

## Conduct of the inquiry

1. On 9 May 1990 the OFT sent the MMC the following reference:

The Director General of Fair Trading in exercise of his powers under sections 47(1), 49(1) and 50(1) of the Fair Trading Act 1973 hereby refers to the Monopolies and Mergers Commission the matter of the existence or the possible existence of a monopoly situation in relation to the wholesale supply within the United Kingdom of motor car parts for resale as such or for the replacement of parts fitted to a motor car as standard equipment when sold new.

The Commission shall investigate and report on the questions whether a monopoly situation exists in relation to such supply, and, if so:

- (a) by virtue of which provisions of section 6 of the Act that monopoly situation is to be taken to exist;
- (b) in favour of what person or persons that monopoly situation exists;
- (c) whether any steps (by way of uncompetitive practices or otherwise) are being taken by that person or those persons for the purpose of exploiting or maintaining the monopoly situation and, if so, by what uncompetitive practices or in what other way;
- (d) whether any action or omission on the part of that person or those persons is attributable to the existence of the monopoly situation, and if so, what action or omission and in what way it is so attributable; and
- (e) whether any facts found by the Commission in pursuance of their investigations under the preceding provisions of this paragraph operate or may be expected to operate against the public interest.

For the purpose of this reference:

`wholesale supply' means that stage of supply at which replacement parts are supplied by car manufacturers and importers, by other importers of parts and by component manufacturers; and

`motor car parts' means new motor car parts including number plates but excluding liquids and parts intended to provide in-car entertainment.

The Commission shall report on this reference within a period of 15 months from the date hereof.

9 May 1990

(signed) GORDON BORRIE  
Director General of Fair Trading

By direction of the Secretary of State for Trade and Industry, under section 55(2) of the Fair Trading Act 1973, the date of submission of the report was subsequently extended first to 31 October 1991 and then to 20 December 1991.

2. Concurrently the Director General referred to us the supply of new motor cars. This inquiry was undertaken by the same group of members but is the subject of a separate report, which was submitted to the Secretary of State on 31 October 1991.

3. The questions in the reference are answered in the following paragraphs of the report:  
whether a monopoly situation exists: paragraph 8.15;

- (a) paragraph 8.15;
- (b) paragraph 8.15;
- (c) paragraphs 8.71, 8.77, 8.85, 8.99 and 8.109;
- (d) paragraph 8.115; and
- (e) paragraph 8.116.

4. The composition of the group of members responsible for the inquiry and report is indicated in the list of members in the preface.

5. Notices inviting evidence were placed in:

*Financial Times*  
*Auto Express*  
*Commercial Motor*  
*Autocar & Motor*  
*Motor Trade Executive*  
*Auto Trade*  
*Garage News*

6. Written and oral evidence was provided by car manufacturers and importers; car component manufacturers; car dealers; trade associations; Government departments; consumer organisations; and individuals.

7. During the course of our inquiry members and staff of the MMC visited Rover, at Coventry; Ford's parts distribution centre at Daventry; Mazda's parts distribution centre at Staplehurst, Kent; two franchised dealerships and a car parts distribution centre in Guildford belonging to Tozer Kemsley & Millbourn; and a number of Lucas sites in the West Midlands. Staff also visited the headquarters offices of a number of car component manufacturers.

8. In April 1991, on the basis of the information made available to us in response to questionnaires, we informed certain car suppliers of our provisional conclusion that a complex monopoly situation in respect of the wholesale supply within the United Kingdom of new motor car parts for sale or replacement, as defined in section 6(1)(c) and (2) of the Fair Trading Act 1973, existed in their favour. In the light of further information this list was revised, and the revised list is at Appendix 8.1. All these companies were advised of the issues which we might have to consider when assessing the effect of the complex monopoly situation on the public interest, and were invited to let us have their views on them. Subsequently we sought the views of all these suppliers on possible remedies and their likely effect on the car parts industry.

9. We held joint hearings for the two inquiries: three each with Ford, Vauxhall and Rover; two with Renault; and one each with Peugeot, Nissan Motor Manufacturing, Rolls Royce, VAG (UK) and Honda. The Retail Motor Industry Federation (RMIF) (also representing the Scottish Motor Trade Association (SMTA)) and the Consumers' Association (CA) attended three hearings. The Department of Trade and Industry (DTI); the Society of Motor Manufacturers and Traders (SMMT); and the National Consumer Council (NCC) each attended two hearings. The Automotive Distribution Federation (ADF) (incorporating the Motor Factors Association); the Motor Panel Manufacturers and Distributors Association (MPMDA); seven car retailers; six major car component manufacturers; three car hire companies; a major car accessories and servicing company; the Automobile Association (AA); the British Vehicle Rental and Leasing Association (BVRLA); and the Association of Car Fleet Operators (ACFO) each attended one hearing.

10. During our inquiry we were assisted by:

- Cedric Ashley and Associates;
- Mr John Booth, a consultant accountant;
- Pannell Kerr Forster, Chartered Accountants;
- PHH Allstar Ltd;
- Research International UK Ltd; and
- Taylor Nelson Research.

11. Some of the evidence submitted to us during the course of our inquiry was of a commercially confidential nature and our report contains only such information as we consider necessary for a proper understanding of our conclusions.

12. We should like to thank all those who assisted in our inquiry, particularly the companies and organisations principally involved.