

JCRA Media Release

16 June 2010

JCRA publishes its review of the Motor Trade Industry in Jersey

The Jersey Competition Regulatory Authority (“JCRA”) today has published its *Review of the Motor Trade Industry in Jersey*. This report has been produced in response to a request received on 1 September 2009 from the Minister for Economic Development (“the Minister”) to examine the motor trade industry in Jersey and, specifically, the sale of new cars. The overall conclusion of the report is that the market for new car sales in Jersey is largely functioning properly, although cost differences and differences in scale between Jersey and the UK likely result in different net prices for cars in Jersey.

The JCRA’s Process in Completing the Report

In response to receiving the Minister’s terms of reference (which were published on 1 September 2009), the JCRA conducted an extensive review of the motor trade industry in Jersey. This review was done in cooperation with car dealerships in Jersey, the Jersey Motor Trade Federation, independent repair garages in Jersey, as well as UK suppliers of cars sold in Jersey. In addition, the JCRA engaged in a public consultation on the motor trade industry, seeking consumers’ views of their experiences of purchasing new cars on and off the island and of servicing their vehicles.

The JCRA completed its study and submitted the same to the Minister for review on 25 February 2010. Having received the Minister’s approval for publication, the report is now to be released on the JCRA website (www.jcra.je).

The Report’s Key Findings

The report’s key findings are the following:

- The Jersey car market was relatively stable with the exception of the first half of 2009, when prices and profits decreased slightly.
- The report did not identify behaviour in the Jersey motor trade sector which could raise a reasonable cause to suspect an infringement (such as a cartel or abuse of dominance) of the Competition (Jersey) Law 2005 (the “Competition Law”).

- Despite there being no evidence of a Competition Law infringement, there are several factors that could work against consumer welfare in Jersey:
 1. Consumer choice in Jersey is largely limited to competition between different brands of automobile. This is because in Jersey there is largely only one franchise outlet per brand of car.
 2. The market is very concentrated with one dealership supplying half of the new car sales in Jersey.
 3. The average size of a Jersey dealer is considerably smaller than its UK counterpart.
 4. Jersey customers are excluded from most of the special financing offers (such as 0% APR) otherwise found in the UK, because the manufacturers' in-house finance units do not operate in Jersey.
 5. On average, operating costs (especially land and labour) are higher for a Jersey dealer compared to one located in the UK.
 6. Retail delivery charges are higher in Jersey than in the UK.
- Pricing in Jersey follows the net recommended UK list prices, i.e. they do not include VAT.
- Deal prices could not be compared with the UK, but retail discounts exist in Jersey, and tend to follow the UK patterns. Nevertheless, sale price of an individual model could differ from transaction to transaction due to the way the trade operates.
- Gross margins on new cars appear higher, on average, in Jersey, but dealer net profits in Jersey appear similar to last known UK levels. This would suggest that to the extent cars are more expensive in Jersey compared to in the UK, this variation is largely explained by cost differences (although high market concentration can affect a dealer's incentives to reduce costs).
- The price of servicing a car in Jersey appears similar to that in the UK.
- According to the information collected, the terms of warranty are similar to that of the UK, and warranties on UK purchases apply in Jersey.

- According to the information collected, the terms of car financing agreements available in Jersey substantially conform to the requirements of the UK's Consumer Credit Act 1974, were that legislation to apply in Jersey.
- The current activities of the JMFTF did not raise concerns under the Competition Law.

Concerning the report, Chuck Webb, the JCRA's Executive Director, states:

“The JCRA undertook a comprehensive study to cover the motor trade industry in Jersey. We conducted numerous interviews, started a public consultation, and processed very detailed statistics to capture the real functioning of the local new car market. We greatly appreciate the voluntary cooperation showed by dealers, suppliers, garages, customers, and the JMFT, in helping the JCRA to complete this report.”

All enquiries concerning this media release should be directed to the Executive Director, Chuck Webb, on +44 (0)1534 514990.

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About the JCRA

The JCRA is an independent authority established by the States of Jersey to enforce Jersey's competition law and regulate its telecommunication and postal sectors. In each of these areas, the JCRA's primary mission is to promote consumer welfare through efforts that encourage lower prices and greater choice and innovation in the goods and services available in Jersey. The JCRA is recognized internationally as a leading voice in the application of competition law and policy in small economies.