Directorate General IV of the EC Commission (which is responsible for monitoring the operation of the Regulation) on issues relating to the distribution system and of possible relevance to our inquiry; we also obtained its views on certain questions about the interpretation of the block exemption.

2.5. In April 1990 Directorate General IV began a major inquiry into new car prices, to establish whether, and if so to what extent, differences in prices of new cars in the EC markets had exceeded the limits that the EC Commission had previously indicated might require investigations into whether the benefits of the block exemption should be withdrawn. The Directorate General's inquiry was still being pursued as we submitted our report.

2.6. On 9 May 1990 (the same date as the cars reference) the DGFT made a monopoly reference of the supply of car parts to us. This inquiry has been undertaken concurrently by the same group of members; the date for submission of that report is now 20 December 1991.