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Economics Case Study

European Competition Policy and the Single European Market

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This tutor2u case study examines the role of the European Union in regulating the nature of competition in Europe. It covers a wide range of topics relevant to anyone studying Economics in a European context and would also be helpful for students of Business Studies and Management who wish to develop their understanding of the nature of competition in markets and how they are regulated.

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Online Learning Resource of the Year 2003

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1 OVERVIEW OF THE EUROPEAN SINGLE MARKET AND COMPETITION POLICY

1.1 Introduction

> Competition is a mechanism of disciplined pluralism, which rewards success and penalises failure. The purpose of competition policy is to protect that mechanism.
>
> (John Kay, Financial Times, November 2002)

This case study focuses on competition within product markets. It considers the ways in which European Competition Policy seeks to monitor market structures and the behaviour and performance of businesses within the Single Market.

There are several important questions that you should consider whilst working through this case study:

- Why are competitive markets seen as desirable?
- What reasons are there for most markets becoming oligopolistic over time?
- What are the main motivations behind businesses using anti-competitive practices?
- Is collusive behaviour among firms always against the interests of consumers?
- What criteria should be used to judge the desirability of the public interest when making decisions on mergers and takeovers?
- What is the potential impact of the Euro on competition within the single market?
- Should the European Union be more pro-active in increasing competition in markets?

1.2 The Single Market

European **economic integration** - the creation of a single market **-** seeks to **remove the barriers** which restrict the free movement of goods, services and the factors of production between national economies.

EU policy applies only to **inter-country trade**. It targets the behaviour of individual firms that could otherwise frustrate the process of EU integration through trade in goods and services

Competition policy in the EU is governed by the principle of **subsidiarity**. Each member state has its own legislation on the exercise of **restrictive practices** and the abuse of a dominant position within their own countries. This legislation takes into account competition set at the European level.

So, for example, in the UK we often focus on the work undertaken by the **Office of Fair Trading** (www.oft.gov.uk) and the **Competition Commission** (www.competition.gov.uk) in implementing the 2001 UK Competition Act.

1.3 Aims of EU Competition Policy

The main aim of EU competition policy is to **increase economic well-being** by:

- Promoting competition (i.e. making product markets more flexible and dynamic), and
- Creating a deeper European single market which transcends national boundaries

However, not all economists and politicians (especially in the UK) agree that European **economic integration** has achieved these aims!

There are some industries in the EU in which a single, European market does not yet exist. In these markets the extent of actual and potential competition is limited. There are barriers to contestability in important markets such as energy supply, car retailing, telecommunications and postal services industries.

In the car industry, manufacturers are able to control the sale of cars through **exclusive dealership networks**. This is an exemption to the normal competition rules that apply to other industries. There remain substantial price differentials within the single market which are considered at the end of this case study.

Competition policy is an integral part of the process towards protecting the consumer and delivering some the **static and dynamic efficiency gains** that the creation of the European single market seeks to achieve in the long run.

1.4 Importance of Competition to the Consumer

The importance of encouraging competition in terms of getting the best deal for consumers is illustrated in the following statement from the EU Competition Commission web site –

> “Competition in the marketplace is a simple and efficient means of guaranteeing consumers products and services of excellent quality at competitive prices. Suppliers (producers and traders) offer goods or services on the market to meet their customers' demands. Customers seek the best deal available in terms of quality and price for the products they require. The best deal for customers emerges as a result of a contest between suppliers.”

Competition policy aims to ensure:

- Wider **consumer choice**
- **Technological innovation**, and
- Effective **price competition**

If achieved, the above aims contribute to both **consumer welfare** and to the **competitiveness of European industry**.

How can this be achieved? The main thrust of European competition policy is to ensure that:

- Companies **compete** rather than **collude**
- Dominant companies do not abuse their market power, and
- Efficiencies are passed on to final consumers in the form of lower prices and better products

1.5 Main Components of EU Competition Policy

There are **four main areas of action of European competition policy**:

(1) Antitrust & cartels

This relates to the elimination of agreements which artificially restrict competition (e.g. price-fixing agreements, or cartels, between competitors) and of abuses by firms who hold a dominant position on the market.

(2) Merger control

This pillar of policy controls mergers between firms (e.g. a merger between two large groups) which would result in the enlarged (post-merger) business dominating the market.

(3) Market Liberalisation

Market liberalisation policy has been behind the introduction of fresh competition in several monopolistic industries in recent years. Good examples in the UK include energy supply, telecommunications and postal services together with the new block exemption arrangements for car retailers inside the single market.

(4) State aid control

This refers to the control of state aid measures by Member State governments to ensure that such measures do not **distort competition** in the Single Market (e.g. the prohibition of a state grant designed to keep a loss-making firm in business even though it has no prospect of recovery). Good examples to focus on are state aid for steel producers, the coal industry, farming and aviation – all of whom are industries suffering major long term problems and facing an uncertain future

1.6 European Anti-Trust Policy - Abuses of a Dominant Market Position

What is meant by a **"dominant market position"?**

A firm holds a **dominant position** if its economic power enables it to operate on the market without taking account of the reaction of its competitors or of intermediate or final consumers.

In appraising a firm's economic power in the marketplace, the EU Commission takes into account factors such as:

- The firm's **market share**
- Whether there are **credible competitors**
- Whether the firm has its own **distribution network**
- Whether it has **favourable access** to key sources of supply (e.g. raw materials)
- Whether the firm controls access to key technology or intellectual property necessary to compete in the market

It is important to note that holding a dominant position is not wrong in itself if it is the result of the firm's own effectiveness.

However, if the firm **exploits** a dominant position to stifle competition, this is deemed to be an **anti-competitive practice** which constitutes abuse.

It is the abuse of the dominant position which is prohibited by **Article 82 of the EC Treaty**.

The Commission can fine an offending firm up to 10 percent of its turnover

1.7 Anti-Competitive Practices:

Anti-competitive practices are strategies operated by firms that are deliberately designed to **limit the degree of competition** in a market.

Such actions can be taken by one firm in isolation or a number of firms engaged in some form of explicit or implicit **collusion**. Where firms are found to be colluding it would generally (not exclusively) not seen to be in the public interest)

The EU Competition Commission under **Mario Monti** has been extremely pro-active in investigating allegations of cartel behaviour among businesses within the single market.

Since 1998 there have been numerous investigations in industries such as chemicals, banks, airlines, beer, paper production and computer games. Some of the results are discussed briefly in the next section of the case study.

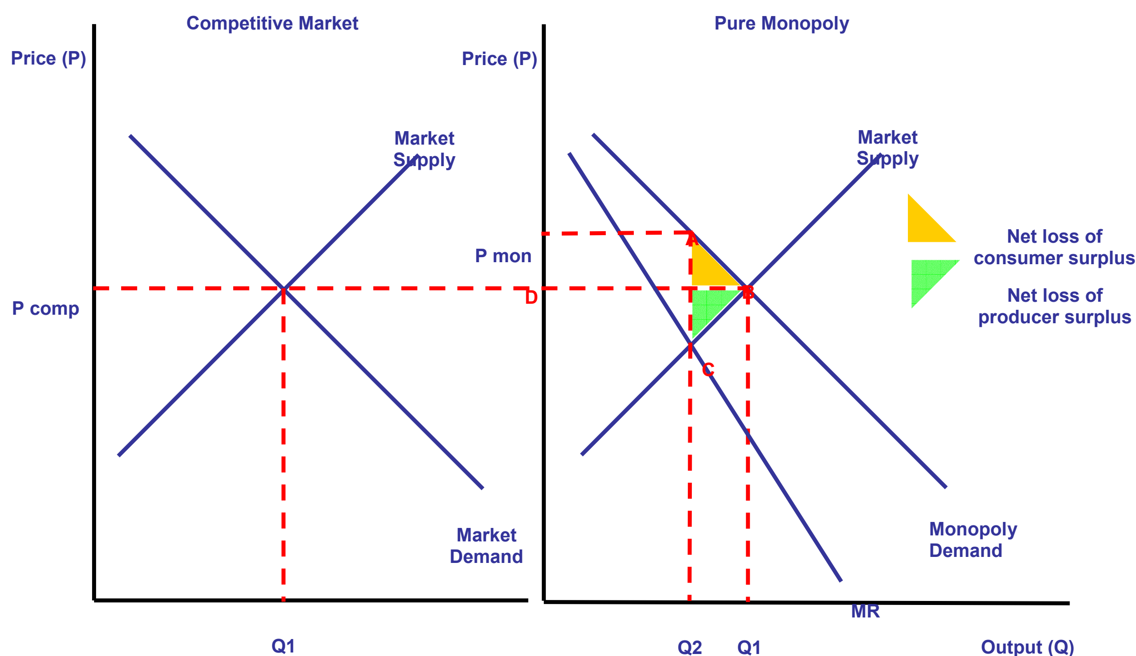
Market share is a zero-sum game!

Competitive processes inevitably involve intense **rivalries** between firms in which they attempt - normally in an impersonal way - to injure one another. When one firm cuts the price of its product, it does so in the knowledge that it will probably take **market share** from a competitor. The introduction of new products has the same purpose.

The observation that one firm's conduct has a detrimental effect on another is not enough to show anti competitive behaviour. It is normally the sign of the normal working out of the forces of competition. Thus it is not easy to identify anti -competitive practice from pro competitive behaviour (this is true at a European and a national level).

Arguments in favour of competition (and thus banning anti competitive practices)

The standard monopoly versus competition diagram can be used to show that, given 'similar cost conditions, prices will be lower and output higher in a competitive market than a monopoly market. There is also likely to be greater choice. This leads to an increase in consumer surplus and as such, a move away from producer sovereignty towards consumer sovereignty.



Abnormal (supernormal) profit will be reduced (effectively transferring income from shareholders to households. A more efficient allocation of resources results since monopoly involves P>MC at the profit maximising output whereas under competition, profit margins are reduced and prices paid by consumers are closer to the factor cost of production

Anti Competitive Practices can take a number of forms, many of which are subtle (they are obviously trying not to catch the attention of the competition authorities!). Examples would include (but not exhaustive):

Predatory pricing financed through cross-subsidization (not all price discrimination is anti competitive though – much of it is simply a genuine attempt to remain competitive in a market)

Firms who have market power in more than one market may set prices below cost in one period in order to drive out rivals and restrict entry. Having done so, it once again raises price – this is predatory pricing

Vertical restraint in the market:

(i) Exclusive dealing

This occurs where a retailer undertakes to sell only one manufacturer's product and not the output of a rival firm. These may be supported with long term contracts which bind a retailer to a supplier and can only be terminated by the retailer at great cost. Distribution agreements may seek to prevent **parallel trade** between EU countries (e.g. from lower-priced to higher priced countries) – this lay at the heart of the decision by the EU to fine Nintendo in October 2002

(ii) Territorial exclusivity

Territorial exclusivity happens when a particular retailer is given sole rights to sell the products of a manufacturer in a specified area.

(iii) Quantity discounts

Where retailers receive progressively larger discounts the more of a given manufacturer's product they sell - this gives them an incentive to push one manufacturer's products at the expense of another's

(iv) A refusal to supply

Where a retailer is forced to stock the complete range of a manufacturer's products or else he receives none at all

Creation of artificial barriers to entry: Through high advertising, brand proliferation.

Collusive practices: These might include market sharing, price fixing and agreements on types of goods to be produced.

Practices not deemed to be anti-competitive by the EU

Practices are not prohibited if the respective agreements "contribute to improving the production or distribution of goods or to promoting technical progress in a market. Examples:

- Development of industry standards;
- Research joint-ventures and know-how agreements;

1.8 Examples of Recent Fines Imposed by the European Competition Commission

Deutsche Post

On 20 March 2001, the Commission issued its first Article 82 decision in the postal sector, finding that the German postal operator, Deutsche Post AG (DPAG), had abused its dominant position in the market for business parcel services by engaging in **predatory pricing**.

DPAG was fined 24 million Euros ($21.7m, £15.2m). The fine, which is considered small, was imposed after Deutsche Post agreed to create a separate parcel company that would buy services from Deutsche Post on the same terms as competitors.

The European Union's antitrust watchdog found Deutsche Post had offered large mail-order firms big **price discounts** if they agreed to send all their parcels through them. A leading competitor - United Parcel Service ("UPS") based in the United States - complained to the Commission in 1994 that Deutsche Post was involved in predatory pricing by using profits from its monopoly of delivery of letters to subsidise its business parcel services (this is known as **cross-subsidization**).

After talks with the Commission, Deutsche Post agreed to split off the parcel unit by 1 January 2002 and establish it as a stand-alone entity that would compete like UPS or any other firm.

Further reading: http://www.freefairpost.com/ - a group campaigning for a wholly liberalised European postal services industry

Michelin

On 20 June 2001, the Commission fined French tyre maker Michelin 19.76 million Euro for abusing its dominant position in the French market for retread and replacement tyres for heavy vehicles.

The Commission's investigation established that, between 1990 and 1998, Michelin operated a complex system of **rebates**, **bonuses** and **commercial agreements**, which had the effect of tying dealers to Michelin as their supplier, and therefore artificially barring Michelin's competitors from the market.

The heavy penalty reflected the seriousness and duration of the infringement and a previous, similar infringement by Michelin.

Further reading: http://www.guardian.co.uk/business/story/0,3604,510122,00.html

European Vitamin Cartel

In November 2001, the **European Competition Commission** fined eight companies a total of €855 million for participating in eight secret market-sharing and **price-fixing cartels** affecting vitamin products.

The companies are thought to have cost shoppers millions of pounds, by carving up the market and "rigging prices" for vitamins included in everything from cereals, biscuits and drinks to animal feed, pharmaceuticals and cosmetics. Because Swiss-owned manufacturer Hoffman-La Roche was an instigator and participated in all the cartels it was given the highest cumulative fine of €462 million.

The participants in each of the cartels:

- Fixed prices for the different vitamin products and allocated sales quotas
- Agreed on price increases and issued price announcements in accordance with their agreements
- The cartel arrangements covered its full range of vitamin products

Further reading: http://www.guardian.co.uk/eu/story/0,7369,603205,00.html

Nintendo

In October 2002, Nintendo, the Japanese video games manufacturer, was found guilty of "ripping off" its customers in continental Europe for most of the 1990s and fined £94m by the European commission. Edinburgh-based retail distributor John Menzies - the sole UK distributor of Nintendo products - was also punished for its role in the scam.

The EU commission said that the fine was the fourth largest ever and reflected the seriousness of the offence. "The fine... reflects its size in the market concerned [it is the second largest maker of video games in the world], the fact that it was the driving force behind the illicit behaviour and also because it continued with the infringement even after it knew the investigation was going on," the Brussels statement said.

Further reading: *http://www.guardian.co.uk/business/story/0,3604,822807,00.html*

1.9 More Quotes from "Super Mario" Monti

It is my firm conviction that when competitive forces are at play, producers make greater efforts to attract customers by offering them lower prices, higher quality and better service than when the market is controlled by a cartel, a monopolist or a handful of companies.

It is the important role of the European Commission and the national competition authorities to ensure that markets remain competitive.

We must be attentive that industry does not violate competition law and tries to make illicit profits by fixing prices and carving up of markets.

In this role we may be comparable to a referee in a football game: he is often criticised, but everybody relies on him to ensure that the result of the match is the consequence of a fair game.

While it is true that a Single Market will put pressure on price differentials, it does not mean that the Commission's aim is price harmonisation.

The Commission has no mandate to act as price regulator, and in any event in a market economy it would be entirely inappropriate for us to seek to intervene in this way.

Our aim as competition authority is simply to help the Single Market to work properly so consumers are able to take advantage of any price differentials that exist.

Source: EC Website Press Releases

2 MERGER CONTROL WITHIN THE EU

2.1 Introduction

The **control of mergers and acquisitions** is one of the pillars of European Union competition policy.

Corporate restructuring through mergers and acquisitions is a fact of business life. There is a natural tendency for markets to consolidate over take through a process of **horizontal and vertical integration**.

The main issue is whether a proposed merger leads to a **substantial lessening of competitive pressures in the market** and risks leading to a level of market concentration when collusive behaviour might become a reality.

When companies combine via a merger, an acquisition or the creation of a joint venture, this generally has a positive impact on markets:

- Firms usually become more efficient
- Competition intensifies
- The final consumer will benefit from higher-quality goods at fairer prices

However, mergers which create or strengthen a dominant market position are prohibited in order to prevent ensuing abuses. **Acquiring a dominant position by buying out competitors is in contravention of EU competition law.**

Companies are usually able to address the competition problems, normally by offering to **divest** (sell or offload) part of their businesses.

2.2 Liberalisation of Markets within the Single Market

The main principle of EU Competition Policy is that **consumer welfare is best served by introducing competition in markets where monopoly power exists**.

Frequently, these monopolies have been in network industries for example transport, energy and telecommunications. In these sectors, a distinction must be made between the **infrastructure** and the **services provided directly to consumers** over this infrastructure.

While it is often difficult to establish a second, competing infrastructure, for reasons linked to investment costs and economic efficiency (i.e. natural monopoly arguments) it is possible and desirable to create competitive conditions in respect of the services provided.

2.3 Separating infrastructure from services

The Commission has developed the concept of separating infrastructure from commercial activities. The infrastructure is thus merely the **vehicle of competition**. While the right to exclusive ownership may persist as regards the infrastructure (the telephone or electricity network for example), monopolists must grant access to companies wishing to compete with them as regards the services offered on their networks (telephone communications or electricity supply).

This is the general principle on which the EC liberalisation directives are based.

The EU Commission can initiate the **opening-up of markets**. It may itself adopt a European **liberalisation directive** which must be enforced by the Member States. The Commission checks that these objectives are actually achieved.

2.4 State Aid in Markets

By giving certain firms or products favoured treatment to the detriment of other firms or products, state aid seriously disrupts normal competitive forces. Neither the beneficiaries of state aid nor their competitors prosper in the long term.

Very often, all **government subsidies** achieve is to delay inevitable restructuring operations without helping the recipient actually to return to competitiveness. Unsubsidised firms who must compete with those receiving public support may ultimately run into difficulties, causing loss of competitiveness and endangering the jobs of their employees. Ultimately, then, the entire EU market will suffer from state aid, and the general competitiveness of the European economy is imperilled.

State aid that distorts competition in the Common Market is prohibited by the EC Treaty.

Under the current European state aid rules, a company can be rescued once. However, any restructuring aid offered by a national government must be approved as being part of a feasible and coherent plan to restore the firm's long-term viability.

Mario Monti on State Aid

I do not believe that continued state support to an airline company is in the long-term interest of the consumer-taxpayer. Where airlines are subsidised, consumers rarely enjoy low prices. This is because the lifeline support often has the effect of delaying restructuring and damages efficient competitors, which may be driven out of the market.

The result is the maintenance of inefficient structures, and the bill has in any case to be paid by the consumer, via the ticket price or as a taxpayer.

3 EUROPEAN MERGER POLICY

3.1 Introduction

As the chief enforcer of EU competition policy, the European Commission has the power to make or break some of the word's biggest companies.

So how does the EU evaluate the economic factors behind approving or rejecting a merger within the EU?

Consider a situation where the European Union Competition Commission is asked to investigate the grounds for approving or blocking a merger between two European businesses

Examples to think about might include

- Two low cost airlines seeking a merger
- A takeover of one large pharmaceutical manufacturer with another

3.2 Main economic grounds for approving a merger:

Static efficiency

Mergers result in economies of scale and therefore improved productive efficiency (cost savings)

Dynamic efficiency

Increased profits can be used for R&D into new products and new production processes (innovation) creating long term dynamic efficiency; provides funds for capital investment

Role of the capital markets

The capital markets will sort out mergers which eventually fail to deliver the promised benefits. If unsuccessful mergers occur, corporate raiders are always ready to kick out the unsuccessful management who are not making enough profit for shareholders (consequently the share price will fall). **Survival of the fittest** ensures efficiency by keeping management on their toes (thereby reducing X-inefficiencies)

It is argued that this is a more effective mechanism than government intervention which will only make matters worse because of the potential for government failure.

Market Contestability arguments

Growth of interest in the concept of contestable markets complements the free market approach to mergers. By concentrating on removing entry barriers to a marker, monopolies and mergers can only remain dominant by producing good products efficiently

Investment argument

Lower costs and a bigger combined business may prompt higher levels of capital investment which is good news for the productive capacity of the EU economy

Globalisation argument

Mergers and takeovers can reinforce and improve the competitive position of EU companies relative to non EU companies (a countervailing power to dominance of giant US firms) – important in industries that are becoming truly globalised and where increasing returns to scale / falling LRAC is an important ingredient of competitive advantage

Enhancing economic integration within the EU

Mergers and takeovers are an inevitable consequence of the creation of a single market – perhaps the EU competition authorities should take a benign view of mergers if they have at their core, the aim of creating a business large enough to provide goods and services to a community of over 370 million people (soon to be close to 500 million in the wake of EU enlargement)

3.3 Economic arguments for rejecting a merger:

Mergers and takeovers create **monopolies** and **market dominance**; **consumers are exploited** and **resources misallocated** if there are significant entry barriers inhibiting competition – leading to **market failure** and a **deadweight loss of economic welfare**.

Mergers can deter **actual** and **potential competition**

In practice, **there are always barriers to market contestability** especially in industries where set up (fixed / overhead) costs and **sunk costs** are high

Mixed evidence on benefits of mergers: The evidence is mixed as to whether mergers improve companies' performance, either in terms of profitability, or cost savings – many of the claims for increased efficiency and economies of scale made prior to a merger prove to be exaggerated over time

Imperfections in the capital markets: The market for corporate control is does not work optimally. Unsuccessful managements may remain in place for sometime.

Shares are mainly held by financial institutions but whilst they are the owners they do not run the companies on a day to day basis. This means there is a divorce of ownership and control with managers pursuing their own interests (salary and welfare) rather than maximising profits for the shareholders.

Employment effects – mergers and takeovers nearly always lead to rationalisation as part of a process of cost cutting (more productively efficient) but this may be at the expense of jobs (possibility of structural unemployment) and fewer outlets / choice for consumers (an issue of equity)

The vast majority of cases referred to the EU competition authorities are cleared. Less than 20 have been blocked over the last twelve years.

In July 2001 the European Commission has blocked the $45bn deal between US firms General Electric (GE) and Honeywell. Although US competition authorities had given their approval to the deal, the commission was worried that the integration of Honeywell's avionics and GE's strength in jet engines could lead to dominance of the market.

The EU also blocked a proposed merger between Air Tours and First Choice Travel:

> “The proposed operation would create a dominant position in the market for short-haul foreign package holidays in the United Kingdom, as a result of which competition would be significantly impeded in the common market”

http://europa.eu.int/comm/competition/mergers/cases/#by_decision_type

3.4 Main criteria for evaluating the impact of a merger

- The market position of the merged firm (market share and other competitive advantages)
- Strength of the remaining competitors
- Customers’ buying power
- Potential competition (is the market contestable?)

Most mergers and takeovers take place in technologically dynamic industries – this has important implications for competition policy. Will a merger act to enhance or slow down the pace of innovation and levels of investment. Each investigation has to be considered on a case by case basis.

4 MARKET IN FOCUS: CAR PRICE DIFFERENTIALS IN THE EUROPEAN SINGLE MARKET

4.1 Introduction

The issue of price differentials in the market for new cars is one of permanent interest to consumers, economists and the media.

Price comparisons across a range of standard models have for many years shown that **prices of new cars in the UK are substantially above the European average.**

Consider the questions raised by these findings:

- Is this prima facie evidence that consumers are being “ripped off” by a lack of competition in the motor retail industry?
- Is this evidence of **market failure** requiring tough implementation of new rules and liberalisation of the industry?
- Or can we explain price differentials in part by other factors?

4.2 Causes of price differentials

It is worth restating the point that the aim of the European Competition Commission is not price harmonisation but rather to create the conditions under which a competitive market can flourish and consumer’s needs and wants can be met at efficient prices.

Price differentials in any market often have a number of causes

- Different pricing strategies of suppliers (not all firms are profit maximisers)
- Differences in incomes / purchasing power of consumers across regions and countries
- The effects of variations in indirect taxes on producers and consumers
- The effects of fluctuations in exchange rates
- Differences in the average and marginal costs of supply
- Product differentiation – reflected in costs
- Differences in the degree of competitive pressures amongst suppliers
- Differences in buying (monopsony) power within a segment of the market

4.3 EU view on the UK new car market

Take a look at the following recent article from The Guardian:

> Britain is still the most expensive place in the European Union to buy new car. Despite UK price decreases for many models in the last six months, the gap between the cost of a car and its identical counterpart on the continent remained "substantial", according to a European commission survey.

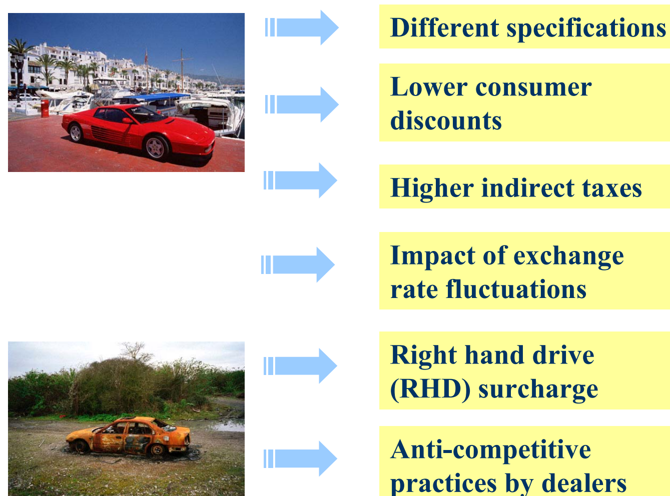
The most glaring gap was for a Fiat Seicento - 60% more expensive in the UK than in Spain. European car prices, before tax, were generally lowest in Denmark, Greece and the Netherlands. Within the 12 eurozone countries, Germany and Austria were the most expensive car markets. But among the 15 European Union countries, the UK remained by far the dearest place for car buyers.

In an ideal single market, the same car in a different EU market would cost the same, but even the greater price transparency of a single currency in 12 of the member states has done little to close the price gap. Within the eurozone, the price difference was up to 41% before tax; add non-Euroland Britain, Sweden and Denmark, and the pre-tax EU price gap widened further. British motorists shopping around on the continent to save money on new cars continue to face long delivery times and hefty supplements, including hundreds of pounds for right-hand drive versions of their cars.

More than four out of five consumers think UK car prices are still too high despite the good bargains around, according to a survey by www.carpricecheck.com The survey also looked at the high profile possibility of supermarkets like Sainsbury's and Tesco entering the market following the introduction of new EU rules which come into force from 2003.

Only 32% of the sample said that they would buy from a supermarket and even then only if the price was lower than elsewhere. A massive 62% were unconvinced that they could offer enough choice and after-sales support to persuade them to part with their cash.

Guardian February 2003



Statement from the European Commission (February 2003)

Price differentials between the cheapest and the most expensive Member State remain substantial in individual cases and 20% of the recommended selling price for 18% of the car models surveyed in the report.

These figures prove that consumers may make a bargain by taking advantage of price differences in the European Union. However, they also show that competition among dealers from different Member States and cross-border purchases are not yet a competitive constraint on manufacturers.

New rules within the single market governing car distribution should increase competitive pressure and further integrate markets, once they come fully into effect. They should also simplify cross-border purchases, whether made directly by consumers, or through an intermediary who buys on their behalf.

There is at the moment only limited evidence that the introduction of the Euro has helped to reduce price differentials for European consumers by increasing **price transparency**. The growing use of the internet to search for and then purchase cars from cheaper suppliers within the single market remains only a very minor part of the car retail sector.

Price Differences for Medium Segment Cars

Medium segment C:	November 2002	May 2002	November 2001
VW Golf	32.2%	30.5%	34.5%
Opel Astra	25.6%	21.4%	32.2%
Ford Focus	26.6%	24.4%	21.0%
Renault Mégane	11.5%	26.5%	22.9%
Peugeot 307	23.1%	27.2%	29.6%

4.4 Further reading on car price differentials

Much has been written recently on the UK new car market. Follow these links to view some excellent online resources that will provide you with more background information on this topic:

Are we being taken for a ride? http://money.guardian.co.uk/cars/story/0,11944,759840,00.html

Consumer's Association Campaign on Car Prices www.which.net/campaigns/retail/cars/index.html

EU reports on car price differentials http://europa.eu.int/comm/competition/car_sector/price_diffs/

European Commission (Car Sector) http://europa.eu.int/comm/competition/car_sector/

European market set for car shake up http://news.bbc.co.uk/1/hi/business/1775384.stm

Jam Jar http://www.jamjar.com/

Society of Motor Manufacturers and Traders www.smmt.co.uk

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Key Terms and Concepts used in this Case Study

Anti competitive practices

Anti-trust control

Capital markets

Collusive behaviour

Consumer welfare

Dominant market position

Dynamic efficiency

Economic integration

Efficient market hypothesis

EU Competition Law

Exclusive dealership networks

Globalisation

Government subsidies

Horizontal integration

Infrastructure

Market Liberalisation

Mergers

Oligopoly

Predatory pricing

Price differentials

Price discrimination

Price fixing

Product Markets

Public interest

Single Market

State aid

Static efficiency

Subsidiarity

Sunk Costs

Takeovers

Technological innovation

Territorial exclusivity

Vertical integration

Vertical restraint