

Brussels, 21<sup>st</sup> December 2009

## **Antitrust: Commission launches public consultation on review of competition rules for motor vehicle sector**

*The European Commission is inviting comments on its proposal for a revised Block Exemption Regulation and Guidelines on motor vehicle sales and repair agreements. Block exemptions relieve companies from the need to analyse individually whether certain categories of agreements comply with EU rules on restrictive business practices (Article 101 of the Treaty on the Functioning of the European Union - TFEU). The current Regulation (1400/2002) is due to expire in May 2010. The draft texts are in line with the Communication of 22 July 2009 on the review of the competition regime for the motor vehicle sector (see [IP/09/1168](#) and [MEMO/09/348](#)). In particular, following stakeholders' comments, the Commission considers that a specific block exemption is no longer warranted for the sale of new cars and commercial vehicles. However, the Commission proposes to adopt a new block exemption for repair and maintenance services, where competition appears to be more limited. It also proposes to adopt guidelines dealing with specific issues for both motor vehicle sales and repair. Interested parties are invited to submit comments by 10 February 2010.*

Competition Commissioner Neelie Kroes said: "Cars are a big chunk of the average household budget. Competition is therefore vital both as regards vehicle sales and repair. Our analysis has shown that competition is fierce as regards car sales, so we have no reason to treat this sector differently from any other. In contrast, we found the repair and maintenance market more prone to competition problems. This is why we propose to keep specific rules in this area."

The Commission's evaluation has shown that the European markets for motor vehicle distribution are fairly open, with relatively low barriers to entry. Model ranges have expanded, giving consumers more choice within each car segment, and price levels are highly competitive.

In line with its Communication of 22 July 2009 on the review of the competition regime for the motor vehicle sector (see [IP/09/1168](#) and [MEMO/09/348](#)), the Commission found no evidence that agreements between vehicle manufacturers and dealers would continue to require different treatment as compared to agreements in any other sector. The Commission therefore proposes to apply the general competition rules from 31 May 2013, after a three-year adaptation period, granted to take account of brand-specific long-term investments made by dealers.

The general rules are currently set out in block exemption Regulation 2790/1999 on vertical agreements, which is due to expire on 31 May 2010, and which will be replaced by a new regulation. Key issues such as multi-branding, imposition of resale prices and parallel trade in the EU will be addressed in the proposed sector-specific guidelines, aimed at assisting companies in assessing the compatibility of their agreements with the competition rules.

### **Repair and maintenance**

However, the Commission's analysis found the market for repair and maintenance to be less competitive. In particular, structural factors such as the brand-specific nature of the markets and the prevalence of "captive" spare parts intrinsically limit competition. Moreover, the Commission has had to intervene to protect competition in these markets (see [IP/07/1332](#)) and has noted that manufacturers sometimes refuse to honour warranties when a vehicle has been repaired outside the authorised networks.

In view of the potential competition problems on the motor vehicle aftermarkets, the Commission proposes limiting the benefit of the block exemption for service and repair agreements to operators with a market share of up to 30%. This would make it easier for the Commission or for national competition authorities to prevent carmakers from sheltering their repair networks against competition from independent repairers, for instance by withholding technical information.

In addition, the Commission intends to include particular provisions on the supply of spare parts in a new sector-specific block exemption regulation. These are intended to ensure that independent repairers can obtain carmaker-branded parts, as well as to ensure that component suppliers can put their brand on component or spare parts and can continue to supply spare parts to the aftermarket. The Commission proposes that the sector-specific guidelines should also clarify various aspects affecting competition in the aftermarkets, for instance the consequences if a vehicle manufacturer refuses to honour warranties where vehicles have been repaired in independent repair shops.

The draft revised Block Exemption Regulation and Guidelines are available on the Europa website at:

<http://ec.europa.eu/competition/consultations/open.html>