

8 Comparison of United Kingdom and other EC prices

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Introduction

8.1. Chapter 7 described the way in which prices are set in the United Kingdom market and the extent and nature of competition on price. The markets of other EC countries have many similarities. In particular, the same model ranges are supplied, and a similar relationship between supplier and dealer operates throughout the EC, reflecting the widespread and detailed application by suppliers of EC Regulation 123/85 (the Regulation, described in Chapter 6).

8.2. It has nevertheless been frequently claimed that prices vary considerably between countries. This is a subject that has interested BEUC, the organisation for consumer groups based in Brussels. BEUC has looked into the price differences between countries on several occasions, most recently in 1989. It sought to identify the differences in prices (both pre-tax and tax-inclusive) for a representative sample of cars.

8.3. On the tax-inclusive basis it found very large differences: at the extreme, Danish prices were 148 per cent higher than those of the cheapest country. On the pre-tax basis Denmark became the cheapest country. The highest average pre-tax prices were those of the United Kingdom, which were 61 per cent more than those in Denmark, with Spain occupying the second highest position, 49 per cent above Denmark. However, it was recognised by BEUC that Denmark was a special case because of the very high rates of tax on new cars,¹ which had the effect of depressing pre-tax prices. A similar situation obtains in

¹Denmark has VAT of 22 per cent and additional sales tax of 105 per cent up to DKr19,750 and 180 per cent on the remainder.

Greece.¹ The exclusion of Denmark from the comparison reduced the size of the price differential, but in the BEUC survey the United Kingdom was still 31 per cent above Belgium, 24 per cent above the Netherlands, 22 per cent above France and 18 per cent above Germany.

8.4. The BEUC results were widely criticised within the car industry on two main grounds. First, it was said that account had not been taken of significant differences between countries in respect of the specifications of cars used in the sample. Secondly, it was claimed that discounts and financial benefits to customers had been understated. The general industry view was that if detailed price comparisons were carried out that made due allowance for these factors the residual differences would be small, if they existed at all. It was also recognised on all sides that any price differences were sensitive to fluctuations in exchange rates. At the time of the BEUC study the rate of sterling to the Deutschmark was £1 = DM3.07. Had exchange rates been at the level, for example, adopted as the central rate when the United Kingdom entered the ERM (ie at £1 = DM2.95), the BEUC price differences would have been smaller: 26 per cent (instead of 31 per cent) in the case of Belgium and 13 per cent (instead of 18 per cent) for Germany.

8.5. In order to undertake an examination of price differences that would fully take into account all these factors we commissioned LAL, an independent firm of consultants specialising in the car industry, to carry out a study of list prices, specifications and discounts in a number of EC countries. Phases A and B of the LAL study are set out in Appendix 8.1. The results of Phase C are described and discussed in this chapter.

8.6. In paragraphs 6.28 and 6.29 we considered the way in which the Regulation makes allowance for price differences between countries. The Regulation may reasonably be interpreted to mean that in the determination of price differences major differences in specification between cars should be taken into account as well as any published information relating to the financial terms of sale. As described later in this chapter, we have gone further than this in respect to the factors we have taken into account in our analysis. The price differences we estimate cannot therefore be taken to be those that would be identified on the basis of a strict interpretation of the Regulation.

8.7. In the following sections we consider the LAL study in detail. We then describe comparative price studies carried out by, or on behalf of, four suppliers (Ford, General Motors, Rover and Renault) which were done shortly before or just after the LAL Report. In the final section of the chapter we assess the various studies and combine information from them to put together as accurate a picture as we can of the size of the price differences between countries.

The LAL Report

8.8. The study was carried out in three phases, reflecting the steps to be taken to reach an estimate of price differences. In the first phase the model variants were selected and the countries and time periods to be covered were decided. In the second phase the list prices of the chosen model variants in each of the selected countries and for each time period were adjusted to take account of specification differences. In the third phase a telephone survey was undertaken (by Harris) to obtain transaction prices in each country and these were adjusted (by LAL) to take account of specification differences as before. The results of the third phase necessarily relate only to the particular period when the survey was carried out.

Selection of countries, model ranges and variants, and time periods

8.9. We decided to include six EC countries in the study: the United Kingdom, Germany,² France, Belgium, the Netherlands, and Ireland, which together accounted for nearly 70 per cent of the total number of new cars sold in the EC in 1989. The group included countries which have a major domestically-based car industry as well as ones that do not, and covered a fairly wide range of price levels, according to the BEUC results.

¹ Greece has VAT of 6 per cent and additional sales tax of between 45 and 400 per cent depending on engine size.

² The time periods of the price comparisons were pre-unification, so the study was limited to West Germany.

8.10. The selection of cars was designed to ensure that the four largest market segments (small, lower medium, upper medium and large) were well represented. These segments account for over 90 per cent of the new cars sold in EC and EFTA countries.

8.11. Within each segment the selection criteria for the cars were as follows:

- (a) the model range¹ had been represented in its segment for at least two years up to September 1990 in largely unaltered form;
- (b) the model range had been available in all six countries for the whole of the study period;
- (c) the total sales of the model range had been significant in terms of overall European sales without relying too heavily on its domestic market for its sales;
- (d) the model range was considered typical by its suppliers and by consumers in each market; and
- (e) a good spread of suppliers had to be achieved.

8.12. Table 8.1 shows the 20 model ranges selected.

TABLE 8.1 Model ranges chosen for the LAL study

Make	Segment			
	Small	Lower medium	Upper medium	Large
Ford	Fiesta	Escort	Sierra	-
General Motors				
-Vauxhall	-	Astra	Cavalier	Carlton
-Opel	-	Kadett	Vectra	Omega
Rover	Metro	-	-	-
Peugeot	205	-	405	-
Volkswagen				
-Volkswagen	-	Golf	Passat	-
-Audi	-	-	-	100
Nissan	-	Sunny	-	-
Renault	5	-	-	25
Fiat	Uno	Tipo	-	-
BMW	-	-	3 Series	5 Series
Mercedes-Benz	-	-	-	190

Source: LAL.

8.13. The model ranges were produced by nine different European-based suppliers and by one (the second largest) Japanese supplier. One car, Rover's Metro, did not meet the criteria in that it did not sell in substantial volumes in all of the chosen countries, but we considered that Rover, as the largest manufacturer of new cars in the United Kingdom, should be represented in the study, and after consultation with LAL we decided that the most appropriate Rover model range for the study was the Metro.

8.14. Most of the model ranges included in the study are known by the same name in each country. The exceptions are the model ranges sold by General Motors. As shown in Table 8.1, the names currently used, for example, for its model range in the lower medium segment are Astra in the United Kingdom and Kadett in other countries-though it is planned that the forthcoming version of this model range will be known throughout Europe as the Astra.

8.15. Given the choice of model range, LAL analysed the trim levels, body styles, engine types and numbers of registrations in each of the selected countries to select the most comparable model variant for each model range. Comparable model variants could be identified for all model ranges, countries and time

¹In its report LAL uses the term 'model'.

periods apart from the one case of the Rover Metro in Germany in October 1990. The 20 model variants selected are shown in Table 8.2, in the form they are found in the United Kingdom.

TABLE 8.2 **Model variants selected for the LAL study**

<i>Make</i>	<i>Segment</i>			
	<i>Small</i>	<i>Lower medium</i>	<i>Upper medium</i>	<i>Large</i>
Ford	Fiesta Popular Plus 1.1 3-door	Escort LX 1.4 5-door	Sierra GLX 2.0 4-door	-
General Motors	-	Astra L 1.4 5-door	Cavalier L 1.6 5-door	Carlton GLi 2.0 4-door
Rover	Metro L 1.1 3-door	-	-	-
Peugeot	205 GL 1.1 5-door	-	405 GL 1.6 4-door	-
Volkswagen/Audi	-	Golf CL 1.6 5-door	Passat CL 2.0 5-door estate	100 2.3E 4-door
Nissan	-	Sunny GLX 1.6 5-door	-	-
Renault	5 Campus 1.1 3-door	-	-	25 TX 5-door
Fiat	Uno 45 Fire 3-door	Tipo DGT 1.4 5-door	-	-
BMW	-	-	318i	520i
Mercedes-Benz	-	-	-	190E 2.0

Source: LAL.

Note: The variants are those found in the United Kingdom.

8.16. At the level of the model variant different names are commonly used by suppliers for similar products. For example, Ford uses different names for similar variants of its Fiesta: in the United Kingdom one variant is marketed as the Popular Plus, a name not used in any other EC country; the most similar variant in Ireland is the L; in France, Belgium, and the Netherlands the comparable variant is the CL; and in Germany the nearest variant is called the C. Thus it is not possible to identify by casual inspection the model variant in one country that is most similar to that in another country. A detailed comparison of specifications is required.

8.17. The selection of time periods was based on the need to cover a number of years and the fact that traditionally list prices for new cars have increased towards the beginning of a calendar year and the beginning of a model year (September/October). We decided on the following five time periods:

- (a) 15 October 1988;
- (b) 15 February 1989;
- (c) 15 October 1989;
- (d) 15 February 1990; and
- (e) 15 October 1990.

Examination of list prices

List prices inclusive of tax

8.18. We start, as did BEUC, by looking at the differences in prices as faced by consumers in the various EC countries, ie inclusive of tax. Table 8.3 shows the price differences on this basis (using index numbers with the United Kingdom = 100) for the most recent period of those selected, ie October 1990. The overall average is weighted by segment on a country-by-country basis.¹ The same method is used in subsequent tables with similar price indices.

TABLE 8.3 Indices of list prices inclusive of tax, October 1990

Model variants (see Table 8.2)	United Kingdom	Germany	France	Belgium	Netherlands	Ireland
<i>Small</i>						
Fiesta	100	75	70	71	89	112
Metro	100	N/A	70	68	84	109
Peugeot 205	100	76	75	71	85	107
Renault 5	100	75	83	80	96	129
Uno	100	76	74	70	89	123
Average	100	76	74	72	88	116
<i>Lower medium</i>						
Astra	100	73	73	73	87	104
Escort	100	78	70	77	83	106
Golf	100	72	79	72	90	101
Sunny	100	70	73	67	76	97
Tipo	100	78	78	75	80	112
Average	100	74	75	73	83	104
<i>Upper medium</i>						
BMW 318i	100	75	85	81	93	124
Cavalier	100	79	77	75	90	113
Peugeot 405	100	75	78	74	87	106
Passat	100	80	86	85	109	116
Sierra	100	77	74	68	76	104
Average	100	77	80	77	91	113
<i>Large</i>						
Mercedes-Benz 190E	100	69	93	80	101	149
BMW 520i	100	76	92	95	111	126
Audi 100	100	79	92	70	100	128
Carlton	100	66	77	72	83	118
Renault 25	100	72	84	80	90	134
Average	100	73	87	79	97	131
Overall sample average	100	75	77	74	88	112

Source: MMC calculations based on LAL data, using current exchange rates: see Table 8.5.

8.19. The observed price differences on this basis are large, but they are heavily influenced by tax rates which not only may be substantial but also differ considerably between countries. While differing tax rates within the EC are a matter of importance, we are here concerned with differences in prices that are

¹The weights applied were based on sales in each country in 1989. They were as follows (expressed in percentage terms):

	Segment %				
	Germany	France	Belgium	Netherlands	Ireland
Small	16.5	41.6	25.3	24.0	29.3
Lower medium	33.3	24.4	36.1	37.7	40.8
Upper medium	29.1	24.4	25.7	28.0	25.3
Large	<u>21.1</u>	<u>9.6</u>	<u>12.9</u>	<u>10.3</u>	<u>4.7</u>
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

attributable to the operation of markets and the behaviour of suppliers within those markets. Moreover, differing tax rates are not relevant to parallel importing: the purchaser pays the tax rate of his own country.

List prices pre-tax

8.20. Quite a different picture is revealed when taxes are removed from the list prices. Table 8.4 shows relative list prices for the total sample of cars, again in the form of indices with the price in the United Kingdom used as the base for each of the selected time periods. The figures in the table can be expressed in two ways: prices in a particular country can be described as being a certain percentage lower than those in the United Kingdom, or the United Kingdom prices as a certain percentage higher. While the same fact may be expressed either way, the percentage figure is different. For example, to take the 'country average' in October 1990, the figure of 80 can be read either as indicating prices 20 per cent lower than those of the United Kingdom or as indicating that United Kingdom prices were 25 per cent higher.

TABLE 8.4 Indices of pre-tax list prices, 1988 to 1990

Date	United Kingdom	Germany	France	Belgium	Netherlands	Ireland	Country average*
10/88	100	82	80	75	79	89	80
02/89	100	79	77	72	76	84	78
10/89	100	86	83	77	83	92	84
02/90	100	88	84	79	84	94	86
10/90	100	82	79	74	76	84	80

Source: MMC calculations on LAL data, using current exchange rates: see Table 8.5.

*Average of all countries except the United Kingdom.

8.21. The table also shows (in the right-hand column) the average of the other countries compared with the United Kingdom. For the five time periods covered the difference in list prices between the United Kingdom and the other countries in the study was greatest in February 1989. The difference in list prices in October 1990 (the period chosen for the discount survey) was two points less than in February 1989. The difference between countries was smallest in February 1990, where the difference was eight points less than for February 1989. There are, however, variations on the overall position if the figures are considered by country, segment or model variant. For example, in the case of the Netherlands and Ireland the differences in prices compared with the United Kingdom are the same in October 1990 as those in February 1989. Tables 1 to 4 of Appendix 8.2 set out for each of the time periods the pre-tax list price indices for each model variant selected. For the small and lower medium segments there is little difference between the average prices in October 1990 and October 1988; the other two segments have larger differences for these periods.

8.22. There is similar variety when model variants are compared. In the small segment the Metro and the Renault 5 often show a different pattern from the other variants. In the lower medium segment the Golf tends to differ from the other variants in the segment. In the large segment the pattern for the Mercedes-Benz 190 was exceptional in that the largest price differences (for all countries except France) occurred in October 1990.

8.23. Two major factors that affect price differences between countries are movements in exchange rates and differing rates of inflation, though over time the two factors should have an offsetting effect.

8.24. The exchange rates used for the LAL Report were the average rates (as recorded by the Bank of England) for each day on which price comparisons were carried out. Table 8.5 shows these exchange rates for each country and period.

TABLE 8.5 Average daily sterling exchange rates used in the LAL study

<i>Date</i>	<i>Germany</i>	<i>France</i>	<i>Belgium</i>	<i>Netherlands</i>	<i>Ireland</i>
15/10/88	3.19	10.89	66.9	3.60	1.19
15/02/89	3.26	11.12	68.4	3.68	1.22
15/10/89	2.96	10.0	62.1	3.34	1.12
15/02/90	2.85	9.68	59.5	3.21	1.07
15/10/90	2.97	9.96	61.2	3.35	1.11

Source: Bank of England.

The movement of sterling over the whole period relative to the Deutschmark is shown in Figure 8.1.

8.25. The importance of movements in exchange rates for price comparisons can be demonstrated by looking at a period of major fluctuations, for example in the case of the Deutschmark/sterling rate the period from 15 February 1989 to 15 February 1990. At that date in 1989 the pound was valued at DM3.26 and fell by 13 per cent to DM2.85 by 15 February 1990; ie the price of German goods, in terms of sterling, was increased by 15 per cent. For a car priced in Germany at DM30,000 and in the United Kingdom at £10,000, the exchange rate movement would have the effect of reducing the price difference (using the United Kingdom as the base) by 14 points. The effect of movements in exchange rates on price comparisons is considered further in the Assessment section in paragraphs 8.78 to 8.116.

8.26. Table 8.6 shows the rates of inflation of the countries in the LAL study over the chosen period.

TABLE 8.6 Indices of the general level of prices in the countries in the LAL study for October 1988 to October 1990

<i>Date</i>	<i>United Kingdom</i>	<i>Germany</i>	<i>France</i>	<i>Belgium</i>	<i>Netherlands</i>	<i>Ireland</i>
10/88	100.0	100.0	100.0	100.0	100.0	100.0*
02/89	102.1	101.9	101.0	101.1	99.4	101.4
10/89	107.3	103.3	103.6	103.6	101.3	104.6*
02/90	109.8	104.7	104.4	104.5	101.5	105.6
10/90	119.0	106.7	107.7	108.0	104.2	107.4*

Source: Department of Employment Gazette.

*November.

The increase in the general level of prices in the United Kingdom has been greater than that in the other countries. Over the whole period the smallest difference was that with Belgium (11 points) and the largest that with the Netherlands (15 points).

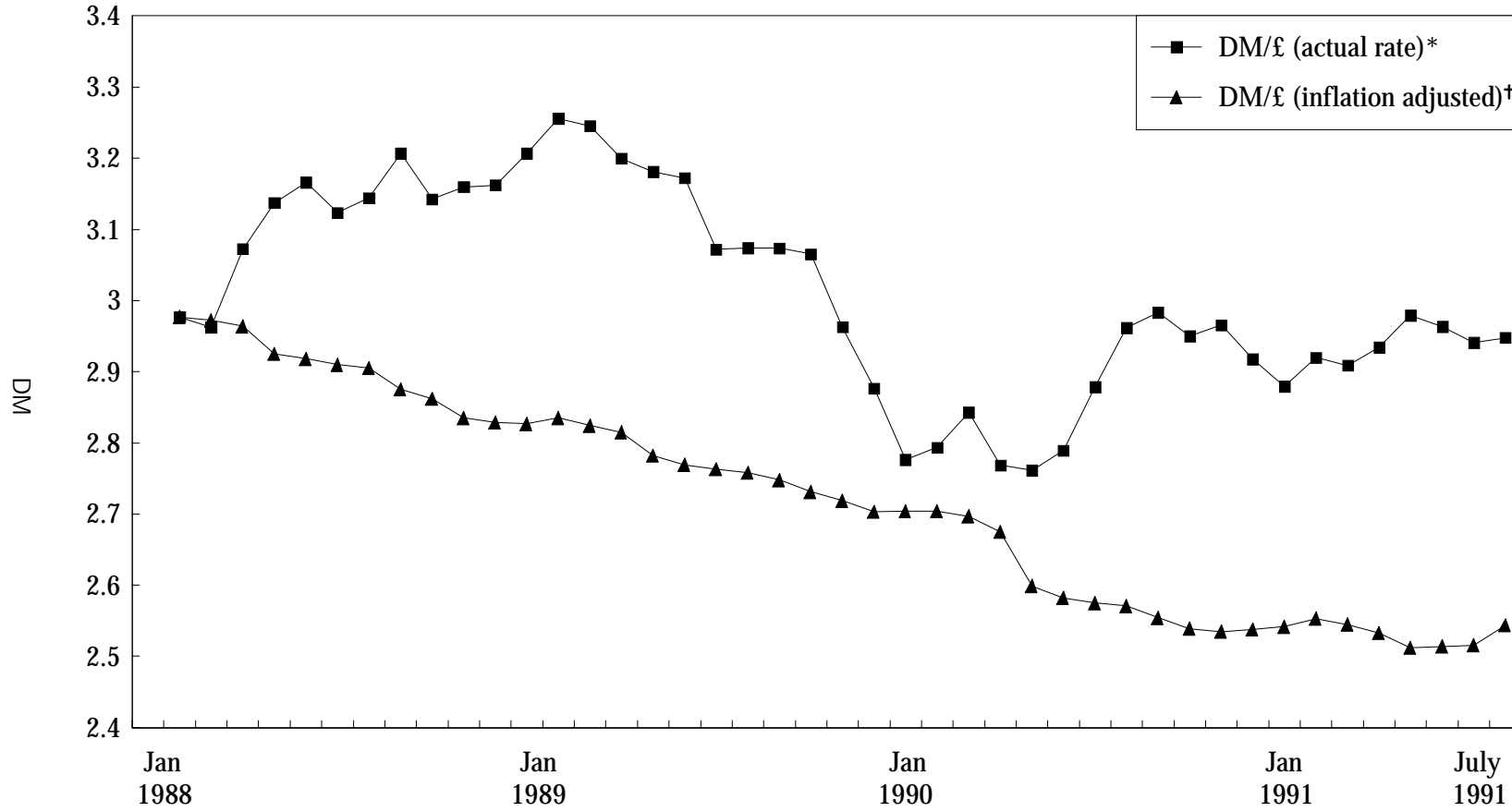
8.27. The significance of domestic rates of inflation is shown when car price increases are shown in terms of local currency. Tables 5 to 8 of Appendix 8.2 show the price increases over the chosen period for each selected model variant. There is a strong consistency between these price increases and individual country inflation rates in the case of the United Kingdom and Ireland, less so for other countries. The variation of price increases between model variants is particularly marked in the case of the Netherlands.

Specification adjustments

8.28. Paragraphs 8.10 to 8.15 described the process by which the model variants were chosen for the LAL study. This often involved an examination of the specifications of two or more model variants sold in a given national market in order to determine which was closest to the model variant chosen for the study. There are in fact often substantial differences between comparable model variants sold in different countries in terms of equipment that is included as standard. At the same time it is difficult if not impossible to find any model variants that are identical as between countries.

FIGURE 8.1

Average monthly exchange rate of the DM/£ January 1988 to July 1991



*Source: Bank of England.

†Adjusted for differences in the monthly inflation rates in the two countries using the actual exchange rate in January 1988 as the base.

We asked LAL to try to find model variants that were 'very similar' in the sense of the equipment differences having a value of less than 2 per cent of the pre-tax price of the car (excluding equipment differences that reflected national legislation or emission standards). LAL was not able to find any 'very similar' cars across all of the national markets selected for the study.

8.29. On the whole, model variants in the United Kingdom tend to have a higher level of specification than in other countries of the EC but there is considerable variation between marques and for particular model variants. The differences between the United Kingdom and other countries are discussed in detail later in this section in the context of making appropriate price adjustments to take into account the variations in specification. There are, however, some common features reflecting the preferences of United Kingdom buyers, for example in favour of sun-roofs, central locking and a higher quality of in-car entertainment systems. On the other hand catalytic converters are much more common in some countries on the Continent than in the United Kingdom.

8.30. The fact that in the United Kingdom many model variants are more highly specified than comparable variants in other countries, however, does not mean that basic models are not obtainable in the United Kingdom.

8.31. LAL was asked to make a search for model ranges of any supplier where the most basic model was not available in the United Kingdom, but found none.

8.32. For the purpose of its price comparison LAL adjusted the prices of cars in the other countries to make them match those of the United Kingdom model variants in specification terms. The basic method of valuation was to use option prices (ie the prices at which an optional item would be added to the vehicle). Thus if an item of equipment were fitted as standard to the model variant sold in the United Kingdom but not to the comparable variant sold in another country (where it would only be at the option of the purchaser) the option price of this equipment was added to the price of the car in the other country. Conversely, if an item of equipment were either available only as an option or not available at all in the United Kingdom, but fitted as standard equipment to the comparable variant in another country, the price of this equipment was deducted from the price of the variant in the other country. In effect the method uses the prices of particular items of equipment priced by the suppliers as options to adjust the price of a standard package.

8.33. LAL was not always able to apply this method of adjustment in the optimal way because of gaps in the availability of options (and hence option prices) for some selected model variants in some countries. If a price adjustment could not be determined in the optimal way, LAL used a modified version. In all there were three versions of the method using option prices, which in order of preference were as follows:

- (a) where option prices were available relating to the selected variant itself (preferably in the same country, but if not, in another country), this information was used to carry out the adjustment. This was seen as the optimal approach and was used for the majority of the adjustments.
- (b) When option prices were not available for the model variant itself but existed for a different variant within the same model range (in the same country or another), this information was used.
- (c) When neither (a) nor (b) were available but there were option prices for a directly comparable car made by a different supplier (in the same country or another), this information was used.

In a few cases, when no appropriate option prices were available, LAL assessed the price using suppliers' market-based valuations or its own knowledge of prices of similar items on comparable cars.

8.34. LAL did not seek to make adjustments for equipment which was valued at less than £5. Thus very minor items of equipment or trim (eg coat hooks, badging variations, coloured bumper inserts) are not included in the adjustments.

8.35. As part of the process of ensuring that the adjustments were as accurate as possible LAL held detailed discussions with the suppliers whose cars were included in the study. These discussions led to a

number of changes to the estimated adjustments. In all but a very few cases the suppliers were able to agree with LAL's estimates. Where they were not able to agree, the differences between LAL and the suppliers did not (with only three exceptions) amount to more than 1 per cent by value. A detailed account of the discussions is provided at the conclusion of Appendix 8.1.

8.36. The size of price adjustments in fact varied widely by country, model variant and time period. The details are provided in Tables 9 to 12 of Appendix 8.2. The tables show for each of the five time periods specification adjustments made to the (pre-tax) list prices for each country and model variant. Positive numbers mean that, to make the car in the other country the same as the United Kingdom car in terms of specification, the price had to be increased; negative numbers mean that the price in the other country had to be reduced. It is difficult to see any pattern in the numbers whether by time period or by make of car, but some of the features in each segment are worth pointing out.

8.37. In the small segment the specification-adjusted prices in the Netherlands are below the unadjusted list prices for all the selected variants and for all the time periods except for the Metro in October 1988. Other countries show a variety of adjustments. For a given model variant adjustments may be positive in one country and negative in another. If we take the Fiesta as an example, the specification-adjusted price in Germany is below the unadjusted price by between 3 and 5 per cent. For the other countries the differences range from a reduction of 4 per cent in Ireland in October 1989 to an increase of 6 per cent in France in October 1988 and February 1989. For the Peugeot 205 the difference between the adjusted and unadjusted price in France and Belgium widens markedly in the final two time periods. A similar situation can be seen for the Renault 5 in Germany and the Netherlands for the final three periods. There is little difference between the adjusted and unadjusted price for the Fiat Uno apart from the reductions in the Netherlands which are of the order of 8 to 11 per cent in the final three periods.

8.38. In the lower medium segment the specification-adjusted prices for the Astra are always higher than the unadjusted prices, ranging from a low of 6 per cent in France in October 1988 to a high of 17 per cent. The differences between the adjusted and the unadjusted prices for the Escort are, on the whole, higher than those for the Fiesta, Ford's representative in the small segment. All the specification-adjusted prices for the Golf are higher than the unadjusted prices, the smallest difference being 3 per cent and the largest being 13 per cent. For the Sunny the adjusted prices are greater than the unadjusted prices for all but two periods in the Netherlands; the largest differences are in Belgium, ranging from 13 to 18 per cent; and the smallest differences are in the Netherlands ranging from minus 2 per cent to plus 5 per cent. The position of the Fiat Tipo appears to be dissimilar from the other variants in this segment as the adjusted prices in Germany and the Netherlands are always below the unadjusted prices, with little difference in Ireland and small increases in France and Belgium.

8.39. In the upper medium segment the adjusted prices for the BMW 318 are always greater than the unadjusted prices; the smallest increase is 3 per cent for France in October 1990 and the largest is 14 per cent for the Netherlands in the same period. Similar results are shown for the Cavalier and the Peugeot 405, with the Cavalier having increases ranging from 1 to 16 per cent, whilst the increases for the Peugeot 405, for countries other than Ireland, range from nothing in the Netherlands in October 1988 to 15 per cent in Belgium in February 1990. Specification differences between Ireland and the United Kingdom meant only very small price changes. In the final two periods the adjusted price for the Sierra is increased by a much larger amount than in the earlier three periods, the increases in the final two periods ranging from 3 to 6 per cent in Ireland to around 25 per cent in Belgium.

8.40. In the large segment there is little difference for the Mercedes-Benz 190 between the adjusted and unadjusted prices in France and Ireland, whilst for the other three countries the adjusted price is always higher than the unadjusted price, ranging from 9 per cent in Belgium in October 1988 to 17 per cent in the Netherlands in February 1990. The specification-adjusted prices for the BMW 5-series in France and Ireland are below the unadjusted prices; but for the other countries the adjusted prices are slightly higher than the unadjusted prices except for two periods in Belgium. The difference between the adjusted and unadjusted price for the Audi 100 ranges from very little in Ireland for both periods in 1990 to 19 per cent in the Netherlands in February 1989. Similar results occur for the Carlton with little difference in Ireland in the first two periods ranging to an increase of 23 per cent in Germany in October 1990. For the Renault 25, there is little difference between the adjusted and the unadjusted prices in Ireland; in the other countries, the difference has become more pronounced in the final three periods.

8.41. The results of applying these adjustments to the original (pre-tax) price indices (as summarised in Table 8.4 and shown in detail in Tables 1 to 4 of Appendix 8.2) is shown in summary form in Table 8.7 and in detail in Tables 13 to 16 of Appendix 8.2. As before, the price of the United Kingdom car at a particular point in time is used as the base for the indices. Again the price indices for the total sample shown in Table 8.7 have been calculated on a weighted basis reflecting the relative size of different segments in different countries.

TABLE 8.7 Indices of specification-adjusted list prices, 1988 to 1990

Date	United Kingdom	Germany	France	Belgium	Netherlands	Ireland	Country average*
10/88	100	86	83	81	83	91	84
02/89	100	83	81	77	79	86	82
10/89	100	91	87	83	85	94	89
02/90	100	94	90	86	87	97	91
10/90	100	88	83	81	80	87	85

Source: MMC calculations on LAL data, using current exchange rates.

*Average of all countries except the United Kingdom.

8.42. Table 8.7 shows the average of the other countries compared with the United Kingdom for each time period. The same ranking of periods emerges for the adjusted prices as for the unadjusted. The difference in prices between the United Kingdom and the other countries was greatest in February 1989. In October 1990 (the period chosen for the discount survey) the difference was three points smaller, compared with two points in the case of the unadjusted prices. The difference between the United Kingdom and the other countries was smallest in February 1990, when it was nine points less than in February 1989 (compared with eight points for the unadjusted prices).

8.43. The results can usefully be considered segment by segment. The main points for the small segment are:

- (a) the average price difference between the United Kingdom and the other countries together varies from 22 per cent in February 1989 to 12 per cent in February 1990;
- (b) prices in the United Kingdom of individual model variants are always higher than those in the cheapest country by at least 13 per cent (of the United Kingdom price);
- (c) for the United Kingdom the smallest price difference compared with the cheapest country occurs with the Renault 5 in October 1989; and
- (d) for the United Kingdom the largest price difference occurs with the Rover Metro in October 1988 (though the special position of the Metro needs to be borne in mind, as mentioned in paragraph 8.13).

8.44. In the lower medium segment there is less dispersion of prices generally than in the small segment. The main points are:

- (a) the average price difference between the United Kingdom and the other countries together varies from 21 per cent in February 1989 to 13 per cent in February 1990;
- (b) prices in the United Kingdom of individual model variants are always higher than those in the cheapest country by at least 13 per cent (of the United Kingdom price);
- (c) for the United Kingdom the smallest price difference compared with the cheapest country occurs with the Volkswagen Golf in February 1990; and
- (d) for the United Kingdom the maximum price difference is with the Nissan Sunny in February 1989.

8.45. In the upper medium segment there is again less dispersion of prices generally than in the lower medium segment. The main points are:

- (a) the average price difference between the United Kingdom and the other countries together varies from 15 per cent in February 1989 to 6 per cent in February 1990;
- (b) prices in the United Kingdom are with one exception at least 10 per cent (of the United Kingdom price) higher than those in the cheapest country;
- (c) for the United Kingdom the smallest price difference compared with the cheapest country occurs with the BMW 318 in February 1990; and
- (d) the maximum price difference is in the case of the Ford Sierra in October 1990.

8.46. In the large segment United Kingdom prices are nearer to the average of all countries. The main points are:

- (a) the average price difference between the United Kingdom and the other countries together varies from 10 per cent in February 1989 to 1 per cent in February 1990;
- (b) prices in the United Kingdom are always at least 9 per cent higher than those in the cheapest country;
- (c) for the United Kingdom the smallest price difference compared with the cheapest country is for the Vauxhall Carlton in October 1989; and
- (d) the maximum price difference is for the Audi 100 in February 1989.

8.47. As the tables show, the largest price differences for particular model variants do not always occur in the same year, though they are usually in February 1989 or October 1990.

8.48. The complexity of the task of estimating specification differences also led us to test a second, apparently simpler, method of assessment. We calculated what cars could be bought in the United Kingdom in October 1990 for the price paid in Belgium, France and Germany for a number of model variants chosen from the LAL study. The results facilitated a comparison with the valuations made in that study by providing estimates of the differences in United Kingdom list prices between the original model variants and those which could be bought for the prices of the corresponding foreign model variants.

8.49. Whilst the two methods produced similar results in almost all cases, the comparison did highlight the fact that both valuations were in terms of what the market was willing to pay as assessed by manufacturers and that different features of a car figured more highly in the preferences of consumers of one country than in those of another. The LAL method of assessing specification differences, however, appears to us to provide a sound basis for making price comparisons.

Transaction prices

8.50. Having adjusted the (pre-tax) list prices for differences in specifications LAL took two further steps to convert the results for October 1990 to 'on-the-road' transaction prices. First, a telephone survey by Harris (described in paragraph 8.86) was used to find out what prices dealers might offer. Secondly, LAL made appropriate adjustments for delivery charges and number plates.

8.51. These transaction prices were analysed in the same way as the adjusted list prices, except that Ireland was excluded from the group of countries.¹ Table 8.8 shows the results.

¹LAL recommended that Ireland should be excluded from the third phase of its analysis as the number of dealers was too small to canvass satisfactorily.

TABLE 8.8 Indices of LAL transaction prices, October 1990

<i>Model variants</i> (see Table 8.2)	<i>United Kingdom</i>	<i>Germany</i>	<i>France</i>	<i>Belgium</i>	<i>Netherlands</i>
<i>Small segment</i>					
Fiesta	100	82	81	70	76
Metro	100	N/A	63	62	64
Peugeot 205	100	84	90	77	83
Renault 5	100	95	93	82	91
Uno	100	94	77	67	84
Average	100	89	81	72	80
Average exc Metro	100	89	85	74	83
<i>Lower medium segment</i>					
Astra	100	95	93	90	87
Escort	100	102	87	87	85
Golf	100	90	89	80	84
Sunny	100	85	76	76	72
Tipo	100	84	84	78	84
Average	100	91	86	82	82
<i>Upper medium segment</i>					
BMW 318i	100	88	93	85	84
Cavalier	100	95	92	89	88
Peugeot 405	100	84	89	80	78
Passat	100	95	82	90	101
Sierra	100	100	93	96	86
Average	100	93	90	88	88
<i>Large variant</i>					
Mercedes-Benz 190E	100	87	92	90	85
BMW 520i	100	86	90	86	84
Audi 100	100	99	109	81	90
Carlton	100	100	102	100	93
Renault 25	100	77	101	87	79
Average	100	90	99	89	86
Overall average	100	91	86	82	84
Overall average excluding Metro	100	91	88	82	85

Source: MMC calculations on LAL data using exchange rates of October 1990.

8.52. As mentioned in paragraph 8.13, the Metro did not fulfil all the criteria for inclusion in the study. We have therefore calculated the price indices for the small segment and overall with and without the Metro. As Table 8.8 shows, this makes little difference to the overall results but has some impact on those for the small segment.

8.53. Thus, on the basis of LAL's transaction prices for October 1990, United Kingdom prices were on average 18 per cent higher than those in Belgium (calculating the percentage on the basis of the United Kingdom price level), 16 per cent higher than those in the Netherlands, 14 per cent higher than those in France, and 9 per cent higher than those in Germany.

8.54. Many suppliers have told us of past restrictions on prices in Belgium and of the present price control system which in their view has depressed prices artificially. As a result they contended that Belgium should not be included in any comparison of prices. One supplier told us that it currently charges a 7.4 per cent surcharge on RHD and LHD cars supplied in Belgium for use in other markets to compensate for the effects of this system. We consulted the Belgian Ministry for Economic Affairs and Planning about the nature and effects of their system. Within the overall arrangements for price control which have been long established there is a special regime for vehicles that was put in place in 1988. Under this regime suppliers have to notify the authorities of the price increases they would like to make; the authorities may or may not agree to them; but they normally allow increases that do not exceed the average price increases in Germany, France and the Netherlands. The rules also allow for an additional one percentage point a year to provide further flexibility. As for effects of the price regime the Belgian authorities considered that they were difficult to quantify. While the Belgian price control system may not

have the effect of introducing a new economic distortion, it may still preserve an old one by holding Belgian prices for some time at a level that is low relative to the price levels of neighbouring countries.

8.55. Some suppliers have suggested that the Netherlands should also be excluded from any price comparisons because prices are artificially depressed by its 'Social Contract' policy and by the 'knock-on' effects of Belgian price controls passed on through the close trading relations with Belgium. As in the case of Belgium, we are aware of only one supplier that currently applies a surcharge on RHD and LHD cars supplied in the Netherlands for use in other markets in order to compensate for the effects of this system; the surcharge amounts to 6.1 per cent.

8.56. If we look in more detail at Table 8.8, we see a considerable variety in the price differences for individual model variants, and this applies in all segments. In the small segment the range of price differences between the United Kingdom and other countries goes from 5 per cent (in the case of the Renault 5 in Germany) to 38 per cent (for the Rover Metro in Belgium). If, however, the Metro is excluded (because the discounts quoted in the telephone survey were for the new Metro in the United Kingdom but for the old Metro in the other countries and this may have widened the price differences with the United Kingdom) the maximum price difference for any model variant is 33 per cent for the Uno in Belgium. The average country differences are substantial, but much more so for Belgium (at 26 per cent) than for other countries (between 11 and 17 per cent).

8.57. In the lower medium segment the range of price difference between the United Kingdom and other countries ranges from minus 2 per cent (the Escort in Germany) to 28 per cent (the Sunny in the Netherlands). There is less dispersion in the country averages in this segment. The United Kingdom has an average price difference ranging from 18 per cent for the Netherlands and Belgium to 9 per cent for Germany.

8.58. In the upper medium segment the variation by model variant is similar to that of the lower medium segment. The price difference ranges from minus 1 per cent for the Passat in the Netherlands to 22 per cent for the Peugeot 405 also in the Netherlands. There is less difference on the other hand in the country averages, which range from 12 per cent for the Netherlands and Belgium to 7 per cent for Germany. If, however, the Passat were excluded, the difference between the United Kingdom and the Netherlands would be 17 per cent.

8.59. The large segment presents a picture of considerable diversity in terms of model variants as well as countries. The price difference ranges from minus 9 per cent for the Audi 100 to 23 per cent for the Renault 25, and from 1 per cent for France to 14 per cent for the Netherlands.

Other studies

8.60. As mentioned at the start of the chapter there have been four studies of price comparisons, of a similar sort to the LAL study, carried out by, or on behalf of, suppliers.

Ford study

8.61. Ford provided the MMC with a revised version of a study it carried out for the EC Commission in April 1990. The Commission had sent a questionnaire to suppliers as part of its own investigations into price differences of new cars between EC countries.

8.62. The Ford study covered ten EC countries and 15 of its own model variants, three for each model range, although not all model variants featured in all countries. Twelve model variants were included that were sold in the United Kingdom. Pre-tax list prices were adjusted to a common specification level for all countries. Exchange rates for April 1990 were used to convert national currencies to an ECU basis.

8.63. Adjustments were then made for customer discounts and financial benefits. The discounts were taken mainly from Ford dealer management reports. They related to 1990 sales to non-fleet customers and were calculated as averages for each model range. Financial benefits were estimated as the average values of Ford's marketing programmes for each model range in 1990, but did not include any imputed values related to 'special edition' model variants. Ford told us that it did not include this latter element because of

the difficulty of evaluating the average customer benefit of such programmes and the time and resources required to do it.

8.64. Ford's results are set out in Table 8.9 in respect of those countries covered by the full LAL study. The prices are expressed in the form of indices, and represent weighted averages of the prices of model variants covered by the Ford study. The price in the cheapest country for a particular model range provides the base of 100.

TABLE 8.9 Indices of transaction prices of Ford new cars, April 1990

<i>Make</i>	<i>United Kingdom</i>	<i>Germany</i>	<i>France</i>	<i>Belgium</i>	<i>Netherlands</i>
Fiesta	100	102	109	107	101
Escort	100	105	109	107	100
Orion	105	114	118	109	100
Sierra	101	108	109	101	100
Granada	100	100	109	101	100

Source: Ford.

8.65. The table shows that for three out of the five Ford model ranges, the United Kingdom had the lowest prices. The average price for the Orion was 5 per cent higher in the United Kingdom than in the Netherlands (the cheapest country) and the Sierra was 1 per cent higher.

8.66. To demonstrate the way in which price differences vary over time Ford carried out further price comparison exercises covering October 1990 and August 1991. Using the same methodology as before Ford estimated price differences for those variants of the Fiesta, Escort and Sierra model ranges that were used in the LAL study.

8.67. The main results of the exercise were that the price differences between the United Kingdom and other countries were much larger (by an average of 12 percentage points) in October 1990 than in April 1990 but diminished (by an average of 2.6 percentage points) between October 1990 and August 1991. There was considerable variation by model variant in the changes between time periods. For only 9 out of the 12 variant/country combinations did the price differences diminish between October 1990 and August 1991; for the other three the price differences became larger. There was, however, no difference between the two time periods in the number of cases where United Kingdom prices were higher than those of other countries: for ten (out of the 12) variant/country combinations this was so both at October 1990 and at August 1991. Price differences were somewhat larger in all periods for the Fiesta variant than for the Escort and Sierra variants.

General Motors study

8.68. General Motors commissioned consultants, A T Kearney (ATK), to carry out an EC price comparison. The study covered the prices paid in different EC countries for comparable Vauxhall/ Opel cars over four time periods (January 1988, January 1989, January 1990 and May 1990). These dates were selected to accord with a parallel study by the EC Commission).

Three model variants were chosen from each of three ranges: the Cavalier (except for January 1988 when it was not included), the Astra and the Nova; and one variant was used from the Carlton range and one from the Senator. The model variants together accounted for nearly 80 per cent of Vauxhall's sales volume in early 1990. Not all model variants selected were available in all of the countries in the study. ATK's study included, and dealt separately with, fleet and non-fleet customers.

8.69. ATK was given access to data by General Motors' national sales companies (NSCs) in 11 European countries. An ATK team visited dealers and NSCs and was given access to data files and reports.

List prices and valuations of equipment adjustments required to make the model variants comparable were provided by General Motors Europe and the NSCs. Average discounts given by dealers to customers for each model variant were calculated using each country's dealer reporting system or, where this was not well enough developed, an invoice sample. Sales of 98,000 vehicles to retail (ie non-fleet) customers were included in each time period. The costs of 'on-the-road' additions such as delivery and number plates were added to calculate a final price paid by the customer, excluding tax.

8.70. Adjustments were also made for financial benefits offered to customers. ATK's study provides figures for average financial benefits received by customers for models in three out of the four segments, the exception being the Cavalier in the upper medium segment, where such benefits were not on offer. For the United Kingdom the financial benefit for the Nova, including that derived from special edition (or 'campaign') models, increased between January 1989 and January 1990 from £233 to £529 per unit and between January and May 1990 from £529 to £610. For the Astra there was an increase between January 1989 and January 1990 from £265 to £562 per unit and between January and May 1990 from £562 to £731. Between May and October 1990 the financial benefits for the Astra fell from £731 to £439. There were also wide fluctuations in these benefits in other EC countries.

8.71. According to ATK financial benefits are much higher in the United Kingdom than in the other EC countries included in the LAL study. Table 8.10 shows ATK's estimates of the value to the customer of the financial benefits given by General Motors in each country with sales of its new cars.

TABLE 8.10 Financial benefits per unit for General Motors cars, May 1990

	£				
	<i>United Kingdom</i>	<i>Germany</i>	<i>France</i>	<i>Belgium</i>	<i>Netherlands</i>
Nova	610	375	70	224	120
Astra	731	380	0	433	335
Carlton	1	642	637	70	678

Source: ATK.

Note: Exchange rates as used by ATK.

8.72. As the table shows, financial benefits per unit vary greatly by model range and by country. For the Nova the benefit in the United Kingdom was £235 higher than in Germany and £540 higher than in France. Customers in the United Kingdom received the largest financial benefits in the case of the Astra (£731 per car) while benefits in other countries ranged from zero in France to £433 in Belgium. For the Carlton on the other hand customers in the United Kingdom received virtually no benefit whilst those in Germany, France, and the Netherlands received over £600.

8.73. Table 8.11 shows ATK's results for two out of the four time periods covered: May 1990, the latest period; and January 1989, when the sterling exchange rate was at its highest for the four periods.

TABLE 8.11 Indices of transaction prices estimated by ATK for May 1990 and January 1989

<i>UK derivative</i>		<i>Germany</i>		<i>France</i>		<i>Netherlands</i>		<i>Belgium</i>	
<i>Model range</i>	<i>Trim level</i>	<i>May 1990</i>	<i>Jan 1989</i>	<i>May 1990</i>	<i>Jan 1989</i>	<i>May 1990</i>	<i>Jan 1989</i>	<i>May 1990</i>	<i>Jan 1989</i>
Cavalier	L	105	96	104	92	101	88	99	82
	GL	115	103	106	91	111	95	106	89
	CD	110	95	107	88	115	91	104	83
Astra	Merit	112	99	122	100	109	99	107	84
	L	110	97	116	91	105	95	103	82
	SRi	104	89	111	88	106	92	96	76
Nova	Std	106	100	N/A	N/A	105	96	101	81
	Merit	99	93	91	83	95	89	96	78
	L	98	94	89	81	93	89	N/A	77
Carlton	GL	99	90	111	92	102	96	98	82
Senator	CD	116	111	130	112	111	107	117	106

Source: ATK.

Note: Indices on the basis of United Kingdom = 100.

8.74. ATK concluded that for the whole range of model variants and time periods prices paid by customers were not systematically higher in the United Kingdom than elsewhere in the EC. The ATK study showed that only in January 1989 were the prices of General Motors cars in the United Kingdom generally more than 12 per cent higher than the prices in the cheapest country of the EC. In May 1990 on the other hand the United Kingdom was the cheapest country for 6 out of 11 variants.

Rover study

8.75. Rover commissioned a new car price comparison study from the Boston Consulting Group (BCG). Unlike the Ford and General Motors studies this did not concentrate solely on the supplier's own cars but sought to provide an overview for January 1990 by looking at a range of different suppliers. BCG adopted the same methodology as the other studies and adjusted for specification differences, discounts and financial benefits. Table 8.12 shows its results.

TABLE 8.12 Indices of transaction prices for non-fleet customers estimated by BCG, January 1990

<i>Exchange rate used</i>	<i>United Kingdom</i>	<i>France</i>	<i>Germany</i>	<i>Belgium</i>	<i>Netherlands</i>
Actual exchange rate*	106	108	121	100	100
ERM central exchange rate†	111	110	121	102	100

Source: BCG.

*£1=DM2.83.

†£1=DM2.95.

8.76. BCG concluded that the adjusted prices for Belgium and the Netherlands appeared to be lower than in the larger EC countries which have major car industries, but prices in those larger countries (United Kingdom, France and Germany) fell within a relatively narrow band.

Renault study

8.77. Renault commissioned the Motor Industry Research Unit (MIRU) to undertake a price comparison for October and November 1990 covering a number of Renault model variants. It made adjustments for specification differences by deducting the value of any equipment item that was present on one or more models but not present on all. It also adjusted for discounts but not for financial benefits. The preliminary results were submitted to the MMC, but on receipt of the study conducted by LAL Renault decided not to refine the data or proceed with further work along the lines originally adopted by MIRU but chose instead to address the figures produced by LAL. Table 8.13 shows the estimates of Renault for the two Renault model variants covered by the LAL study.

TABLE 8.13 **Indices of transaction prices estimated by Renault**

	<i>United Kingdom</i>	<i>France</i>	<i>Germany</i>	<i>Belgium</i>	<i>Netherlands</i>
Renault 5	100	90	82	87	88
Renault 25	100	86	96	89	101

Source: Renault.

Assessment

8.78. There are a number of differences between the study carried out by LAL and those carried out by or for the suppliers. Differences between the studies are of two types. There are technical differences relating to the choice of car, specification adjustment and valuation; and there are also differences of assumptions and approach, which relate principally to exchange rates, discounts, and financial benefits.

8.79. As we mentioned in paragraph 8.35, LAL discussed the technical differences with each of the suppliers whose new cars are included in its study and reached broad agreement on nearly all points. The unresolved technical differences have moreover only a very small effect on the quantitative conclusions.

8.80. The differences of assumptions and approach remain. In the following sections we first examine the areas of differences on an individual basis to see how significant they are in quantitative terms. We then combine information from the various studies in a number of scenarios.

Sensitivity tests

Exchange rates

8.81. As described earlier (paragraph 8.24), LAL used the exchange rates for the time period for the price comparisons undertaken in October 1990. ATK used the exchange rate relating to the month that preceded the one on which they made each price comparison; those months were January 1988, 1989 and 1990 and May 1990. Ford's study used the rates applying in April 1990 (the date required for the study by the EC) and converted national currencies on to an ECU basis. MIRU used similar exchange rates to those used by LAL. Thus all the studies employed exchange rates that were more or less current for the time period covered.

8.82. The difficulty of choosing any one exchange rate for our price comparison in a period of floating exchange rates (such as that up to October 1990 when sterling entered the ERM) is that the exchange rate can fluctuate unexpectedly but there may be little if any effect on car prices, which are set at intervals (usually two or three times a year) to reflect the appropriate competitive response in the national market, taking account amongst other things of expectations of exchange rates and relative prices. Hence, merely because of exchange rate fluctuations, a price comparison completed at one date may give apparently quite different results from one completed at another date.

8.83. Under a system of floating exchange rates differences in the rates of inflation between countries may be expected over a number of years to be reflected in the movement of exchange rates: the latter in

effect compensate for the former. Figure 8.1 shows both the course of the sterling rate against the Deutschmark from the beginning of 1988 and also the course that sterling would have taken if it had moved to compensate exactly for the difference in inflation between the United Kingdom and Germany. January 1988 would appear a reasonable point of departure as there was at that time a fair measure of consensus that sterling was then at a sustainable long-term rate.

8.84. The level of sterling against the Deutschmark in October 1990 (the date of the transaction price comparison) was substantially higher, as shown in Figure 8.1, than the rate required to compensate for relative inflation on the basis described, and was also near to the high point for the year. The rate at April 1990 (the date of Ford's study) was the low point for the year. While we cannot make any precise estimate of what might be a sustainable rate for sterling in the long run-and this would in any case need to take into account the change in exchange rate regime of October 1990-we consider that the facts set out above suggest that a reasonable range to use for the purpose of a 1990 price comparison would be the exchange rates of April and of October of that year.

8.85. We have therefore calculated price differences on the basis of each of the two exchange rates. Table 8.14 shows in index form the average of the prices of the other countries (given United Kingdom = 100) for each model variant in the LAL study on each exchange rate assumption. If the April 1990 exchange rate is used, the prices of new cars in countries other than the United Kingdom are on average 7 to 8 per cent higher than when prices are calculated using the October 1990 rate. This reduces the difference in prices between the United Kingdom and those in other countries on average by six percentage points.

TABLE 8.14 Indices of transaction prices in 1990: sensitivity test on exchange rates*

	<i>Exchange rates</i>	
	<i>October 1990</i>	<i>April 1990</i>
<i>Small</i>		
Fiesta	77	83
Metro	63	68
Peugeot 205	84	90
Renault 5	90	97
Uno	81	87
Average	79	85
<i>Lower medium</i>		
Astra	91	98
Escort	90	97
Golf	86	92
Sunny	77	83
Tipo	83	89
Average	85	92
<i>Upper medium</i>		
BMW 318i	88	94
Cavalier	91	98
Peugeot 405	83	89
Passat	92	99
Sierra	94	101
Average	90	96
<i>Large</i>		
Mercedes-Benz 190E	89	95
BMW 520	86	93
Audi 100	95	102
Carlton	99	106
Renault 25	86	92
Average	91	98
Overall average	86	92

Source: MMC calculations on data provided by LAL and the Bank of England.

*Numbers represent average indices of other countries; United Kingdom is the base of 100.

Discounts

8.86. The Harris telephone survey on which LAL based its estimates of average discounts was composed of around 50 calls in respect of each selected model variant for each country, ie around 5,000 calls in all. The discounts were sought on the assumption of a cash sale to a private buyer, involving no part-exchange.

8.87. In their studies Ford and ATK used average discounts based respectively upon management reports and dealer invoices. These cover sales to both private customers and non-fleet business customers. In the case of the United Kingdom this latter category would generally mean business customers who buy up to 24 cars a year. Discounts given by dealers were calculated by ATK separately in relation to fleet and non-fleet customers. ATK adopted the fleet definition used by the General Motors national sales company in the country concerned. In the United Kingdom this definition was an operator of more than 25 vehicles; in most of the other countries it was an operator of more than ten vehicles. The discount figures included the cash value of free extras and over-allowances in part-exchange transactions. ATK carried out further work (put to us in May 1991) to see how far non-fleet business customers in the United Kingdom obtain discounts different from those obtained by private customers. Based on an analysis of over 600 invoices of Vauxhall sales in the United Kingdom ATK concluded that there is no significant difference between the average discount for the private customer and the overall average for private and non-fleet business customers combined. For the Astra, however, ATK estimated the average discount for the private customer at 10.6 per cent compared with an average for all non-fleet sales of 11.6 per cent, though the latter was over two points lower than the average of 13.7 per cent for the Astra for retail customers in its full survey (of December 1990). The MMC discount survey showed only small differences between the average discounts given in the United Kingdom to private customers and those given with non-fleet business sales (ie those registered in company names). However, our results are likely to overstate the discounts given to ordinary private buyers as they would include both some company car users whose cars were registered in their own names (as explained in paragraph 4.26), and also some employees of car suppliers (as described in paragraph 7.108), who receive discounts higher than those given to most other private customers. We therefore consider that non-fleet business customers are likely to receive somewhat higher discounts than ordinary private customers and hence that the ATK and Ford figures for discounts should not be seen as fully representative of private customers in the way that LAL's figures are.

8.88. MIRU estimated discounts in the United Kingdom by using dealer management reports and those for other countries by using the results of its own research. These figures were not verified by Renault. For its revisions of LAL figures Renault told us that it had used data on dealers' gross and net margins to estimate average discounts in the United Kingdom. For other countries it used estimated figures for maximum discounts though it had not been able itself to verify the data.

8.89. The importance of the average discounts does not lie in the absolute level of discounts in each country but in the relative size of discounts between countries. Table 8.15 sets out the absolute levels of discounts estimated by LAL, ATK, Ford and MIRU and the differences between United Kingdom discounts and those of other countries. The comparison is limited to those models and countries that LAL covered in common with each of the other suppliers.

TABLE 8.15 Dealer discounts and differences between discounts: LAL estimates compared with those of suppliers

Discounts (%)							Percentage points difference in discounts between United Kingdom and other countries						
		UK	Germany	France	Belgium	Nether-lands			Germany	France	Belgium	Nether-lands	
<i>General Motors cars</i>													
LAL	Astra	7.1	3.5	1.4	1.9	3.1	LAL	Astra	3.6	5.7	5.2	4.0	
ATK	Astra	13.7	7.1	2.8	9.8	6.5	ATK	Astra	6.6	10.9	3.9	7.2	
LAL	Cavalier	5.6	4.9	0.7	1.1	2.5	LAL	Cavalier	0.7	4.9	4.5	3.1	
ATK	Cavalier	13.9	7.0	3.7	7.3	5.3	ATK	Cavalier	6.9	10.2	6.6	8.6	
LAL	Carlton	8.1	6.1	6.1	5.2	5.8	LAL	Carlton	2.0	2.0	2.9	2.3	
ATK	Carlton	14.9	8.7	2.3	11.1	6.7	ATK	Carlton	6.2	12.6	3.8	8.2	
<i>Ford cars</i>													
LAL	Fiesta	7.0	3.9	1.9	5.9	6.7	LAL	Fiesta	3.1	5.1	1.1	0.3	
Ford	Fiesta	9.7	5.4	1.1	5.8	5.9	Ford	Fiesta	4.3	8.6	3.9	3.8	
LAL	Escort	8.2	4.7	5.7	2.0	3.2	LAL	Escort	3.5	2.5	6.2	5.0	
Ford	Escort	10.5	4.8	1.3	5.9	6.4	Ford	Escort	5.7	9.2	4.6	4.1	
LAL	Sierra	11.1	6.7	5.0	4.1	4.3	LAL	Sierra	4.4	6.1	7.0	6.8	
Ford	Sierra	11.8	6.4	3.4	9.6	6.6	Ford	Sierra	5.4	8.4	2.2	5.2	
<i>Renault cars</i>													
LAL	Renault 5	6.1	2.2	3.6	5.4	1.6	LAL	Renault 5	3.9	2.5	0.7	4.5	
MIRU	Renault 5	9.6	4.7	1.2	5.3	4.9	MIRU	Renault 5	4.9	8.4	4.3	4.7	
LAL	Renault 25	4.6	4.5	2.0	3.3	2.2	LAL	Renault 25	0.1	2.6	1.3	2.4	
MIRU	Renault 25	12.8	4.7	1.2	5.3	4.9	MIRU	Renault 25	8.1	11.6	7.5	7.9	

Source: LAL, ATK, Ford, MIRU.

8.90. For the Vauxhall model variants included in both the LAL and the ATK studies the differences in discounts between countries are larger in the ATK than in the LAL study (apart from the Astra in Belgium). For the Ford model variants included in both the LAL and the Ford studies the relativities in discounts between countries are again larger in the Ford study than in the LAL study, with four exceptions, namely the Escort and the Sierra in Belgium and in the Netherlands. Similarly in the case of Renault for the model variants included in both the LAL and the MIRU studies the differences in discounts between countries are larger in the MIRU study than in the LAL study.

8.91. We have considered two ways of calculating discounts in addition to using the LAL findings. Both of them involve the application of discount figures relating to Ford, Vauxhall and Renault cars, and derived from those suppliers' studies, to the cars of other suppliers in the LAL sample. It is uncertain how far the use of those suppliers' figures may introduce a bias when applied to other suppliers' cars, in particular to the more expensive marques such as BMW, Mercedes-Benz and Audi, for which a different pattern of discounts may be expected-though some indication of the difference between suppliers in discounts to private buyers in the United Kingdom is provided in Table 7.21.

8.92. The first way of calculating discounts was to use the average discounts as estimated by the suppliers for particular model variants in combination with the LAL discounts. Thus, in the small segment, for the Fiesta we use the average of the Ford and LAL estimates of the Fiesta discount; for the Renault 5 we use the average of the MIRU and LAL estimates of the Renault 5 discount; and for the other model variants in the small segment we use the average of the discounts estimated by Ford and LAL for the Fiesta and by MIRU and LAL for the Renault 5.

8.93. The second way was to use only the suppliers' estimates of discounts. Thus, in the small segment, for the Fiesta we use the average discount estimated by Ford; for the Renault 5 we use the average discount estimated by MIRU; and for the other model variants covered in the small segment we use the average discount as estimated by Ford for the Fiesta and by MIRU for the Renault 5. As this method makes more

use of the suppliers' figures than the first method, it is necessarily more vulnerable to the biases mentioned in paragraph 8.87, ie to exaggerating private sector discounts in the United Kingdom.

8.94. The use of the first method in place of the LAL discounts diminishes the average price differences by two points, moving the index from 86 to 88, as shown in column 2 of Table 8.16. For the segments the price differences change by between two and four points.

8.95. If the discounts of the suppliers alone are used, the average price differences are reduced by four percentage points (from 86 to 90-as shown in column 3 of Table 8.16). For the segments the price differences change by between three and eight points.

TABLE 8.16 Indices of transaction prices 1990: sensitivity tests on discounts*

	Column		
	1 LAL	2† Alternative discount assumptions	3‡
<i>Small</i>			
Fiesta	77	78	80
Metro	63	66	69
Peugeot 205	84	85	86
Renault 5	90	92	93
Uno	81	82	83
Average	79	81	82
<i>Lower medium</i>			
Astra	91	93	94
Escort	90	91	92
Golf	86	89	91
Sunny	77	80	83
Tipo	83	83	84
Average	85	87	89
<i>Upper medium</i>			
BMW 318i	88	91	95
Cavalier	91	94	96
Peugeot 405	83	87	91
Passat	92	96	100
Sierra	94	94	93
Average	90	92	95
<i>Large</i>			
Mercedes-Benz 190E	89	93	98
BMW 520	86	91	96
Audi 100	95	98	101
Carlton	99	102	105
Renault 25	86	89	93
Average	91	95	99
Overall average	86	88	90

Source: MMC calculations on data supplied by LAL, Bank of England, Ford, ATK and MIRU.

*Numbers represent average indices of other countries; United Kingdom is the base of 100.

†Average discount of LAL plus the suppliers.

‡Average discount of suppliers only.

Financial benefits

8.96. Financial benefits (described in paragraphs 7.112 to 7.125) include credit on zero or low rates of interest, free or reduced rates of insurance, and free contributions to motoring associations. The value of additional specifications added to a car at a reduced or zero price is also sometimes included as a financial

benefit. Unlike discounts financial benefits are not negotiated between the customer and the dealer but are offered with the sale of the car and may or may not be accepted by the customer. They are offered only on certain model variants and for particular time periods.

8.97. The LAL study covered specifications adjustments and discounts (obtained by telephone). We did not ask LAL to examine financial benefits. Both ATK and Ford included these benefits in their studies in respect of their own cars, but only ATK included the value of additional specifications related to special model editions. BCG estimated financial benefits for the industry as a whole. MIRU did not include financial benefits at all.

8.98. The financial benefits used by ATK are shown in Table 8.10. The composition of these financial benefits varies as between the United Kingdom and other countries. In the United Kingdom financial benefits largely comprise what General Motors refers to as 'financing support', ie items such as free or reduced rates of interest and free or reduced rates of insurance. The only other countries where General Motors gave this same type of support were Germany and Italy where the proportion was much smaller than for the United Kingdom. The differences between countries in the size of benefit may reflect several factors, including differing rates of take-up of benefit (Vauxhall told us, for example, that there was a high rate of take-up on finance options in the United Kingdom); differing levels of interest rates (which affect the value of the benefit); and differing periods during which the benefit was available. In countries other than the United Kingdom most of General Motors' financial benefits were in the form of additional specifications on special model editions.

8.99. The different composition of financial benefits between countries leads to difficulties of evaluation. The valuation method for free or reduced rates of interest assumes that the customer would otherwise have taken out a loan from a financial institution, and hence is likely to exaggerate the average customer benefit since some customers will have access to cheaper forms of financing. The same may also be the case in respect of the offer of free insurance. Some consumers may not wish to take out as expensive a policy, if they have to pay for it themselves, as that which is offered free by the supplier. The average benefit to consumers would then be less than the price of the policy selected by the supplier.

8.100. According to Ford's study (which relates only to its own cars) financial benefits in the United Kingdom averaged 5.7 per cent of pre-tax list prices in 1990. There was considerable variation between model ranges, from 1 per cent for the Granada to 7.7 per cent for the Fiesta. Ford estimates that the average in 1989 was lower, at 3.9 per cent (ranging from 1.6 per cent for the Granada to 5.8 per cent for the Escort, with the Fiesta at 2.5 per cent). Financial benefits given by Ford in other countries were small in comparison with those in the United Kingdom. The Ford study (like that of ATK) shows that financial benefits in the United Kingdom are offered mainly on cars in the small and lower medium segments, and the proportions devoted to particular models vary from year to year.

8.101. In its industry-wide study BCG estimated that low-cost financing packages were worth on average around 4 per cent (of the pre-tax list price) in the United Kingdom, 2 per cent in Germany and the Netherlands, and were insignificant in France and Belgium.

8.102. We have considered four ways of calculating the value of financial benefits, using the information from suppliers. The results are shown in Table 8.17. First, we have combined the benefits estimated by ATK with those of Ford (shown in column 2 of the table). To do this we converted ATK's estimates, which were calculated as a cash sum per unit, to a percentage for each model range. Secondly, we have done the same calculation except that we have excluded the campaign model element (because it is more akin to a change in specification than to a financial benefit). The results are shown in column 3 of the table. Thirdly, we have taken the BCG benefits by themselves (column 4 of the table). Fourthly, we have taken an average of the ATK benefits (excluding the campaign model element) and those of Ford and of BCG (shown in column 5).

TABLE 8.17 Indices of transaction prices 1990: sensitivity tests on financial benefits*

	<i>Financial benefit assumptions</i>				
	<i>Column (see paragraph 8.102)</i>				
	<i>1</i> LAL	<i>2†</i>	<i>3‡</i>	<i>4¶</i>	<i>5‡</i>
<i>Small</i>					
Fiesta	77	82	82	80	82
Metro	63	67	67	65	67
Peugeot 205	84	88	88	86	89
Renault 5	90	96	96	93	96
Uno	81	85	85	83	85
Average	79	84	84	82	84
<i>Lower medium</i>					
Astra	91	97	99	94	99
Escort	90	97	97	94	97
Golf	86	91	92	89	91
Sunny	77	82	83	80	82
Tipo	83	88	89	85	88
Average	85	91	92	88	91
<i>Upper medium</i>					
BMW 318i	88	88	89	91	89
Cavalier	91	90	91	94	91
Peugeot 405	83	83	84	86	84
Passat	92	92	92	95	94
Sierra	94	96	96	97	96
Average	90	90	90	92	91
<i>Large</i>					
Mercedes-Benz 190E	89	85	89	91	90
BMW 520	86	83	86	89	87
Audi 100	95	90	94	98	96
Carlton	99	95	99	102	99
Renault 25	86	82	86	89	87
Average	91	87	91	94	92
Overall average	86	88	89	88	89

Source: MMC calculations on data provided by LAL, Bank of England, Ford, ATK and BCG.

*Numbers represent average indices of other countries; United Kingdom is the base of 100.

†Average of Ford and ATK (including campaign model benefits).

‡Average of Ford and ATK (excluding campaign model benefits).

¶BCG.

‡Average of Ford, BCG and ATK (excluding campaign model benefits).

8.103. The benefits associated with campaign models are small in the United Kingdom compared with other countries; including them reduces the differential in benefits between the United Kingdom and the other countries in certain cases, *viz* for the Astra in Belgium and the Netherlands, and the Carlton in Germany, France and the Netherlands. Such an effect does not occur in the small segment because the Nova was not included in the LAL study, or in the upper medium segment as Vauxhall gave few financial benefits of any kind in this segment. As shown by a comparison of columns 2 and 3 of Table 8.17, inclusion of the benefits arising from campaign models makes little difference overall to price differentials between countries.

8.104. In sum, as shown in Table 8.17, adding in financial benefits reduces average price differentials, compared with the LAL results, by two or three percentage points, depending on which of the four methods is used.

Factors combined

8.105. The previous sections described the different approaches that may be taken to exchange rates, discounts and financial benefits and showed the effect on price differentials of each separately.

8.106. Table 8.18 shows the results of the sensitivity tests in a single table, after which we choose a number of combinations of the factors and consider their effect on the price differences. Column 1 of Table 8.18 is the same set of LAL price indices as are shown in column 1 in each of Tables 8.14, 8.16 and 8.17. The other columns in Table 8.18 are also from those same three tables but expressed as differences with the column 1 figures. Table 8.18 thus shows the extent to which the price differences are affected by changes in assumptions regarding exchange rates, financial benefits and discounts.

TABLE 8.18 Transaction prices 1990: individual sensitivity tests

percentage point differences

Column (see key at foot of table)

	1	2	3	4	5	6	7	8
	<i>LAL indices</i>	<i>Low exchange rate</i>	<i>Financial benefits</i>			<i>Discounts</i>		
<i>Small</i>								
Fiesta	77	6	5	5	3	5	1	2
Metro	63	5	4	4	2	4	3	6
Peugeot 205	84	6	5	5	3	5	1	3
Renault 5	90	7	5	5	3	6	1	3
Uno	81	6	5	5	3	5	1	3
Average	79	6	5	5	3	5	2	3
<i>Lower medium</i>								
Astra	91	7	6	8	3	8	1	3
Escort	90	7	7	7	3	7	1	2
Golf	86	6	5	6	3	5	3	6
Sunny	77	6	5	6	2	5	3	6
Tipo	83	6	6	6	3	5	1	1
Average	85	6	6	7	3	6	2	3
<i>Upper medium</i>								
BMW 318i	88	7	0	1	3	1	3	7
Cavalier	91	7	-1	0	3	0	2	5
Peugeot 405	83	6	0	1	3	1	4	8
Passat	92	7	0	1	3	1	4	8
Sierra	94	7	2	2	3	2	0	-1
Average	90	7	0	1	3	1	3	5
<i>Large</i>								
Mercedes-Benz 190E	89	7	-4	0	3	1	4	9
BMW 520	86	6	-4	0	3	1	5	10
Audi 100	95	7	-4	0	3	1	3	7
Carlton	99	7	-4	0	4	0	3	7
Renault 25	86	6	-4	0	3	1	3	7
Average	91	7	-4	0	3	1	4	8
Overall average	86	6	2	3	2	3	3	5

Source: MMC calculations on data provided by LAL, Bank of England and the suppliers.

Note: A minus sign (-) = Decreases the LAL indices, thereby increasing the price differences.

Key to columns:

1. Numbers represent average indices of other countries; United Kingdom is base of 100; exchange rates of October 1990.
2. Exchange rates of April 1990.
3. Average of Ford plus ATK (including campaign model benefits).
4. Average of Ford plus ATK (excluding campaign model benefits).
5. BCG.
6. Average of Ford, BCG and ATK (excluding campaign model benefits).
7. Average of LAL, Ford, ATK and MIRU.
8. Average of Ford, ATK and MIRU.

8.107. In making adjustments only for exchange rates, discounts and financial benefits we are not assuming that economic conditions were similar in October 1990 between countries. We are aware that demand for new cars rose significantly in Germany and Belgium in 1990 compared with 1989, showed little change in France and the Netherlands, and fell significantly in the United Kingdom—a process that has gone much further since then. We do not, however, consider that there is any practicable way of taking these different demand conditions quantitatively into account in the price comparisons. However, we do take account in a qualitative way of the weaker demand conditions of the United Kingdom in our assessment of future price differences.

8.108. We first consider the outcome when we combine LAL findings with suppliers' information on discounts and take the average figure for financial benefits (excluding the campaign model element for the reason given in paragraph 8.103) together with October 1990 exchange rates. We thus combine the October 1990 exchange rates with the assumptions underlying columns 5 and 8 of Table 8.18. The results are shown in Table 8.19. The table includes average indices for the small segment and the overall sample both with and without the Metro. As shown in Table 8.8, the exclusion of the Metro has little effect on the overall results but a more significant impact in the small segment.

TABLE 8.19 Indices of transaction prices 1990: case 1*

<i>Model variants</i>	<i>United Kingdom</i>	<i>Germany</i>	<i>France</i>	<i>Belgium</i>	<i>Netherlands</i>
<i>Small segment</i>					
Fiesta	100	87	88	76	82
Metro	100	N/A	72	69	71
Peugeot 205	100	89	100	84	89
Renault 5	100	100	104	90	97
Uno	100	99	85	74	90
Average	100	94	90	79	86
Average excluding Metro	100	94	94	81	90
<i>Lower medium segment</i>					
Astra	100	105	105	98	97
Escort	100	111	97	94	92
Golf	100	98	100	88	92
Sunny	100	92	85	85	80
Tipo	100	89	92	85	89
Average	100	99	96	90	90
<i>Upper medium segment</i>					
BMW 318i	100	93	100	90	89
Cavalier	100	99	95	90	91
Peugeot 405	100	89	96	85	83
Passat	100	99	89	96	107
Sierra	100	103	96	95	87
Average	100	96	95	91	91
<i>Large segment</i>					
Mercedes-Benz 190E	100	91	99	96	91
BMW 520i	100	89	98	92	89
Audi 100	100	102	117	83	95
Carlton	100	103	107	101	97
Renault 25	100	81	108	91	82
Average	100	93	106	93	91
Overall average	100	96	94	88	89
Overall average excluding Metro	100	96	96	88	90

Source: MMC calculations on data supplied by LAL, ATK, Ford, MIRU and the Bank of England.

*Based on:

- (a) discounts estimated using both LAL and suppliers' data;
- (b) average of suppliers' estimates of financial benefits; and
- (c) exchange rates of October 1990.

8.109. For the overall sample (including the Metro) the largest price difference is between the United Kingdom and Belgium, at 12 per cent (of the United Kingdom price level); the smallest difference is between the United Kingdom and Germany (at 4 per cent), with France in a middle position and the Netherlands at a slightly higher level than Belgium. The variation in price differences in terms of segment, model variant and country is similar to that of the LAL results (as described in paragraphs 8.50 to 8.59 and set out in Table 8.8), but the price differences are generally smaller. There are larger differences in the small segment than in the others, while the large segment presents a wider dispersion of price differences by model variant than the lower medium and upper medium segments.

8.110. Overall there are 34 variant/country combinations (out of a total of 79) where prices in the United Kingdom are 10 per cent or more higher than those in the other country, and 48 combinations where United Kingdom prices are 5 per cent or more higher. There are also 12 combinations where the United Kingdom price is not the most expensive.

8.111. As shown in Table 8.18, the factor that affects the price comparisons most is exchange rates. Table 8.20 shows the outcome for the price differences if the October 1990 exchange rates used in Table 8.19 are replaced by the lower exchange rates that were current in April 1990. The other assumptions are unchanged.

TABLE 8.20 Indices of transaction prices 1990: case 2*

<i>Model variants</i>	<i>United Kingdom</i>	<i>Germany</i>	<i>France</i>	<i>Belgium</i>	<i>Netherlands</i>
<i>Small segment</i>					
Fiesta	100	94	94	81	88
Metro	100	N/A	77	74	76
Peugeot 205	100	96	107	90	96
Renault 5	100	108	111	96	104
Uno	100	107	91	79	97
Average (excluding Metro)	100	101	96	84	92
<i>Lower medium segment</i>					
Astra	100	113	113	105	105
Escort	100	119	104	100	99
Golf	100	105	107	94	99
Sunny	100	99	91	90	86
Tipo	100	95	99	91	96
Average	100	106	103	96	97
<i>Upper medium segment</i>					
BMW 318i	100	100	107	96	96
Cavalier	100	106	102	97	98
Peugeot 405	100	96	103	92	90
Passat	100	107	95	103	115
Sierra	100	110	103	102	94
Average	100	104	102	98	98
<i>Large segment</i>					
Mercedes-Benz 190E	100	98	106	103	98
BMW 520i	100	96	105	98	96
Audi 100	100	110	125	89	103
Carlton	100	110	115	109	104
Renault 25	100	87	115	98	88
Average	100	100	113	99	98
Overall average	100	103	101	94	96

Source: MMC calculations on data supplied by LAL, ATK, Ford, Rover, MIRU and the Bank of England.

*Based on:

- (a) discounts estimated using both LAL and suppliers' data;
- (b) average of suppliers' estimate of financial benefits; and
- (c) exchange rates of April 1990.

8.112. The effect of using the April 1990 exchange rates is to move the United Kingdom into a middle position overall with higher prices on average than Belgium and the Netherlands and lower prices on average than Germany and France. The overall position is reflected closely in two of the market segments, the lower medium and upper medium; in the large segment the United Kingdom position is the same as Germany, and much lower than France, and above Belgium and the Netherlands; and in the small segment the United Kingdom is lower than Germany, but higher than the other three countries. In all there are 43 variant/country combinations where United Kingdom prices are higher and 34 combinations where they are lower, and two where they are the same.

8.113. We have also calculated the effect on price differences of relying entirely-despite the points made in paragraphs 8.87 to 8.104-on the data for discounts and financial benefits provided in the suppliers' studies, ie making no use at all of the LAL discount figures. Table 8.21 shows the results. October 1990 exchange rates are used.

TABLE 8.21 Indices of transaction prices 1990: case 3*

<i>Model variants</i>	<i>United Kingdom</i>	<i>Germany</i>	<i>France</i>	<i>Belgium</i>	<i>Netherlands</i>
<i>Small segment</i>					
Fiesta	100	88	90	77	84
Metro	100	N/A	76	72	74
Peugeot 205	100	90	102	86	90
Renault 5	100	101	107	92	97
Uno	100	101	88	77	91
Average (excluding Metro)	100	95	93	81	87
<i>Lower medium segment</i>					
Astra	100	107	109	98	99
Escort	100	112	101	93	91
Golf	100	101	104	91	95
Sunny	100	94	90	89	83
Tipo	100	89	95	86	89
Average	100	100	100	91	92
<i>Upper medium segment</i>					
BMW 318i	100	96	106	93	93
Cavalier	100	102	98	92	94
Peugeot 405	100	93	102	89	87
Passat	100	102	94	100	111
Sierra	100	103	97	93	87
Average	100	99	99	93	94
<i>Large segment</i>					
Mercedes-Benz 190E	100	95	106	101	97
BMW 520i	100	93	106	97	94
Audi 100	100	104	123	85	100
Carlton	100	105	114	102	100
Renault 25	100	85	113	95	84
Average	100	97	112	96	95
Overall average	100	98	98	90	92

Source: MMC calculations on data supplied by LAL, ATK, Ford, Rover, MIRU and the Bank of England.

*Based on:

- (a) discounts estimated using only suppliers' data;
- (b) average of suppliers' estimate of financial benefits; and
- (c) exchange rates of October 1990.

8.114. For the overall sample the price differences between the United Kingdom and other countries falls by between two and four percentage points compared with the figures in Table 8.19. In all there are 24 variant/country combinations where United Kingdom prices are 10 per cent or more higher than in other

countries and 43 combinations with United Kingdom prices 5 per cent or more higher. Overall United Kingdom prices are on these assumptions close to those of Germany and France but somewhat higher than those of Belgium and the Netherlands.

8.115. When the same assumptions on discounts and financial benefits as were used for Table 8.21 are accompanied by the low (ie April 1990) exchange rates, prices in the United Kingdom are on average higher than those in Belgium, the same as those in the Netherlands and below those in Germany and France. The full results are set out in Table 8.22.

TABLE 8.22 Indices of transaction prices 1990: case 4*

<i>Model variants</i>	<i>United Kingdom</i>	<i>Germany</i>	<i>France</i>	<i>Belgium</i>	<i>Netherlands</i>
<i>Small segment</i>					
Fiesta	100	95	96	82	90
Metro	100	N/A	82	77	79
Peugeot 205	100	97	109	92	97
Renault 5	100	109	115	98	105
Uno	100	108	94	82	98
Average	100	102	99	86	94
Average (excluding Metro)	100	102	103	89	98
<i>Lower medium segment</i>					
Astra	100	115	117	105	107
Escort	100	121	108	100	99
Golf	100	108	112	98	103
Sunny	100	102	96	95	90
Tipo	100	95	101	92	96
Average	100	108	107	98	99
<i>Upper medium segment</i>					
BMW 318i	100	104	113	100	100
Cavalier	100	110	105	98	101
Peugeot 405	100	100	109	96	94
Passat	100	110	101	107	120
Sierra	100	111	104	100	93
Average	100	107	106	100	102
<i>Large segment</i>					
Mercedes-Benz 190E	100	102	114	108	104
BMW 520i	100	101	114	104	102
Audi 100	100	113	132	91	107
Carlton	100	113	121	110	108
Renault 25	100	91	121	101	91
Average	100	104	120	103	102
Overall average	100	106	105	96	99
Overall average (excluding Metro)	100	106	107	97	100

Source: MMC calculations on data supplied by LAL, ATK, Ford, Rover, MIRU and the Bank of England.

*Based on:

- (a) discounts estimated using only suppliers' data;
- (b) average of suppliers' estimate of financial benefits; and
- (c) exchange rates of April 1990.

8.116. A range of possible outcomes for the price comparisons has been set out in Tables 8.19, 8.20, 8.21 and 8.22. They are summarised in Table 8.23 which sets out the ranges of price indices in each country both by segment and overall. The full descriptions of the model variants have been included.

TABLE 8.23 Ranges of indices for transaction prices, 1990

<i>Model variants</i>	<i>United Kingdom</i>	<i>Germany</i>	<i>France</i>	<i>Belgium</i>	<i>Netherlands</i>
<i>Small segment</i>					
Ford Fiesta Popular Plus					
1.1 litre, 3-door	100	87-95	88-96	76-82	82-90
Rover Metro L					
1.1 litre, 3-door	100	N/A	72-82	69-77	71-79
Peugeot 205 GL					
1.1 litre, 5-door	100	89-97	100-109	84-92	89-97
Renault 5 Campus					
1.1 litre, 5-door	100	100-109	104-115	90-98	97-105
Fiat Uno 45					
Fire, 3-door	100	99-108	85-94	74-82	90-98
Average	100	94-102	90-99	79-86	86-94
Average excluding Metro	100	94-102	94-103	81-89	90-98
<i>Lower medium segment</i>					
Vauxhall Astra L					
1.4 litre, 5-door	100	105-115	105-117	98-105	97-107
Ford Escort LX					
1.4 litre, 5-door	100	111-121	97-108	94-100	92-99
Volkswagen Golf CL					
1.6 litre, 5-door	100	98-108	100-112	88-98	92-103
Nissan Sunny GSX					
1.6 litre, 5-door	100	92-102	85-96	85-95	80-90
Fiat Tipo DGT					
1.4 litre, 5-door	100	89-95	92-101	85-92	89-96
Average	100	99-108	96-107	90-98	90-99
<i>Upper medium segment</i>					
BMW 318i					
4-door	100	93-104	100-113	90-100	89-100
Vauxhall Cavalier L					
1.6 litre, 5-door	100	99-110	95-105	90-98	91-101
Peugeot 405 GL					
1.6 litre, 4-door	100	89-100	96-109	85-96	83-94
Volkswagen Passat CL					
1.8 litre, 5-door Estate	100	99-110	89-101	96-107	107-120
Ford Sierra GLX					
2.0 litre, 4-door	100	103-111	96-104	95-100	87-93
Average	100	96-107	95-106	91-100	91-102
<i>Large segment</i>					
Mercedes-Benz 190E					
2.0 litre, 4-door	100	91-102	99-114	96-108	91-104
BMW 520i					
4-door	100	89-101	98-114	92-104	89-102
Audi 100 2.3E					
4-door	100	102-113	117-132	83-91	95-107
Vauxhall Carlton GLi					
2.0 litre, 4-door	100	103-113	107-121	101-110	97-108
Renault 25 TX					
2.0 litre	100	81-91	108-121	91-101	82-91
Average	100	93-104	106-120	93-103	91-102
Overall average	100	96-106	94-105	88-96	89-99
Overall average excluding Metro	100	96-106	96-107	88-97	90-100

Source: MMC calculations on data supplied by LAL, ATK, Ford, Rover, MIRU and the Bank of England.