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## **Introductory remarks to European Parliament on review of Motor Vehicle Block Exemption Regulation**

*Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort*

European Parliament Plenary Session

**Brussels, 5 May 2010**

Mr President of the European Parliament, honourable Members,

The current Motor Vehicle Block Exemption Regulation expires on 1 June this year and the Commission needs to adopt new rules before that date. The College has placed this issue on the agenda of our meeting of 26 May.

Our proposal is the result of an in-depth analysis of the sector. The public consultation process started as early as June 2006. Three and a half years later, in December 2009, the Commission published the draft block exemption and Guidelines. Throughout this process, stakeholders, the European Parliament and the Member States have all been closely involved. And a lot of arguments had been taken into consideration. A number of debates, workshops and initiatives also took place, including at the European Parliament. The latest one took place on 12 April last, at the ECON Committee.

What have we concluded after such a long consultation process?

First, we learned something positive: that consumers in Europe enjoy vigorous competition in the car sales markets. In our annual car price reports we have been reporting on 80 car models of around 25 manufacturers. And prices aren't the only factor that tells us that competition is healthy. There is also more choice than there was ten years ago, with more brands available for each type of car. In these circumstances it would be difficult to suggest that any carmaker would be able to exercise a dominant position, be it individually or collectively.

The current regime contains sector-specific rules that made sense at that time when a wave of consolidation was expected in the vehicle sector. This did not materialise, and instead what we have today is a very competitive market.

By allowing more flexibility for the distribution of vehicles, the proposed changes will restore manufacturers' incentives to reduce the cost of selling cars. Allow me to recall that distribution costs make up, on average, 30% of the price of a new car. By reducing those costs, manufacturers will improve their competitive position with resulting benefits for consumers.

I know there are some concerns about proposed changes relating to multi-brand sales and contractual protection for dealers.

Let me stress that multi branding exists –and will continue to exist- where market reality calls for it. This is the case in countries with very large dealers that have the capacity to distribute several brands, for example in the UK, or in sparsely populated areas where it makes economic sense for the dealers to sell different brands from the same site.

This was the reality before the current block exemption was adopted in 2002 and remains the reality eight years later, but single branding continues to be the most common distribution model.

What we have observed is that carmakers have increasingly resorted to other forms of distribution, including manufacturer-owned outlets. The evolution of distribution in Germany is symptomatic of this trend with 67% of cars sold through dealer networks as opposed to 90% before the Regulation came into effect.

Nonetheless, we have responded to concerns expressed during the consultations, including by the ECON committee, and a number of safeguards have been introduced as concerns multi-brand dealerships.

For instance, let me underline that we propose a transitional phase during which the current regulation will be in force until the end of 2013 for the car distribution market, to allow sufficient time for dealers, who invested in multi-branding, to amortize their investments.

Concerning the reason why we are proposing to do away with clauses granting contractual protection to the dealers, it is simply because competition law is not the appropriate instrument to address eventual imbalances between contractual parties. These issues belong to the sphere of commercial law.

In a competitive market such as the car market, competition law should not interfere with the balance of powers between the different contracting parties. To do so would be intrusive. And we have to be proportionate when we interfere in how markets work.

But we also learned something less positive throughout this consultation process: unlike car prices, the cost of the average repair job has actually risen over the past years. Repair and maintenance is very important for consumers, not only for reasons of safety and reliability, but also because repair bills account for 40% of the total cost of owning a car. Unfortunately, the ability of independent garages to compete with authorised repairers is still impaired by a number of restrictions, including limited access to spare parts and to technical information.

Therefore, this reform intends to allow independent garages better access to spare parts and technical information, and to prevent them from being shut out of the market by other, newer practices. This will result in better quality repair services and lower prices.

To conclude, I strongly believe the new framework will be more favourable to consumers.

My main priority is to increase competition in the after-sales market, in repair and servicing, where it is most lacking. Although vehicle manufacturers may be in a strong commercial position vis-à-vis dealers, they compete fiercely with each other, and today there is no need to deviate from the Block Exemption Regulation for Vertical agreements, adopted recently and that will come into force also at the end of this month.

My services will monitor the sector very carefully, and there should be no doubt about the Commission's determination to enforce the competition rules and take necessary steps if any serious breaches or shortcomings are identified.

I will be happy to take your questions,

Thank you.