



Review of the Motor Trade Industry in Jersey

**Produced in response to the request received on 1 September 2009 from
the Minister for Economic Development under Article 6(4) of the
Competition Regulatory Authority (Jersey) Law 2001**

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I. SUMMARY AND RECOMMENDATIONS

In this study the JCRA undertook a comprehensive review of Jersey's motor trade industry. The review included analysis of the supply of new passenger cars to individuals in Jersey; an examination of finance deals for new car sales; an examination of warranties, vehicle maintenance and repair charges; as well as considering the role and function of the Jersey Motor Trade Federation ("JMTF"). The JCRA conducted this review at the request of the Minister for Economic Development the ("Minister") under Article 6(4) of the Competition Regulatory Authority (Jersey) Law 2001 (the "Law").

We summarize the key findings of this study below; the detailed analysis can be found in the subsequent chapters.

- The Jersey car market seemed relatively stable with the exception of the first half of 2009, when prices and profits decreased slightly.
- Our study 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 (so-called "inter-brand competition") and not competition between different dealers selling the same brand (so-called "intra-brand competition"). This is because in Jersey there is largely only one franchise outlet per brand of car.
 2. The market is very concentrated with one player, Jacksons-Motor Mall 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.
 - We are satisfied that the car financing agreements we have reviewed substantially conform to the requirements of the UK'S Consumer Credit Act 1974, were that legislation to apply to the Jersey agreements.
 - The current activities of the JMTF did not raise concerns under the Competition Law.

We therefore conclude 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. There are, however, recommendations that we want to make as a result of this study:

- We observe that the market for new car sales in Jersey is very concentrated with one player Jacksons-Motor Mall having the exclusive licence over several different brands, supplying half of the new car sales in Jersey. This concentration resulted from several acquisitions of different franchises by the owner of Jacksons-Motor Mall in the early 2000's. These acquisitions occurred before Jersey's Competition Law came into effect in late 2005. Jersey's Competition Law contains a prohibition of mergers and acquisitions that substantially lessen competition in Jersey or any part thereof, and contains procedural requirements that require certain mergers and acquisitions to be notified to, and approved by, the JCRA prior to their completion. It is very questionable whether these acquisitions of different franchises would have been allowed to proceed, had Jersey's Competition Law been in effect during the time they occurred. Going forward, the findings of this study will greatly inform the JCRA's examination of any future proposed mergers and acquisitions among new car dealerships in Jersey, and under Article 22 of Jersey's Competition Law the JCRA retains the ability to either block anti-competitive mergers, or place mandatory conditions on their approval to avoid a substantial lessening of competition in Jersey or any part thereof.
- Jersey's Competition Law also prohibits anti-competitive arrangements, which are arrangements that have the object or effect of appreciably hindering competition in Jersey or any part of Jersey. Exclusive distribution agreements, such as exist between UK suppliers and Jersey dealerships in the motor trade industry, could be subject to this prohibition if they have the effect of restricting competition in practice to an appreciable extent. If there is new evidence in the future that needs to be looked into, the JCRA would of course consider in more detail whether or not particular exclusive distribution agreements in Jersey's motor trade could reduce competition.

- Our examination revealed a considerable variety of selection and prices of new cars in Jersey, as one would expect in a functioning market. Often, new cars themselves can be substituted for high-quality used cars, of which in Jersey there are many different suppliers. Therefore, the choices potentially available to consumers appear to be wide, and as with all goods and services, it always pays to shop around and get the best possible deal.

The JCRA completed this study and submitted the same to the Minister for review on 25 February 2010. Having received the Minister's approval for publication, this report is published on 16 June 2010.

II. JCRA PROCEDURE

On 1 September 2009, the JCRA accepted a request from the Minister of Economic Development (“the Minister”) to examine the motor trade industry in Jersey under Article 6(4) of the Law. The main purpose of the request was:

- a) To undertake a review of the level of pricing, costs and profit of motor vehicle sales to residential customers within the Jersey market, concerning new and imported pre-registered car sales by commercial companies;
- b) To produce a report detailing the state of the motor vehicle sector and the level of competition and profit and loss, making any such recommendations for change or improvement that might be considered.

The scope of the review covered the sales of the above defined category of motor vehicles in Jersey,¹ together with the commercial effect of their import and export and, in particular to:

- a) Compare the average prices and types of vehicles sold in Jersey with that of the British Isles based on available data
- b) Make meaningful comparisons with the market for vehicle sales in the British Isles
- c) Ensure all finance deals, including lease/hire offered to consumers are transparent and would satisfy and be comparable with conditions laid down by the Consumer Credit Act of the United Kingdom
- d) Examine warranties and vehicle maintenance and repair charges
- e) Examine the role and function of the Jersey Motor Trade Federation
- f) Consider and report on any other relevant matters that may arise during the course of this report.

Information Sources for the Report

¹ For the purposes of this review, “new” means a car that is delivered to Jersey direct from the UK supplier and “pre-registered” means a new car that is purchased by the dealership and initially registered to them before being sold.

The Minister's terms of reference state that the JCRA is to produce this report based on available data. In order to fully understand the motor trade industry in Jersey, the JCRA contacted a number of people involved with, or with an interest in, this industry:

- All the local new car dealerships
- All the UK suppliers of the above dealerships
- A number of local independent car repairers
- The JMTF

We extensively consulted two reports:

- The January 2009 European Commission report (the "EC Report"), which is a six monthly price survey compiled by the Commission that provides prices in euro and the national currency (tax-free) by make and allows for comparison between new car prices in the UK with those elsewhere in the EC;² and
- The 2000 Competition Commission's market review of the new car market in the UK (the "CC Report").³ This is the most recent comprehensive review by a regulator of the UK new car market, so far as we are aware.

In order to make comparisons with other British Isles, we also contacted the following:

- The Driver and Vehicle Standards Department, Jersey ("DVS")
- The Department of Transport, Isle of Man
- Driver and Vehicle Licensing Section, Environment Department, Guernsey ("DVL")
- The websites of various car suppliers in the UK

We contacted and met with representatives of almost all the local dealerships individually in order to gather information about the local car market that would help inform the more specific data that would be requested. Locally, there are twelve dealerships, six of whom

² European Commission, *Car prices within the European Union*, January 2009.

³ UK Competition Commission, *New cars: A report on the supply of new motor cars within the UK*, March 2000. (http://www.competition-commission.org.uk/rep_pub/reports/2000/439cars.htm#full).

are solus franchises,⁴ who between them sell about forty brands of passenger cars. One company that we met with, Tony Cottle Prestige Cars Limited, is not a franchised dealer but sources and sells any brand of new car, although there are other local businesses that also offer this service.

Based on the information obtained during the interviews, the JCRA then sent every dealer an information request (see Appendix A). The JCRA sent this request to the dealers on a voluntary basis, electing not to use our formal enforcement powers under the Competition Law, in favour of proceeding on a cooperative basis. The table below shows the dealerships that we met or spoke with and those that provided the data requested.

Table 2.1: Jersey dealers contacted during the review and the brands they supply		
Name of dealership	Franchise/brand of passenger car sold	Information request returned
Bagot Road Garage	Renault	Yes
Bel Royal Motors	Kia, Mazda, SEAT	Yes
Derek Warwick (DW) Honda	Honda	Yes
Doubleday Garage Limited	Perodua	No
Ford	Ford	Yes
Freelance Motors	Chevrolet, Lexus, Toyota, Vauxhall	Yes
Havre des Pas Garage	MG	No
Jacksons	Aston Martin, Audi, Bentley, BMW, Mercedes-Benz, MINI, Porsche, Smart, Volkswagen	Yes
Maugers Garage	Daihatsu, Isuzu, Subaru	Yes
Motor Mall	Citroen, Chrysler, Dodge, Jaguar, JEEP, Land Rover, Lotus, Mitsubishi, Nissan, Peugeot, Saab, Skoda, Suzuki, Volvo	Yes
Polar Auto Italia	Abarth, Alfa Romeo, Fiat	Yes
Portelet Garage	Hyundai	No
Tony Cottle Prestige Cars Limited	All brands	No

We were pleased that nearly 70% of the dealers contacted supplied the data and information requested in Appendix A on a voluntary basis. As indicated above, we met almost all the dealers, and the information we gathered during this process was more than sufficient to properly analyse the market in accordance with the terms of reference.

We also contacted the UK suppliers of all the brands sold in Jersey at the addresses supplied by the dealerships, many initially by telephone, and made a written request for

⁴ Solus franchise means the dealership sells only one brand of car.

information (see Appendix B). Again, these requests were made on a voluntary basis. The table below shows the suppliers that were contacted and those that provided the data requested.

Table 2.2: UK Suppliers contacted	
UK Supplier/ Brand	Information request Returned
Aston Martin	Yes
Abarth	Yes
Audi UK	No
Bentley	No
BMW GB	Yes
Chevrolet UK	No
Chrysler	No
Citroen UK	Yes
Fiat Group	Yes
Ford Motor Company Limited	Yes
General Motors UK	No
Honda UK	Yes
Hyundai Motor UK Limited	Yes
Isuzu, Daihatsu, Subaru UK	No
Jaguar Cars	Yes
Kia Motors (UK) Limited	Yes
Lexus Division of Toyota (GB) PLC	No
Mazda Motors UK	No
Mercedes Benz UK	Yes
MG Motors Limited	Yes
MINI UK	Yes
Nissan GB	Yes
Perodua UK	Yes
Peugeot Motor Company UK	Yes
Porsche UK	Yes
Renault UK	Yes
Saab UK	No
SEAT UK	No
Skoda	No
Smart Car	Yes
Suzuki GB PLC	Yes
The Colt Company Limited (Mitsubishi)	No
Toyota (GB) PLC	Yes
Volkswagen	No
Volvo	Yes

As indicated above, around 60% of the UK suppliers replied to our voluntary request, and the information they provided was sufficient to properly analyse the market in accordance with the terms of reference.

We contacted many independent repairers in Jersey, at the addresses listed in the public phone directory, some initially by telephone, and made a written request for information

(see Appendix C). We also met with one repairer to gain an understanding of this area of the motor trade industry. Again, our information requests to the garages were sent on a voluntary basis. The table below shows the repairers that were contacted and those that provided the data requested.

Table 2.3: Repairers contacted in Jersey	
Independent Garage	Information Request returned
Tony Perchard t/a Aerton Motor Repairs Limited	Yes
Airport Accident Repair Centre	Yes
Andrew Ruellan	Yes
Autocare	No
Auto-Electric Limited	No
Apsley Road Garage	No
Chevron Motor Company Limited	Yes
Clayden Motors	Yes
Da Silva's Auto's	No
Dave Carrel Limited	Yes
F.E Laurens Motor Repairs	No
Forum Garage	No
Full Service Centre Limited	Yes
G.L.F Vehicle Repairs Limited	No
Heffords Motor Repairs	No
Hudson Motor Company	No
Jason Reynolds Servicing and Repairs	No
Kevin Beaton Automotive Vehicle Servicing	No
Le Riche Automobile Restorers CI Limited	Yes
Maufant Garage	No
M.B.C Motor Repairs Limited	No
Nelson Street Motors	Yes
Nicholls Service Garage Limited	No
Ray Boschat Limited	No
Seaton Garage Limited	No
Silvio Alves Motor Repairs Limited	Yes
West End Garage	Yes

Although the response rate to our voluntary request to independent repairers in Jersey was relatively low – approximately 40%, compared to the response rate of Jersey dealers and UK suppliers noted above, the information provided was sufficient to properly analyse the market in accordance with this part of the terms of reference.

On 16 October 2009, the JCRA launched a two month public consultation on the motor trade industry, seeking consumers' views of their experiences of purchasing new cars on and off island and of servicing their motor vehicles. An article about the consultation also

appeared in the November/ December Jersey Consumer Council (“JCC”) newsletter. The questionnaire was available on request, on the JCRA website and as a link on www.thisisjersey.com website, and can be seen at Appendix D. Only two responses were received directly by the JCRA in response to this consultation. Additional responses were received by the JCC and passed on to the JCRA. The JCRA also took note of comments posted on the website www.thisisjersey.com concerning an article published by the *Jersey Evening Post* about this investigation.

The JCRA would like to thank all those who participated in our examination of Jersey’s motor trade industry.

III. GENERAL DESCRIPTION OF THE JERSEY NEW CAR MARKET

3.1 Administrative issues concerning new cars

Importation and registration in Jersey

The process of importing a car from the UK or Europe and then registering it in Jersey is no different for a dealership/trader than for a private individual. The DVS charges both dealerships and individuals the same price to inspect and register a car, but it is likely that the dealerships/traders are more familiar with this process and completing the necessary DVS and GST paperwork.

One of the main costs incurred when importing a car will be shipping and the associated insurance. The JCC were quoted between £200-400 to bring a car to Jersey from the UK as unaccompanied freight⁵ depending upon the size of the car. The dealerships have different arrangements regarding the costs of transporting cars from the UK manufacturer to their premises. Upon arrival in Jersey, a car has to be transported within 24 hours from the dock to either a dealership or an individual residence (in the case of private individuals) on a recovery lorry or trade plates, a cost which also has to be factored in. The car cannot be driven until it has been registered and it is recommended that a car is registered as soon as possible.

To register a new car the vehicle must have been declared at and cleared through Jersey Customs (a Customs Import Declaration is not required if the person registering is a

⁵ Alan Breckon, *Response to JCRA Car Survey from Jersey Consumer Council*, 11 December 2009.

Customs approved trader). A current certificate of Jersey motor insurance, a V55/1 (certificate of conformity from the manufacturer that details the chassis number, model number, etc.) and a Certificate of Newness from the manufacturer to declare that it has never been used, must also be produced along with the registration fee of £22.45. If the vehicle is being imported by a private individual and a V55/1 is not available, it is necessary to produce an invoice and a European Community Whole Vehicle Type Approval Certificate of Conformity or another acceptable Type Approval Certificate.

No inspection is needed if the car is EU Type Approved (“ETA”). If a car is Non ETA it is subject to a comprehensive vehicle examination, prior to registration and licensing, which costs £361.20 and there can be a waiting time of 3-4 weeks for an available appointment. An advanced booking can be made prior to the car arriving in Jersey, but an appointment can only be made on production of the paperwork detailed above and payment of the examination fee. If the vehicle needs to be re-examined then another fee may be charged. After the examination, if the vehicle has passed, the registration fee of £22.45 is due.

If a car is imported by a private individual that has not been built to UK specification or designed to be driven on the left hand side of the road, there are many items which will not comply with relevant Jersey legal requirements⁶ such as the headlights, the speedometer (it must show miles and kilometres), mirrors and indicators. These items would need to be adjusted, although this is not always possible, and only then would the vehicle be allowed to be registered. The cost of this work would be met by the individual.

3.2 Other similar jurisdictions

The process of importing a car to Jersey appears to be no more difficult and, is in fact cheaper, in comparison with other similar jurisdictions if the car is ETA. In Guernsey the registration fee is slightly more expensive (£35) and there is also a requirement to have the vehicle weighed in order to determine the amount of motor tax that must be paid, which varies according to the vehicle’s weight. Within the Isle of Man, a customs agreement with the UK results in no additional costs to import a vehicle other than the £9 registration fee and an annual licence fee, the latter which is required when a vehicle is

⁶ Motor Vehicles (Construction and Use) (Jersey) Order 1998.

used on a public highway or road. The fees are currently determined by engine capacity and start at £50. The main difference between the three islands would appear to be that unlike in Jersey and the Isle of Man, in Guernsey if a car is not ETA, the vehicle is not inspected by the DVL to ensure that the headlights are dipped to the left or that the speedometer shows miles, etc.

3.3 Car registrations

There is no production of passenger cars in Jersey, which means that all cars are imported. The administrative process of importing passenger cars into Jersey has been discussed in the previous section. According to the information provided, virtually all the new cars sold in Jersey are shipped from or via the UK.

The demand side for new passenger cars is constrained by the number of potential customers. This includes both local customers and potential customers in other jurisdictions. This report focuses on the sale of new passenger cars to customers in Jersey; however we note that there is a limited export of new cars from Jersey compared to exports of used cars.⁷ Therefore, the market for new cars is much smaller in Jersey than in the UK, simply because of the limited number of inhabitants and the geographical features which impose significant costs on the export of cars from Jersey.⁸

The table below lists the total number of vehicles (including vehicles other than passenger cars) registered in Jersey, by year. The increase in number of registrations reflects both increases in the total population and an increase in the number of vehicles per inhabitant (the latter is reflected in the ratio listed in the far right column).

⁷ See section 3.4 below where we discuss Ford, who exports a relatively large quantity of ex-rental cars to the UK.

⁸ According to Honda, the shipping price is about £125 per vehicle for imports. We consider that the price for exports will be similar.

Year	Registrations	Population	Ratio
2008	111,861	91,800	1.22
2007	107,996	90,900	1.19
2006	104,537	89,400	1.17
2005	101,583	88,400	1.15
2004	99,008	87,700	1.13
2003	98,948	87,600	1.13
2002	98,506	87,600	1.12
2001	94,538	87,400	1.08
2000	91,316	87,100	1.05

As can be seen from the table above, the total number of registrations in Jersey has continued to increase in both absolute number and per capita, despite a slight slump around 2003.¹⁰

The total number of vehicle registrations for a given year equals the registrations of the previous year minus the deregistered vehicles (including exports) plus newly registered vehicles. Newly registered vehicles equal the sales and pre-registrations of new vehicles within Jersey and imports of new and used vehicles from other jurisdictions. The table below provides some additional information on the breakdown of the total number of registrations.

Year	New registrations	Scrapped	Exported
2008	11,786	2,586	5,266
2007	11,457	2,188	5,847
2006	10,426	1,930	5,425
2005	9,511	2,125	4,950
2003	9,591	3,494	5,705
2002	12,591	No info.	No info
2001	11,645	No info	No info

⁹ Source: Jersey in Figures 2008, p.70; Jersey's Resident Population 2008, Jersey Statistics Unit.

¹⁰ According to dealers, a slump in new car sales occurred in 2003 in Jersey and this was felt to be largely attributable to the introduction of Vehicle Registration Duty.

¹¹ Source: Jersey in Figures 2002–2008.

From the table, one can see that there was a slump around 2003, with sales picking up more recently. Overall, however, we can conclude however that the Jersey car market is small and relatively stable.

3.4 Market shares of the different brands in Jersey

We observed above that the size of the Jersey market for new cars is very small and relatively stable. This means that market shares can change significantly as a result of relative small changes in the number of sales. As this mainly affects the brands with the lowest numbers of registrations, we have generally limited the analysis to brands with an estimated market share of one percent or more. The market shares calculated in this section are best estimates based on available data supplied to the JCRA during its review.

The table below lists the respective market share of the brands with a market share of 1% or more for the period 2004-2009.

Table 3.3: Market shares by brand in 2004-2009¹²	
Brand	Average market share 2004-2009 (in %)
FORD	60.5
FIAT	3.9
HONDA	3.5
PEUGEOT	2.9
VOLKSWAGEN	2.7
TOYOTA	2.4
RENAULT	2.3
MERCEDES-BENZ	2.3
AUDI	1.8
MINI	1.7
BMW	1.5
LAND ROVER	1.1
CITROEN	1.1
SEAT	1.0
OTHER	11.3

This table gives the impression that Ford dominates the Jersey market. The reason for the very high market share of Ford's registration of new passenger cars in Jersey is that Ford's core business in Jersey appears to be fleet cars. Ford operates the Hertz car rental franchise in Jersey and in addition, Ford also supplies other car rental companies in

¹² Source: JMTF Submissions. It was not possible to identify Ford's sales of new passenger cars to private customers only from the database.

Jersey. After about four months or approximately 3,000 miles, these vehicles are sold as used cars in both Jersey and abroad. The great majority of the Ford car sales and registrations are therefore fleet cars. Ford appears to be the most significant exporter of cars from Jersey (as noted above, to the limited extent cars are exported from Jersey). Ford is in a unique position in this respect and it is also the only company owned dealership in Jersey. In the table below we have listed the market share for brands, excluding Ford, with a market share of 1% or more for the period 2006-2009.

Table 3.4: Market shares, 2006-2009, excluding Ford¹³	
Brand	Average market share 2006-2009 (in %)
PEUGEOT	10.8
HONDA	9.5
TOYOTA	6.3
VOLKSWAGEN	6.0
FIAT	6.0
AUDI	5.9
MERCEDES-BENZ	5.6
RENAULT	5.1
MINI	4.5
CHEVROLET	3.7
BMW	3.5
LAND ROVER	3.1
CITROEN	3.1
SUZUKI	2.9
NISSAN	2.6
HYUNDAI	2.3
MAZDA	1.9
VAUXHALL	1.8
KIA	1.4
LEXUS	1.3
PORSCHE	1.3
CHRYSLER	1.1
DAIHATSU	1.1
SEAT	1.0
SKODA	1.0
OTHER	7.2

We note that the ranking for brands other than Ford, as listed in the table above, is very different as a result of the different period taken into consideration in the various data sets. Assuming that both data sets are accurate and comparable, this implies that the

¹³ Source: DVS Data.

market shares for individual brands do vary over time. This in turn does appear to imply competition between the various brands (inter-brand competition).

We can conclude that there is a large spread in the sales of passenger cars in Jersey and that there does not appear to be a dominant brand in Jersey, at least when considering non-fleet sales. However, this ignores the fact that there is a very good availability of ex-rental Ford cars in Jersey, which could affect the sales and hence market shares of other brands. As set out in the terms of reference, the market for used cars is not the subject of the study and hence the interaction between the market for new cars and the market for used cars is not considered further for the purpose of this overview.

3.5 Multi-branding and market concentration

There are indications that the size of the average car dealer in Jersey is smaller than the average size of a car dealer in the United Kingdom – at least for “larger” Jersey dealerships compared to “larger” UK dealerships. According to Ford, the Channel Islands dealership would sell about 200-250 new cars per year, whereas a UK dealership would sell about 2,000 cars per year. According to DW Honda, its former dealership in Portsmouth would sell about 1,000 cars per annum. On the other hand, Mangers Garage indicated that the size of a dealership for the same franchises in the UK would be comparable to the size of Mangers Garage in Jersey.

These views could indicate that the size of Jersey dealerships is below the optimum size in the UK, the main comparator for Jersey. This in turn indicates either that the optimum size in Jersey is smaller than that in the UK, or that the Jersey dealerships are operating below optimum size.

A comparison of the number of sales per dealership in various jurisdictions shows that the number of registrations per outlet is actually quite high in Jersey. The table below lists the new registrations per sales outlet, with registrations being a proxy of demand for new passenger cars.

Table 3.5: Total authorised sales outlets (all makes)¹⁴			
Jurisdiction	Sales outlets	New registrations of passenger cars	Registrations per sales outlet
Denmark	1,239	120,484	97
Sweden	1,924	264,246	137
Netherlands	3,132	483,885	154
France	12,774	2,013,712	158
Germany	18,830	3,266,826	173
Portugal	1,736	318,111	183
Spain	6,428	1,517,518	236
Jersey	12	3,128	261
Italy	6,857	2,263,687	330
UK	5,777	2,567,269	444

Multi-branding

From the previous table, it appears that Jersey has a relatively high number of sales per dealership. One explanation for this could involve the fact that many dealerships in Jersey engage in multi branding, that is the sale of new cars of various unrelated brands. This situation appears to be different from many other jurisdictions in Europe (although not the UK), where most dealers appear to supply just one brand. In the following table we provide data for multi branding. As noted, this clearly shows the very high level of multi branding in Jersey compared to other jurisdictions.

The last major reshaping of the supply side for new cars in Jersey occurred in late 2003 with the demise of Five Oaks Garage that operated four franchises.¹⁵ Most of the franchises were taken over by a common owner, and subsequently become part of Jacksons-Motor Mall.¹⁶ Therefore, the 2004 data for Jersey is comparable to the 2009 data, but the situation in the other jurisdictions listed may have changed since 2004.

¹⁴ Jersey figures are for 2008, figures for other jurisdictions are for 2004. Jersey data is based on calculations by the JMTF for sales of passenger cars, but only with the actual sales of Ford rather than fleet sales. The number of dealer outlets is 12, as Jacksons-Motor Mall operates from two different locations. The data for other jurisdictions is taken from *Developments in car retailing and after-sales markets under Regulation NO.1400/2002*, Final Report to EC DG Competition by London Economics, p.11 and p.40.

¹⁵ <http://news.bbc.co.uk/1/low/world/europe/jersey/3328175.stm>

¹⁶ www.thisisjersey.com/2003/11/21/five-oaks-garage-to-go-under/

Jurisdiction	Share in %
Jersey	45.5
Estonia	38.9
Denmark	35.2
Sweden	29.7
UK	23.1
France	20.0
Spain	15.4
Netherlands	13.3
Italy	11.7
Germany	11.3
Poland	10.7
Hungary	10.2
Portugal	9.1

Market concentration

There are twelve dealerships in Jersey that together have the franchises for about forty brands. Jacksons-Motor Mall offers the greatest number of brands. The table below lists the market shares for the Jersey dealerships.

Supplier	Number of dealerships	Percentage of dealerships (in %)
Jacksons – Motor Mall	24	57
Freelance Motors	4	10
Bel Royal Motors	3	7
Polar Auto Italia	2	5
Maugers Garage	3	7
DW Honda	1	2
Doubleday Garage	1	2
Bagot Road Garage	1	2
La Motte Ford	1	2
Portelet Garage	1	2
Havre des Pas Garage	1	2

¹⁷ Jersey data is for 2009, data for other jurisdictions is 2004. The data for other jurisdictions is taken from *Developments in car retailing and after-sales markets under Regulation N0.1400/2002*, Final Report to EC DG Competition by London Economics, p.63, Figure 44.

¹⁸ Source (together with Tables 3.8, 3.9): DVS data.

We can also calculate the market shares on the basis of cars sold. This shows that the market shares calculated on the basis of new registrations are more evenly distributed than the market shares on the basis of franchises. This would appear to suggest that at least some of the dealers with fewer franchises supply brands with relatively high market shares. We note that these market shares do not include minor brands nor the Ford franchise (for the reasons stated above with respect to Ford).

Dealer	Average market share 2006-2009 (in %)
Jacksons-Motor Mall	51.4
Freelance Motors	13.1
DW Honda	9.5
Polar Auto Italia	6
Bel Royal Motors	5.8
Bagot Road Garage	5.1
Portelet Garage	2.3
Maugers Garage	1.1
Other	5.7

As a result of a relatively high level of multi branding and market shares, the supply side for new cars in Jersey is highly concentrated.¹⁹ The concentration of franchises is very relevant because franchises constitute the basic unit of competition: potential customers will first look for a car with certain specifications. If one dealer holds all franchises or all franchises for brands that are considered substitutes, this dealer would be in a position to significantly restrict choice and competition between these brands, compared to this situation where different dealers held different franchises.

3.6 The fifteen selected models

As explained in the introduction, the JCRA was asked to look at the prices for new passenger cars in Jersey and compare these with the prices charged in other jurisdictions within the British Isles (primarily, the UK).

¹⁹ The HHI index is used to calculate the concentration factor. This is the sum of the squares of the market shares. The HHI calculated on the basis of the percentage of franchises held or sales of cars is over 3000. According to the US DOJ-FTC 1992 Horizontal Merger Guidelines (http://www.justice.gov/atr/public/guidelines/horiz_book/15.html), the agencies will regard a market in which the HHI is below 1,000 as “unconcentrated”, between 1,000 and 1,800 as “moderately concentrated”, and above 1,800 as “highly concentrated”.

There are a total of twelve franchised dealerships in Jersey with a total of about forty brands. In turn, most of these brands offer a wide range of models. In general, models come in many different versions, based on different engines and equipment levels. A price comparison for every version of every model of every brand that is supplied in Jersey would be beyond the reasonable scope of this project.

Therefore, this study focuses on a selected sample of fifteen different passenger cars for further analysis. This is our best estimate for the fifteen most popular models in Jersey during the period 2008-2009. These fifteen models represent almost 40% of the total entries in the DVS database and hence these models constitute a very significant part of the sales for new cars in Jersey.

Table 3.9: The fifteen selected models in Jersey 2008-2009			
Brand	Model	Occurrence in the sample	Dealer
Ford	FIESTA	548	Ford
Ford	FOCUS	356	Ford
MINI	MINI COOPER	268	Jacksons – Motor Mall
Peugeot	207	261	Jacksons – Motor Mall
Volkswagen	GOLF	204	Jacksons – Motor Mall
Honda	JAZZ	182	DW Honda
Fiat	500	178	Polar Italia
B.M.W.	3 class	166	Jacksons – Motor Mall
Audi	A4	163	Jacksons – Motor Mall
Honda	CR V	156	DW Honda
Mercedes	C class	151	Jacksons – Motor Mall
Audi	A3	140	Jacksons – Motor Mall
Chevrolet	MATIZ	124	Freelance Motors
Renault	CLIO	108	Bagot Road Garage
Honda	CIVIC	104	DW Honda

The table above shows that Jacksons-Motor Mall supplies seven models, DW Honda supplied three, Ford supplied two and Polar Auto Italia, Freelance Motors and Bagot Road Garage each supply one model out of the fifteen.

3.7 Competitive constraints in Jersey

We can conclude that the supply side of the Jersey car market is highly concentrated, whether assessed on the basis of dealerships or on the basis of car sales. However, this does not necessarily mean that competition is not functioning or that Jacksons-Motor

Mall is in a dominant position in the market. That is because this report only considers the sale of new cars in Jersey. There may be several competitive constraints that affect the ability of local car dealers to raise profit margins to supra-competitive levels.

The first of these constraints are used cars. It appears safe to assume that in certain circumstances used cars can be a competitive constraint on the pricing of new cars. We note in this respect that the market for used cars is much less concentrated than the market for new cars. There are various retailers in Jersey that only supply used cars. Individuals act as suppliers in this market, and independent garages and repair shops may offer used cars as well. In addition, it appears that all the dealers for new cars in Jersey also supply used cars.

The second competitive constraint on the pricing of new cars in Jersey is the possibility of parallel imports. For the purpose of this report, a “parallel import” is defined as the import by anyone other than the franchised dealer. It has been stated by dealers in Jersey that they are allowed and able to import new passenger cars for brands for which they do not have the franchise. Whereas there are no indications that this happens in practice, this could potentially pose a competitive constraint. In addition, there are indications that individuals do import cars from the UK. The JCRA does not have information regarding the frequency with which this occurs and to what extent this concerns new cars rather than used cars. As described previously, however, the administrative procedure for individuals to import new cars into Jersey is largely the same as that for dealerships, and in general we understand that new cars supplied and imported from the UK will have the same warranty as new cars supplied and purchased from within Jersey.

3.8 The Jersey Motor Trade Federation

The JCRA met with a representative of the JMTF on two occasions and made a written request for information too. We had access to minutes of meetings during the period May 2005 to November 2009, which follows the introduction of the Competition Law in November 2005.

The JMTF is a non profit trade association and is regularly consulted by the States of Jersey, as the representative body of the motor trade, in matters of taxation and legislation. The JMTF was formed in 1992, following the dissolution of the Jersey Motor

Trades Association and for many years recommended minimum wage rates, retail fuel prices and hourly body repair charge out rates to its members, although compliance was not a condition of membership. In 2005, on advice from the JCRA that this behaviour was considered anti-competitive and thus would breach the then-impending Competition Law, the JMTF ceased recommending rates and prices, destroyed any records and documents in respect of the same and changed their constitution accordingly.

The JMTF does not collect any data in relation to prices or any other matters, but on a monthly and three monthly basis respectively they collate the registration figures published by the DVS and DVL and then record the registrations by brand to look at trends year-on-year and this information is submitted to the membership. Membership is by annual subscription and management by an elected Council of eight people, comprising four sub committees with specific areas of responsibility such as membership. The Council must meet a minimum of once quarterly, and as part of its constitution, the JMTF must have an annual general meeting and an additional general meeting. The JCRA has read all the JMTF minutes since 17 May 2005 and there is nothing to suggest that the JMTF is endorsing or engaging in anti-competitive practices that could infringe the Competition Law. Therefore, for the rest of the report, the JMTF will not be focused upon in any detail.

IV. PRICING OF NEW CARS IN JERSEY

In this section we focus on car prices in Jersey, concerning the fifteen selected models listed above. There are three different price levels: recommended retail price (list price), on-the-road price and the final deal or transaction price.

Recommended retail price is the starting point, on-the-road price includes additional charges related to the “presentation” of the car. These prices are largely publicly available. Transaction price is what the customer finally pays; this is not publicly available, and likely to include some discount relative to the recommended retail price.²⁰ The relationship between these elements is detailed below.

²⁰ These definitions are similar in the CC Report p.202, 7.2. We calculated discounts based on the list price to give results consistent with the CC Report (as defined in the CC Report p. 206, 7.17).

Table 4.1: Composition of the final car price
Recommended retail price RRP net of taxes (list price)
+ Retail delivery charge (including: number plate, some fuel, car preparation)
+ Tax (GST in Jersey, VAT in the UK)
+ Other government charges (including: vehicle excise duty (UK only), first registration fee)
= Manufacturer's recommended on-the-road price
- Discounts given (which could be equally over-allowance on trade-ins)
- Other "free" extras (financial benefits, spare tyres etc.)
= Final price the consumer pays (transaction price)

We will analyse the factors affecting this price in detail taking each major element in turn.

4.1 Recommended retail prices

During the interviews we were told by the dealers that almost all of the cars imported to Jersey are sourced from the UK suppliers (manufacturers and/or distributors together). We asked the dealers to provide information on pricing, and also asked the UK suppliers to provide their current respective price lists together with a brief description. In the responses received, both the dealers and the UK suppliers indicated that the starting price point is the UK RRP, which is net of taxes and any other charges. Therefore we can conclude that the recommended list price (RRP) net of taxes is the same across the UK, Jersey, Guernsey and the Isle of Man.

It is worth noting how the RRP evolved for the selected models over time. For Jersey, we used the average RRP for each model sold. This is average price for a model in a given year, as we took simply the average price (RRP) of the models sold. We note that there is a caveat using this formula. The change in this average RRP could come from two factors: either because of the change in price of the identical model, or because customers bought the same model but a different version (specification) in the given year, i.e. the

relative distribution of the versions within the model changed. Therefore these figures should not be taken as a price index, for practical reasons we did not separate out the aforementioned factors, just give the average figures.

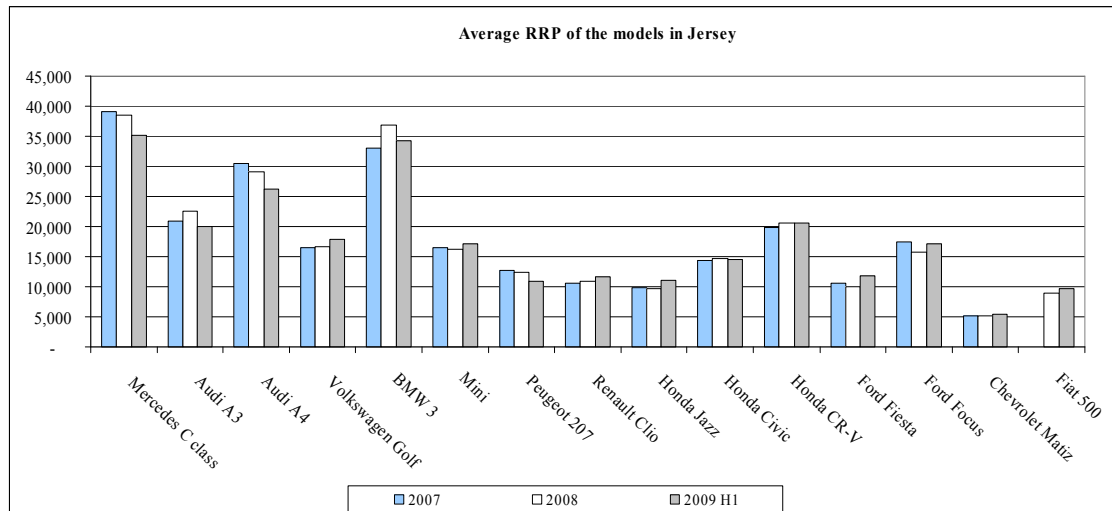


Figure 4.1: Average price of a model (RRP) in a given year. (Source: Jersey dealers data, calculated as explained above. For 2009 only half year figures were available at that time).

The movement in these average price changes are not synchronous. While the average expenditure for Mercedes C, Audi 3, Audi 4 came down slightly, the remaining models seemed relatively stable or increased slightly before any discount and delivery charges applied. This would indicate no significant change in the demand for these models. Unfortunately we do not have data on the UK sales; therefore it is not possible to construct the same averages for the UK over the years indicated.²¹

The European Commission publishes international comparisons (within the Member States) of cars,²² where the RRP's are compared for the selected (basic) model. We do not reproduce this comparison here, we just note that the prices of many of the models we analysed come out among the cheapest in the report, as UK prices are favourable.

We did, however, compare the average price of a model (as in the table for Jersey above) with the second cheapest model in Jersey (the cheapest was cut to avoid extremes) and the UK price of the basic model from the EU report. We used 2008 figures as these were

²¹ The States of Jersey June 2009 RPI report (Figure 13a) illustrated the changes in car prices based on a defined "shopping basket" for cars. This is different compared to the price changes in the "fifteen" list.

²² http://ec.europa.eu/competition/sectors/motor_vehicles/prices/report.html

closer to the publication of that report. According to dealers, the Jersey market is “different” to the extent that Jersey consumers often require the sophisticated version of a model. It is interesting to note how much the average price in the category is above the basic model, i.e. how high specific models the Jersey customers buy, which reinforced the dealers’ experience. The small difference between the UK RRP and the second cheapest in Jersey could mean that model was not available here, or the 2009 January UK data differs from the 2008 Jersey data.

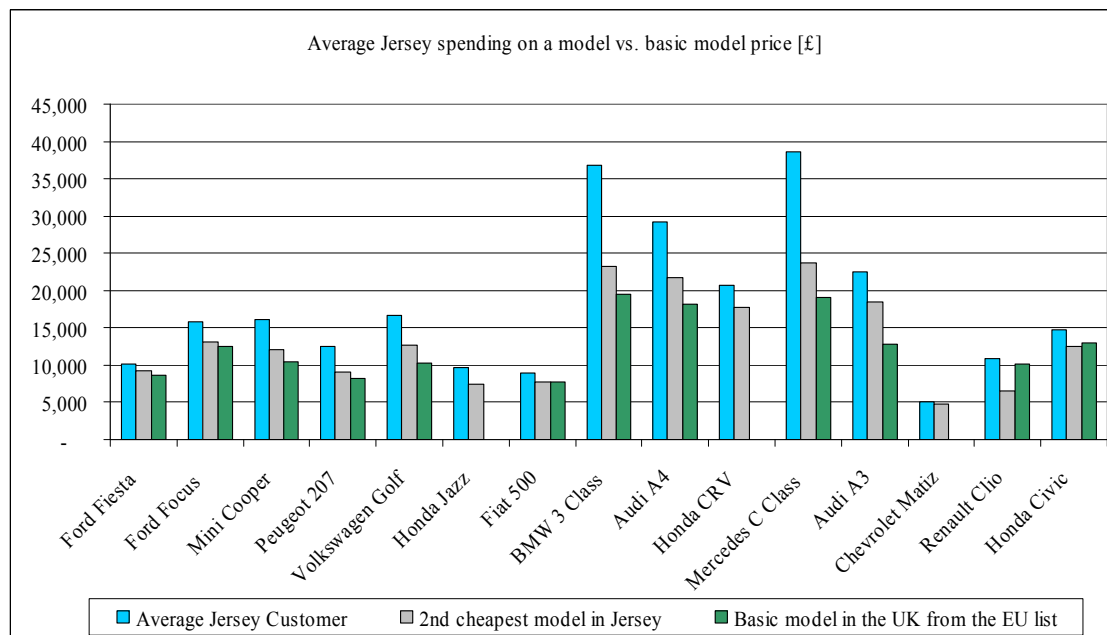


Figure 4.2: Model prices – average Jersey 2008, “basic Jersey”, basic UK from the EU report (where this model was available). (Note: Mercedes C and BMW list contained some very expensive models, driving the average up).

Our conclusion, therefore, is that dealers in Jersey use the UK RRP (ex VAT) as the starting point for pricing. However, the data from Figure 4.2 could indicate, as the dealers suggest, that Jersey consumers, on average, demand more “sophisticated” versions of car models (and hence more expensive) than the national UK-average. It could also indicate that less expensive “basic” versions of car models are sold (and perhaps available) less frequently in Jersey compared to the UK. These two factors can, of course, be related, i.e. greater demand for more expensive “sophisticated” versions of models results in less supply of “basic” versions.

4.2 Sales tax

To the extent the sales tax influences the final on-the-road price we note that the main difference is in the applicable tax rate. In the UK and in the Isle of Man VAT is levied on car sales which is currently 17.5%. In Jersey the on-the-road price does not include the UK VAT, in lieu the GST applies which is currently 3%. This means that the RRP with taxes is considerably higher (with the difference in the rate 14.5%) in the UK and Isle of Man than in Jersey. In Guernsey, of course, there is neither VAT nor GST.

4.3 Charges included in the on-the-road price

As noted above, there are charges included in the on-the-road price which are on top of the RRP. The first item is the physical delivery of the car to the dealer; this is sometimes stated as trade delivery charge. The customer pays a retail delivery charge, which includes this delivery and other items too (some fuel, number plate etc.). The second group of charges are government related items like first registration fee, vehicle excise duty.

The UK suppliers told us that the trade delivery charge is the same to all showrooms in the UK and almost in all cases the same charge applies to the Channel Islands.²³

It is important to note here the stages of delivery stemming from the specific location of the Island.

(1) First, the cars need to be shipped to a port in the UK where Condor Ferries operates (in this case, Portsmouth). For some suppliers (for example, Porsche) “Jersey delivery” actually means delivery to Portsmouth Harbour which is the “drop-off” location.

(2) Then the cars are shipped from the UK to Jersey on a ferry, which is a separate stage in the process as the cargo is consigned to Condor.

(3) Finally, the cars need to be collected from Jersey Harbour and transported to the dealer.

Compared to a dealer within the UK, in stages (2) and (3) extra costs are incurred in the value chain in delivering new cars to Jersey, compared to dealers in most of the UK.

²³ The amount of this charge was not quantified.

In the case of the majority of the suppliers, BMW, Toyota, Nissan, Ford, Mercedes Benz amongst others, the shipping cost is borne by the manufacturer and the same charge is applied to any dealership regardless of whether it is located on the mainland or offshore. However, both Jacksons-Motor Mall and Freelance Motors highlighted that the risks of delivery are vested on themselves once the cars are consigned to Condor Ferries.

Some of the UK manufacturers list the delivery charge in the pricelist which is reproduced below. We also have collected information from some of the dealers regarding the trade delivery charge. An issue we encountered was that in case of the UK the on-the-road price and RRP difference contains some UK specific administrative charges (excise duty) that do not apply to Jersey. We endeavour to separate out these items to facilitate comparison.

The charges related to registering and delivering the new car to the customer in Jersey vs. the UK is summarised in the following table:

Table 4.2: Additional items in the on-the-road price²⁴		
	Jersey examples	UK
Possible items in the retail delivery charge (full price in separate table)		
Number plate	~£20	£ 20-25
Pre delivery inspection (PDI)	~£150	No info
Valet	~£50	No info
Body protection	~£200	No info
New carpet mat	~£50	No info
Fuel	~£50	~£50
Administrative fees		
Vehicle excise duty (12 months)	£0	(£0) £120 - £215 (£405)
First registration fee	£ 22.45	£ 55

We did not have information on the UK costs of all the items, but we would expect them to be similar to Jersey. Furthermore, not all the dealers listed similar items, for example in respect of Chevrolet Matiz (Freelance Motors) there is no separate body protection or valet listed, just delivery, mats, number plates and fuel. Also in the UK vehicle excise duty (road fund fee) depends on the level of CO2 emissions and on the type of fuel used.²⁵ There are numerous bands (detailed A through to M) and the annual duty for conventional fuel varies between £0 and £405. This duty does not apply to Jersey.

²⁴ Not all the dealers listed all these items, then usually a single retail delivery charge is given.

²⁵ Renault price guide: <http://www.renault.co.uk/contact/carbrochure.aspx>

Some manufacturers detailed the OTR and RRP price difference down to individual items, but some just give an OTR and RRP figure. As an example from the Audi website:

“The 'Recommended Retail Price' includes VAT. The 'Recommended On The Road' retail price includes: delivery charge, half tank of fuel and number plates at £580.00 (inc. VAT), first registration fee at £55.00 and Road Fund License. Actual Road Fund License varies depending on model.”

Clearly, the retail delivery charge is the biggest item on top of the RRP. We collected the UK retail delivery charge for the fifteen models using various sources. Where the retail delivery charge was not explicitly stated we estimated it based on the recommended on-the-road price.²⁶

Below we compare the estimated delivery charges net of taxes and government duties for Jersey and the UK. We have no delivery charge UK data for Matiz and Ford, in Jersey it is ~£180 for Ford and £210 for Matiz. Jacksons-Motor Mall apply a standard delivery charge which is £995. However, in the UK these seven models would have different delivery charges applied due to the different suppliers involved.

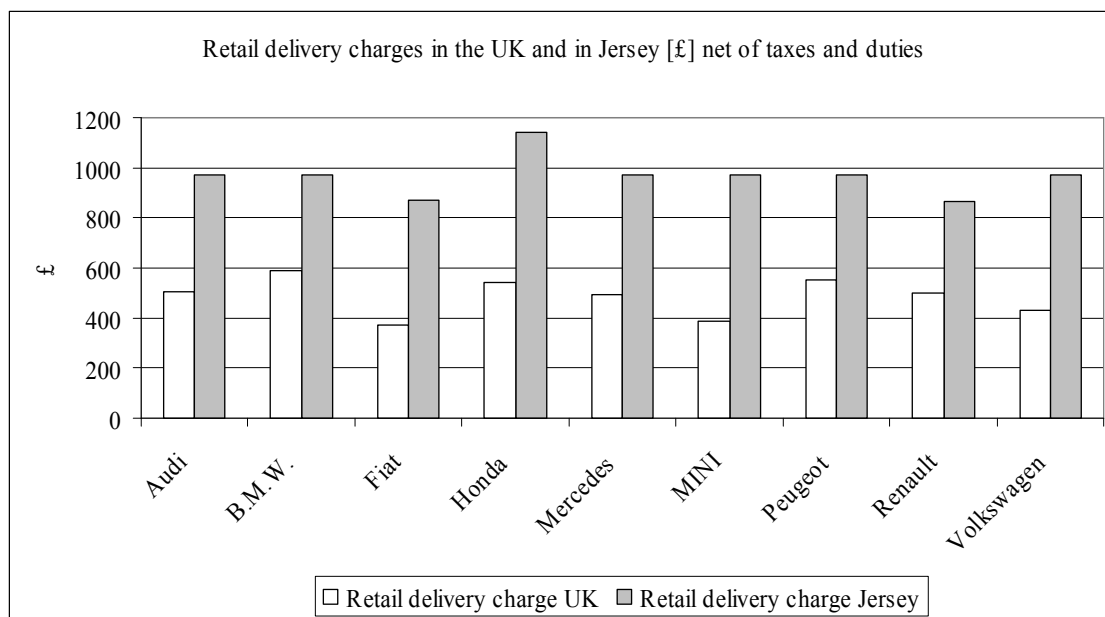


Figure 4.3: Retail delivery charge in the UK and in Jersey for 2009

²⁶ The charge includes the number plate and in most instance some fuel. When not explicitly stated this charge is estimated as follows for the UK: The difference between the on-the-road price and RRP, minus excise duty (~£130) minus the first registration fee (£55). Data source: UK websites. For Jersey we used the dealer figures or estimates.

It could be concluded from the table that delivery charges are higher for all models in Jersey than in the UK. On average this charge is almost double in Jersey.

We note that the difference is in the magnitude of several hundred pounds in most cases, which is a relatively small figure compared to the cost of the car. The largest difference in retail delivery charges occurs in the case of DW Honda, Jacksons-Motor Mall and Polar Auto Italia.

4.4 Manufacturers' recommended on-the-road prices

We expect the manufacturers' recommended on-the-road price in Jersey to be less by about the sales tax difference (17.5%-3%= 14.5% less in Jersey) and the excise duty, which is then offset by the higher delivery retail delivery charge. The magnitude of this difference varies from model to model. Given that the delivery cost in Jersey is a few hundred pounds more this will affect the cheapest models more significantly since in the case of these cars the delivery charge, e.g. ~£900, is a greater proportion of the total cost.

4.5 Discounts

During the interviews conducted it was explained to us the wide variation in discount that could apply for one particular sale and the reasons behind this. We also asked the UK suppliers to provide a short overview of the discount systems.

Generally the sale discount could result from two factors. One is the gross margin between the wholesale and the recommended retail price. In Jersey, based on the information we collected, we estimate that this "gross margin" is, on average, 4.5-7.5%. This corresponds broadly to the average listed in the CC report for the UK, of 5-10%.²⁷

In addition, the dealer can obtain a volume-based bonus from the supplier which could be achieved once a pre-established performance target is met. This bonus is generally expressed as a percentage of the RRP. Examples of this include: 2% off when a target is achieved, then the next additional percentage step becomes effective at the next target level. The performance targets are not linked to the overall sales volume, but rather are

²⁷ CC Report p.32, para. 2.128.

based on individual performance. This bonus scheme is broadly similar to what the CC Report found.²⁸

The volume-based bonus has a cumulative effect in retrospect, that is the dealers' margin will be lifted, which could be spread across the volume affected. The dealers told us the two types of "margin" play equally important roles in the individual discount. For example, when the sales start only the "gross margin" is given, however as the "back-end" bonus is likely to kick in, the overall margin increases for a given car. This implies that there may be an incentive for a dealer to give a discount that exceeds the gross margin as this additional sale could result in a target being met and therefore an additional volume margin over a larger number of cars sold.

Another element which could affect the discount offered is trade-ins. This is simply because an over-allowance could be given on the trade-in model which would correspond to a higher discount at the end when the deal is summed up. The CC Report states the following:

*"Two-thirds or more of private customers trade-in a used car when buying a new one. . . . For such customers the transaction price, that is the actual price paid for the new car, is the list price less any discount and any over-allowance on the trade-in car, that is the extent to which the price for the trade-in is higher than it would be if a new car was not being bought. (In principle, and no doubt sometimes in practice, dealers may give under-allowances on trade-ins, in which case the under-allowance would have to be deducted from any discount in arriving at the transaction price.) However, dealers told us that the combined value of these two factors was about the same as the discount alone would be if there were no trade-in...."*²⁹

Based on our initial calculations, whether discounts are affected by the presence or absence of a trade-in, we decided to use the full data set. We ran a separate analysis to see how the discount level varies with the presence/absence of a trade-in, and found the difference to be minimal. This is similar to the conclusion reached by the CC, as quoted above.

²⁸ Ibid p.188, para. 6.105.

²⁹ Ibid p.41, para. 2.179.

By nature, discounts are “deal-specific” and tend to vary. Individual discounts levels are not publicly available. Based on these limitations, like the CC Report, we rely on average discount figures in this report.

The best available data for discount levels in the UK is still the CC Report. In the following table, we compare average discount levels from the CC Report to average discount levels in Jersey, by model, we calculated based in data collected for 2007:

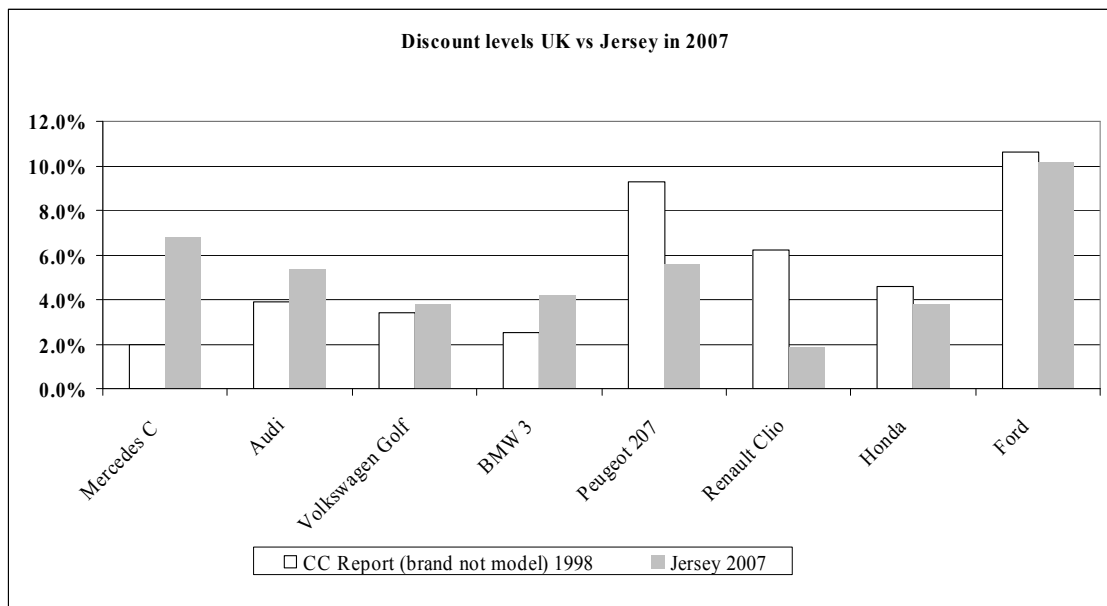


Figure 4.4: Discount levels in the UK (1998) and in Jersey (2007)³⁰

Based on the chart it can be concluded that with the exception of Renault Clio and Peugeot 207, Jersey compared well. The results for 2008 were similar to 2007 and therefore they have not been listed separately.

We are not disclosing the average discount levels for Jersey that we collected for the first half of 2009, because we feel this data is still confidential. However, we have compared this data from the first half of 2009 to publicly reported “target” discount levels for 2009 stated in *Which?* magazine.³¹ Again, the discount levels in Jersey appear broadly similar to the UK for most models.

³⁰ The UK report focused on brands, while our report focused on selected models (average discounts are shown for brands where the model is not named). This could result in some distortion. Source: Figure 4.4 above and Jersey dealers.

³¹ *Which?* Survey Special 2009.

In summary, therefore, while individual discount levels will of course vary, the data we have reviewed indicates that on average, discount levels seen in Jersey appear similar to those in the UK, for most models.

4.6 Car finance and other promotions

In addition to discounts, a dealer may include other “benefits” in a new car sale. These include low cost financing and the inclusion of free or reduced price “extras”. Such benefits may be at the dealer’s discretion, or based on a manufacturer’s offer that is passed-on by the dealer.

Financial benefits

Considering the financial benefits (which is typically low or zero interest finance, free insurance, extended warranty) the following should be noted.

The CC Report provides calculations³² and estimates for the combined effect of discounts and financial benefits. Based on their findings, low cost finance is the most significant part of the financial benefits (as this constitutes 54% of the total expenditures of financial benefits), which is followed by free insurance (21%). As the CC Report states:

“The overall average cost of financial benefits in 1998 was £476 per new car registered by retail customers. However, as consumers only receive these benefits when the campaigns are in operation, the expenditure for each consumer receiving the benefit will be higher than the average figure for the supplier’s retail registrations.”³³

All these figures varied significantly amongst suppliers. The report quotes £1,335 as low cost finance expenditure for each customer for an unnamed supplier. Considering the overall benefits,³⁴ for some suppliers the discount level is 5.1% while the financial benefit is 3.3%, so the combined discount is 8.4% of the list price.

³² CC Report p.220-224, figures/statements are quoted from this section.

³³ Ibid para. 7.96

³⁴ Ibid p.223, Table 7.11 and 7.12.

We note that the current reference interest rate (Bank of England base rate is 0.5% at the time of writing) is very low.³⁵ This means low cost finance would bring considerably less benefit now, than with 4-5% reference rate experienced in the recent past.

To give a rough estimate we provide the following table, where various sales price/interest rates and savings are calculated using annualised payments and the discounted value of the surplus paid during the whole period (real life financial construction may differ, e.g. upfront payment, variable rate).

Table 4.3: Example calculations of various financing³⁶

Sale price / Monthly payment	Interest rate (per annum)			Surplus compared to 0%		
	4%	8%	0%	4%	8%	0%
3 year term						
15,000	£443	£470	£417	£887	£1,703	-
20,000	£590	£627	£556	£1,183	£2,271	-

For example, in the table above we have illustrated that a £20,000 car with a three-year term loan at 4% fixed rate cost £1,183 more to buy than with a 0% finance offer.

Based on responses received from the UK suppliers and local dealerships for the fifteen models, whatever campaigns are available in the UK apply in Jersey, *with the exception of finance related offers (such as zero percent finance)*. This is because the internal finance houses of the manufacturers, with the exception of Renault³⁷ are not registered with the JFSC and thus cannot offer consumer loans in Jersey. Within the UK, the CC found that “The most common types of supplier sponsored promotion used were (in order): low or zero rate interest rates; special model editions; free or reduced rate insurance; and leasing deals.”³⁸ Thus, the most common form of supplier sponsored promotion in the UK, low or zero interest rates, is for the most part, not available in Jersey, due to the fact that supplier finance houses are not registered in this jurisdiction.

Other promotions

When interviewed some local dealerships claim that many consumers see a national UK advertising campaign via the media and expect the local dealership to provide the same

³⁵ Annual average of the official Bank Rate was 7.23% in 1998, and 5.34% in 1999, taken from the Bank of England.

³⁶ JCRA examples using 0 terminal value, fixed interest rate and annuity payments.

³⁷ RCI Financial Services Limited is registered with the Jersey Financial Services Commission as RFS Limited.

³⁸ CC Report p.650.

benefits. Yet, for local dealerships to replicate a national campaign with respect to low-cost financing, they may have to negotiate rates with local finance houses (with the exception of Bagot Road Garage, the local Renault dealership). The local dealerships also miss out on any national marketing media initiatives that support these retail campaigns. However, some manufacturers do provide monies in lieu of the UK finance related campaigns, which the dealerships then use to try and replicate what is on offer in the UK.

For local dealerships operating more than one franchise they will have to manage all the manufacturers' bespoke advertising campaigns. Most manufacturers also "impose a mandatory monthly charge in relation to marketing"³⁹ materials and yet only a limited amount can be used locally as the material is created for the UK market. For all the dealerships, but especially those that operate more than one franchise, this "lost" money is in addition to the fact that proportionally the costs are greater to local dealerships due to the small volumes of cars they sell by comparison to UK dealerships. Local dealerships can also incur additional costs if they choose to create bespoke marketing materials.⁴⁰

At times, some Jersey dealerships do face less than equal terms from the manufacturer in comparison to their UK counterparts. One such area is in respect of the receipt of loyalty bonuses. These are usually made up of a sum plus VAT. As there is no VAT in Jersey, some of the dealerships receive the bonus minus the VAT but some receive the full amount. Local dealerships have perhaps also been further disadvantaged recently in respect of the UK scrappage scheme. This initiative was introduced in May 2009 and is due to run until either February 2010 or when the budget of £300m runs out, whichever is sooner. For any car that is 10 year old or older, £2K is taken off the price of a new car, which is half funded by the government, and half by the participating dealership. This has reportedly encouraged the purchase of new cars and helped bolster the new car market during a time of recession.

To summarise, the main findings with respect to promotions in Jersey compared to the UK are that:

³⁹ Jacksons-Motor Mall Submission, *Appendix 1: New passenger cars supplied*, Section c.

⁴⁰ Ibid

- The most common form of supplier sponsored promotion – low or zero interest rates – is, for the most part, not available in Jersey, due to the supplier finance houses not being registered with the Jersey Financial Services Commission. However, some manufacturers do provide monies in lieu of this, to assist the dealerships to offer this to the local consumer.
- Jersey dealerships often incur additional costs/losses in order to offer these campaigns to local consumers and do not benefit from national marketing campaigns that support the finance retail campaigns.
- There are additional loyalty and benefit schemes that benefit UK dealers that largely appear to not apply in Jersey.
- Local consumers are generally offered the same non-finance related offers as UK consumers.

V. PROFITABILITY OF THE MOTOR TRADE IN JERSEY

In this section we look at the overall profitability of the motor trade industry in Jersey. In the previous chapter our concern was mainly the price of new cars, now we turn to the dealers as a whole by considering other areas like service and used car sales. During the interviews nearly all the dealers told us that the business would not be viable as a stand alone new car showroom; they expressed the need for the used car sales and the annexed service units. By looking at the overall profitability we will endeavour to capture the effects of these latter departments to some extent.

When we compare the overall profitability it should be noted that dealer profiles differ to a large degree. Some of them also operate a petrol station, while Ford's specialty is car hire and fleet sales, in addition to nearly new cars. Polar Auto Italia does not provide an after care service and all warranty work is carried out by Bel Royal Motors. Jacksons-Motor Mall is particularly important as it has numerous franchises and delivers the majority of the car trade. This is the only business operating under two separate dealerships. Freelance Motors and Jacksons-Motor Mall have two sites each in Jersey and they are present in Guernsey too. All in all, this would indicate that a direct comparison is not straightforward and possible in all cases.

For Jersey, we gained information on profitability directly from dealers, through their financial statements for 2007, 2008 and the first half of 2009. This specific information is confidential. For dealer profitability in the UK, we relied on the CC Report.

The CC's relevant findings, also based on a questionnaire, can be summarised in the following way:⁴¹

- The average net operating margin of those responding was 1.8 per cent in 1998, having ranged between 1.3 and 1.8 per cent in the preceding four years.
- In 1998, the gross margin for the businesses was 10.3 per cent and for new cars was 4.6 per cent.
- In 1998, the departmental profit margin for the whole business was 5.3 per cent and for new cars this was 3.9 per cent.

5.1 Factors specific to Jersey

The dealers told us that by absolute size they are very small compared to a UK retailer. We were also told that operating costs are higher in Jersey both in terms of labour and property prices (to lease and buy). These factors must be considered before making any comparison or conclusions. Factors cited by dealers in Jersey include the following:

- Property prices for dealerships tended to be much higher in Jersey compared to many locations in the UK.
- Wage rates in Jersey tended to be significantly higher than comparable rates in the UK.
- The buying frequency is smaller in Jersey due to lower mileage – this means, on average, less new cars are sold.
- Higher costs of training staff because courses are only available in the UK or elsewhere and the associated travel and accommodation costs have to be met.
- Difficulties in sourcing skilled labour due to Jersey market characteristics.
- Extra trade transfer costs when cars have to be swapped with other dealers.

⁴¹ CC Report p. 28, para. 2.106-2.107; p. 131, Table 4.12 and 4.13.

- As discussed previously, additional costs to create local bespoke advertising to support promotions, as UK offers may not apply automatically in Jersey.
- Dealership size impacting bulk purchases to achieve maximum discounts.
- Some costs could be disproportionately higher due to the large number of different franchises owned and associated manufacture requirements, like advertising, communications, staff training, IT and telecommunications.
- All dealers noted the increased cost of delivery, as in the UK, cars are delivered to the “doorstep” while in Jersey this is only to the harbour.⁴²
- There could be additional disadvantages stemming from the island location like the need to stock more spare parts and higher parts obsolescence.

Considering all these factors together, we would expect operating costs to be considerably higher than in the UK, both relative to sales and on absolute terms as well.

5.2 Profitability of the Jersey dealers compared to UK averages

In the table below, we provide an overall comparison of average dealer profitability between the UK (based on the CC report) and Jersey (based on our analysis):

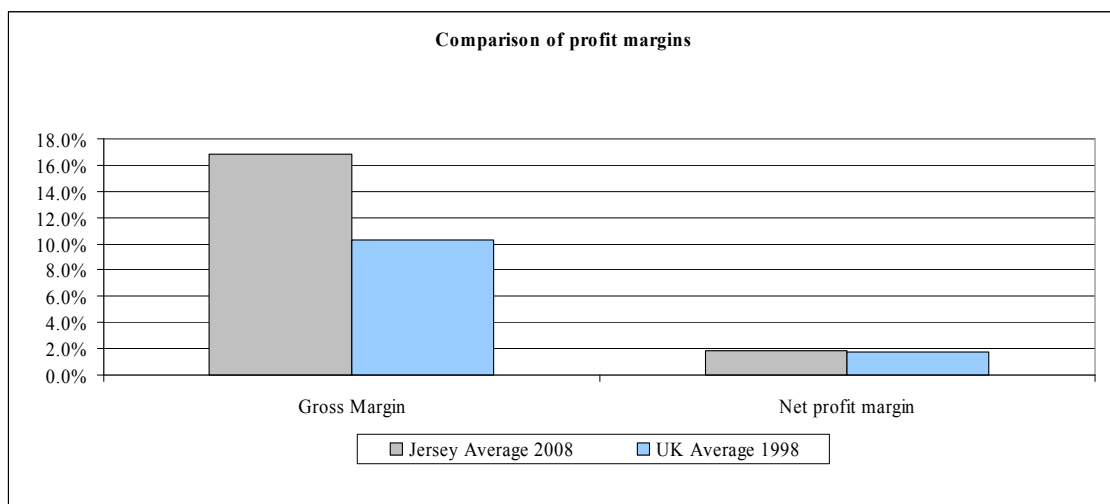


Figure 5.1: Jersey (2008) and UK (1998) profit margins.
Source: Jersey dealers, CC Report.

⁴² This could also result in a higher retail delivery charge, as noted in section 4.3.

This table indicates that while a dealer's gross margin may be considerably higher in Jersey than in the UK, the dealer's net margin appears similar for both jurisdictions. This supports the observations we received from the Jersey dealers about the relatively higher costs of doing business in Jersey compared to the UK.

We also compared the profitability of an average dealer's service business. This is relevant to both the report's terms of reference, and to a perceived perception that service is the most profitable activity. Again, our findings on average dealer profitability are very similar to the 1998 UK situation.

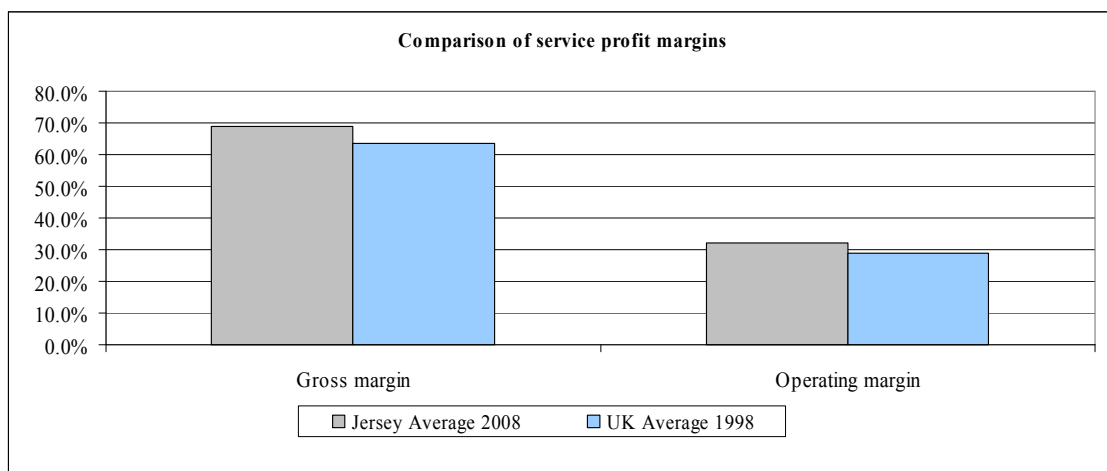


Figure 5.2: Profit margin of the service unit in Jersey (2008) and in the UK (1998).
Source: Jersey dealers, CC Report.

Finally, we examined the income/profitability mix for an average dealership in Jersey compared to an average dealership in the UK, again based on our own analysis for Jersey and the CC Report's findings for the UK. The results of this analysis are provided in the following charts.

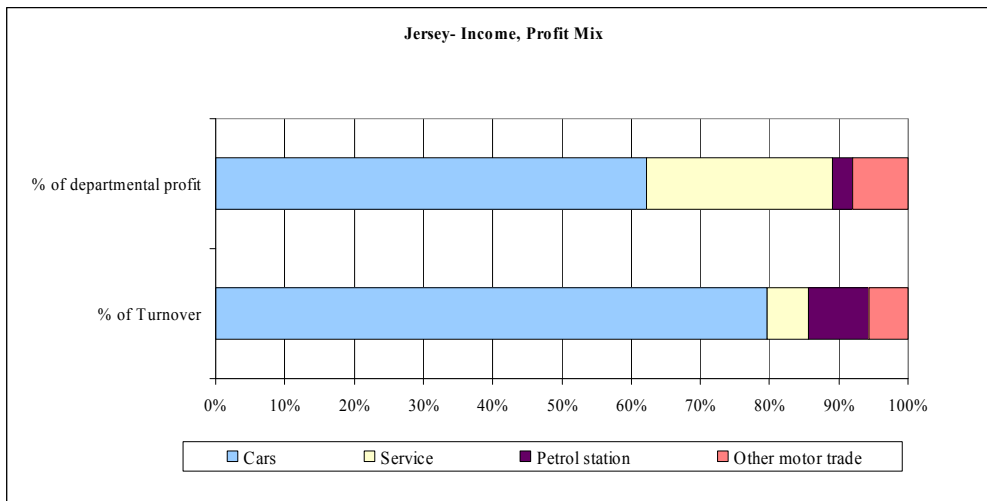


Figure 5.3: Jersey Income / profit mix. Source: Jersey dealers.

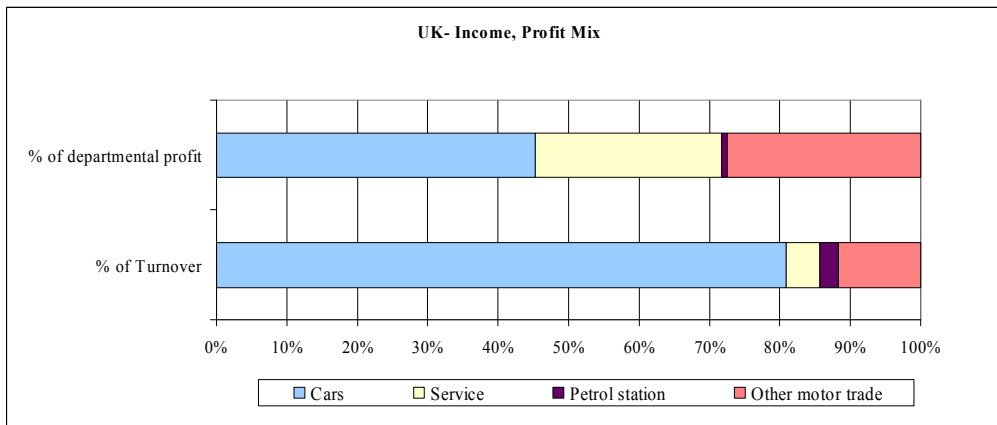


Figure 5.4: UK 2008 Turnover – profit mix. Source: CC Report Table 4.11.

As shown in these two charts, both in Jersey and in the UK, car sales bring in about 80% of the revenue. However in the UK, service and other motor trade (including spare parts and the body shop) are responsible for the larger part of the profit despite an income contribution of less than 20%. In Jersey, car sales appear relatively more profitable.

5.3 Conclusions on profitability

In this chapter we have found that the gross margin on new cars was higher in Jersey than for the last known UK figure, but in the end the net profit margin was similar. Lower volumes in Jersey coupled with higher costs require higher gross margins, which is

consistent with the findings. A UK dealer could trade profitably with lower gross margins as its fixed costs could be covered from the volume of sales.

We were told that although the RRP includes a sales margin there are additional bonuses available for the dealers that will be included in the gross margin – resulting in a lower wholesale price. The Jersey dealers told us that some of the high volume deals are not available to them. This would imply lower margins in Jersey, not higher. We also note that the RRP is the same here as in the UK. How can this contradiction be explained? We think the reason could be that the RRP as the reference is the high point in pricing, and in the UK the deal prices could be lower in some instances, while in Jersey the RRP might act as a fixed reference, (which of course will be reflected in individual discount levels). Alternatively, the gross margin might include other items which are more profitable in Jersey.

We note again that while preparing the aggregate figures for this chapter we relied on the most common accounting ratios for individual dealers, which is not the complete picture. A detailed overview of the dealers would include, amongst other things, comparing factors such as lease and wage rates and not just performance indicators and profitability in the long term.

Finally, an observation about dealer profitability and competition. The data cited above indicates that in Jersey, dealerships are not earning excessive profits, and net profit levels are comparable to levels for UK dealerships. The data also indicates that this is based largely on higher costs of operation in Jersey. However, low dealer profitability in Jersey *does not* necessarily mean that the market for new cars in Jersey is functioning fully in the interests of consumers, or that it would not benefit from increased competition for the sale of new cars. Specifically, increased competition for new car sales in Jersey could result in pressure for dealers to lower their cost base – pressure which may not exist to the same extent in the absence of greater competition. Stated simply, increased competition in Jersey could drive the dealers on the Island to increase their respective efficiency. This, in turn, could result in dealers needing less gross margin to support the same net margin.

VI. THE FINANCING OF NEW CARS IN JERSEY

Our terms of reference required the JCRA to: “Ensure all finance deals, including lease/hire offered to consumers are transparent and would satisfy and be comparable with conditions laid down by the Consumer Credit Act of the United Kingdom.”

During our investigation we were given four examples of credit agreements provided by finance houses in respect of new car purchases in Jersey. Those finance arrangements, which we have carefully considered, were provided by:

- RCI Financial Services Limited (“RCI”)
- Lombard Finance (CI) Limited (“Lombard”)
- Close Finance (CI) Limited (“Close”)
- Black Horse Offshore Limited (“Black Horse”)

RCI is a UK registered finance house based in Watford and regulated by the UK’s Financial Services Authority. The other three are Jersey based organisations.

The RCI agreement is expressly stated to be covered by the Consumer Credit Act 1974 (it is also governed generally by English law and subject to the jurisdiction of the English Courts). It is therefore interesting to compare its terms with those of the other three finance providers.

Transparency

We consider the four agreements we have seen to be fully transparent in the sense that they contain, in relatively “plain English”, all the relevant information which a customer needs to know. In terms of financial information (and provided, of course that the relevant boxes on the form have been filled in), that includes details of:

- the total cash price of the goods;
- the amounts of any deposit and GST;
- the balance payable (the amount to be financed);
- the rate of interest and the period of repayment;
- details of any document or administration fees;

- the amount of the monthly repayments (where the interest rate is fixed).

In addition, the terms and conditions of the agreements which we have seen set out clearly the buyer's obligations. In addition to the obvious obligation to pay the amounts due when they fall due, these include matters such as maintaining the vehicle in good order, repair and working condition and to notify the Seller of any damage to the goods.

The consequences of failure to keep up the repayments are also explained as well as the effect of the purchaser making an early repayment of the full amount of the loan.

Compatibility with the UK's Consumer Credit Act 1974

The UK's Consumer Credit Act 1974 and regulations made under it essentially require various consumer credit agreements to be documented in a particular way and to contain certain specified information. This includes: the nature of the agreement, the parties to the agreement, key financial information (the amount of the credit, the duration of the agreement, the Annual Percentage Rate, the total amount payable and the amounts and timing of the repayments, default or other charges etc). In addition, provisions exist under which a lender must give a rebate on early repayment which is at least as favourable to the borrower as that calculated in accordance with the formula set out in the relevant regulations. (Whether or not that is the case will depend upon the particular facts in any given situation. For example, Clause 24 of the Close agreement states that in the case of early repayment of the loan, the lender may charge up to six months forward interest charges. It will be a question of fact whether that amount, whatever it turns out to be, satisfies the formula in the regulations).

As indicated above, we are satisfied that the agreements which we have seen substantially conform to the requirements of the UK legislation, were that legislation to apply to the Jersey agreements.

VII. CAR MAINTENANCE, REPAIR AND WARRANTY IN JERSEY

7.1 General description of the car service market

The dealerships provide maintenance in support of their new and used car sales operations, and in addition offer routine service and repair facilities for any make of car, irrespective of where it was purchased. Locally, no one apart from the dealers are registered with the car manufacturers as an approved service and repair centre which means that any car warranty work, as opposed to parts warranty work, can only be undertaken by the dealership on behalf of the manufacturer.

The CC Report observed:

“the arguments which suppliers advanced in favour of dealers being required to meet specified standards in relation to facilities, equipment and training appear to us much more cogent in relation to servicing and repair than sales. The availability of a high standard of service is important for consumer satisfaction. Suppliers have a legitimate concern for the effect which the quality of servicing and repair services has both on the safety of their cars and on their brand images. Moreover, there are significant items of work-warranty and product recall work, and free services where offered-which are paid for by the suppliers themselves.”⁴³

Although, an independent repairer can service or repair any make of car as long as they have the necessary expertise and the correct tools and equipment, it is worth bearing in mind that not every independent repairer will use franchised spare parts (often known as genuine spare parts) or brand specific specialist equipment, which are just a few of the standards the dealerships must meet as a manufacturer approved service/repair centre.

The independent repairer who was interviewed stated that a significant financial commitment is required to meet the manufacturer’s standards, for example, brand specific diagnostic equipment can cost in the region of £3K-£10K. In addition, dealer agreements typically impose many additional restrictions and obligations which cost money. For example, it can be necessary to have customer parking, a seated waiting area,

⁴³ CC Report p. 87, para. 2.425.

and specific flooring and signage, in addition to having the necessary infrastructure, i.e. computer systems that allow the repairers to report faults to the manufacturer. We were told that the independence of a repairer would be negated if they became manufacturer approved repairers and the independent repairer interviewed felt that there was no real advantage to this, as it is possible to buy information from most manufacturers in respect of technical, repair and maintenance matters as and when it is required.

The majority of independent repairers did not consider any other independent garage as a close competitor because they believed that they had established a loyal customer base and gained new customers by word of mouth. Other respondents considered the dealerships as their only competition. One respondent felt that the dealerships were only competitors during the warranty period, as independent repairers generally have lower labour prices than the dealerships.

7.2 Cost of servicing the car

All the dealerships advised that to support their new car sales operation and to ensure consumer protection, they source franchised spare parts directly from the UK supplier who recommends the retail price; the dealership then removes the VAT and adds GST. Most dealerships stated that no cost is charged to them for transportation and so no carriage is added to the retail price. The dealerships also purchase franchised spare parts to sell to other traders, including independent repairers, and the majority offer a discount to fellow traders.

Most dealerships stated that they sourced their non-franchised spare parts locally, but some dealers informed us that they source them from the UK if they are able to negotiate better buying terms. Based on the responses that the JCRA received from independent repairers, it was found that most source spare parts from a combination of the local and UK dealerships and other local traders, although some source all their spare parts from the UK. Those businesses sourcing spare parts from the UK stated that they often received better terms from the UK suppliers, even allowing for the cost of carriage.

Within the UK, in September 2009, the insurer Warranty Direct found that from a survey of 5,000 premises the overall UK average dealership charged £90 an hour and

independent repairers charged £56.⁴⁴ There is a corresponding interactive site (<http://www.labourrates.co.uk>) where one can check rates from region to region. This site gives the following labour rates for the stated locations in Southern England:

Table 7.1: Repair labour rates in Southern England⁴⁵	
Non franchised – UK	
Greater London	£ 62
Dorset	£ 64
Hampshire	£ 55
Cornwall	£ 48
Devon	£ 45
Franchised Dealer – UK	
Average rate	
Greater London	£ 118
Dorset	£ 97
Hampshire	£ 91
Cornwall	£ 78
Devon	£ 95

The following two tables show the labour rates of Jersey dealerships and independent repairers collected during our survey. In the interests of confidentiality, individual garage and dealer names have been redacted.

Table 7.2: Repair labour rates in Jersey including GST	
Non franchised repairer - Jersey	Standard Hourly Labour Rate
Garage 1	£64.50
Garage 2	Mechanical work £45.00 Bodywork £41.50
Garage 3	£70
Garage 4	£55.00
Garage 5	£45.00
Garage 6	£43.00
Garage 7	£60.00
Garage 8	Accident Repair - £40.00
Garage 9	£46.00
Garage 10	£45.00
Garage 11	£59.00
Average independent - Jersey	£ 52

⁴⁴ URL:<http://news.bbc.co.uk/1/hi/business/8267562.stm>

⁴⁵ Source:<http://www.labourrates.co.uk>. The site did not specify whether the rates given were net or gross. We have assumed that the rates included VAT.

Table 7.3: Repair labour rates in Jersey including GST	
Franchise Dealers - Jersey	Standard Hourly Labour Rate
Dealer 1	£65.00
Dealer 2	£74.50
Dealer 3	£69.95
Dealer 4	£65.00
Dealer 5	£ 83 - £ 99
Dealer 6	£99.00-£159.00 Car 3+ years £75.00-£112.00
Dealer 7	£99.00 Car 3+ years £86.00
Dealer 8	£69.00
Dealer 9	No after care service
Average franchise - Jersey	~£ 80

Bearing in mind the limitation when comparing averages, we note that the Jersey rates compare favourably to the UK figures, for both the franchised and independent garages.

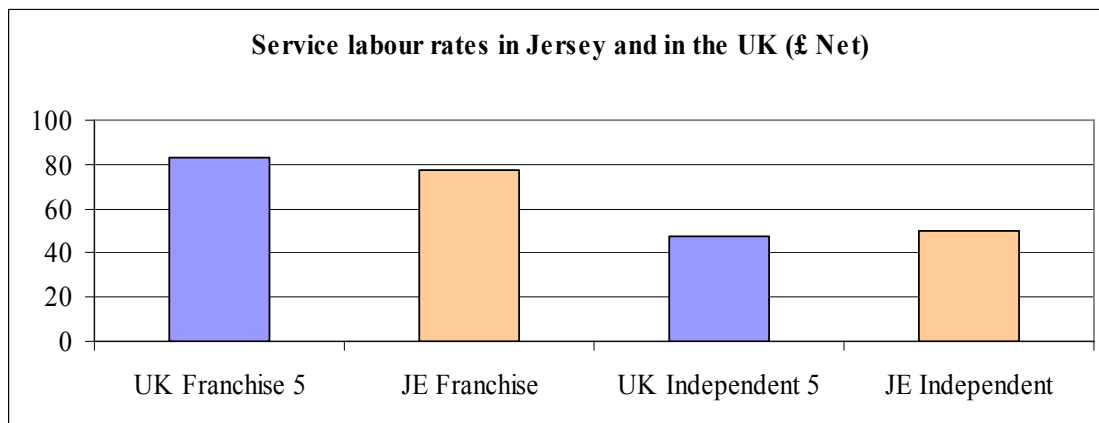


Figure 7.1: Comparison of average service labour rates in the UK vs. Jersey. (Source: as above, average calculated from the tables, 17.5% VAT, 3% GST taken off prices).

Warranty issues

All the UK suppliers and local dealerships confirmed that cars purchased in the UK are covered by either a 2 or 3 year warranty depending on the brand, although this is 5 years in respect of all Daihatsu vehicles and the Subaru Justy and 7 years in respect of certain Kia models. This standard warranty applies to all cars sold by dealers in Jersey, Guernsey and the Isle of Man. Some brands' warranties cover parts and labour and are worldwide.

In other instances, there is also roadside recovery and home recovery to a franchised dealer Europe-wide in the first 12 months, or UK recovery for the first 12 months to the nearest franchised dealer. Repairs carried out under the terms of these warranties must be carried out by an authorised manufacturer appointed repairer.

There were some different responses from the dealerships in respect of whether warranty work would be undertaken on own brand cars purchased outside of Jersey. Jacksons-Motor Mall stated that UK warranties are honoured, but other European warranties have slightly different conditions attached and therefore they look at these cases on an individual basis. DW Honda, Ford, Bagot Road Garage and Freelance Motors stated that if the vehicle is purchased by a customer from another jurisdiction they honour the warranty, subject to the purchaser having the correct paperwork and the car being covered by warranty. The latter added that recovery is a problem if the car was originally purchased outside the UK, but that they try to look at each case on an individual basis. Bel Royal Motors added that as a manufacturer appointed repairer they are obliged to carry out warranty work on any car qualifying under the international terms, irrespective of where the car was purchased.

Our conclusions, therefore, based on the data and information collected, are the following:

- The service and repair of vehicles in Jersey does not appear significantly different from that in the UK.
- The hourly rates for service in Jersey compare to hourly rates in Southern England, for both franchised dealers and independent garages.
- Neither the levels of hourly repair rates, nor the disparity between various franchises and independent garages, indicate a reasonable cause to suspect an infringement of the Competition Law.
- Finally, warranty service in Jersey does not appear significantly different than in the UK, at least for cars purchased in Jersey or in the UK.

VIII. CONCLUSION

Our summary and recommendations are given in the initial section of this report, and therefore will not be repeated here. As detailed in this report, our overall analysis concludes that the market for new car sales in Jersey, and that for car repair and warranty service, is working reasonably well. Hence the JCRA currently has no reasonable cause to suspect an infringement of Jersey's Competition Law in this sector - although the JCRA will of course continue to monitor the market carefully for anti-competitive behaviour.

Appendix A – Jersey Dealers Questionnaire

1. Regarding your company

- a. Please provide a short description of your company. Include in this description:
 - i. the name of the person/organisation who ultimately controls your company.
 - ii. all products and services provided by your company (such as for example selling of new cars, selling of second hand cars, car repair and maintenance, fuel forecourt, issuing of car insurance and issuing of car financing).
 - iii. whether there are any related companies (meaning a company that controls your company, a company controlled by your company or a company controlled by the same shareholder(s) as your company) that provide services relating to the motor trade.
 - iv. if there any jurisdictions other than Jersey where your company or a related company supply similar services.
- b. For 2007 and 2008 please provide copies of your complete annual reports and management accounts. For the first half of 2009 please provide the half year report and management accounts. Additionally, please complete the relevant part of the table in Appendix 3.

2. New passenger cars supplied

- a. What brands of new⁴⁶ passenger cars do you supply?
- b. Please provide a copy of your current supply contract(s) only if you have a contract with the manufacturers of the models listed in Appendix 2: Models sheet.
- c. Please describe to us what you consider to be the main difference between operating in Jersey versus the UK in terms of operating costs.
- d. Please describe to us what you consider to be the main difference between operating in Jersey versus the UK in terms of the purchase price of new cars from your supplier and how your purchase volume affects additional discounts and target bonuses.
- e. Please briefly describe the process involved in transporting new cars to Jersey and registering them locally, including at what stage your business takes ownership of the vehicles; and an overview of your costs regarding the importation and registration of vehicles. Please highlight where the process or costs would be different from that of a UK based dealer.

⁴⁶ For the purpose of this document new car means: previously not registered or first registered to your business i.e. “nearly-new” car, sold to individuals, excluding fleet sales.

- f. Please describe the obligations related to stocking new cars for demonstration, own stock or other purposes. Please explain any cost differences between vehicles that are ordered for own stock / demonstration and vehicles that are ordered only after an agreement for sale with the customer.
- g. Please fill in Appendix 2 with the data on new car sales according to the instructions.

3. Pricing for new passenger cars

- a. How do you set your prices for new cars? Please inform us of your net 'list' prices. Please provide a copy of your current complete Jersey price list (October 2009). Is there any addition to the list price (i.e. registration or delivery fee etc...)? If yes, please also provide this information..
- b. Please provide a copy of the current UK price list for the same period if it is available to you.
- c. Please list the campaigns / special deals / special financing conditions you offered in 2008-first half of 2009 (January- July). Provide a comprehensive list of campaigns and extras, if applicable, such as insurance offers, extended warranty, "free" extras etc...)

4. Competition for new passenger cars

- a. Which other garages in Jersey do you consider to be your closest competitors for the sale of new cars? Why do you consider them as your closest competitors?
- b. Do you monitor your competitors' pricing? If so, how?
- c. Do you consider there to be off-Island sources of competition for the sale of new passenger cars? If applicable, please explain and provide examples.
- d. Please provide details of your experience in relation to how used cars available for sale from your own garage are competing with your new car sales.

5. Financing

- a. What type of finance / lease options do you offer? Who is your financial partner, if any? Please confirm whether in-house financing by the manufacturer can be offered by your company in Jersey?
- b. Please provide a copy of the current contract(s) that exists between the business and the financial institution(s) involved in respect of new car finance agreements. Please highlight the sales commission received.
- c. Provide a sample of the final customers' contract for third party or own financing offers too.

- d. In your view do you think these finance deals would comply with the UK's Consumer Credit Act?

6. Warranties

- a. Please provide information about the duration and geographical coverage of the warranty provided for new passenger cars that you sell and whether they are in any way different from the warranty offered for an identical passenger car sold in the UK.
- b. Do you provide warranty service for cars purchased in other jurisdictions? Please explain any terms and conditions thereof.

7. Maintenance and repairs

- a. Please provide the price list for repair and maintenance services that you provide (hourly rates / type of servicing offered, and/or menu prices).
- b. Please explain how you set prices for spare parts and to what extent this is based on the recommended price in the UK for these spare parts.
- c. Where do you source the spare parts for the brands for which you are the main distributor in Jersey? Please provide contact details.
- d. Where do you source the spare parts for brands of passenger cars for which you are not the main distributor in Jersey? Please provide contact details.
- e. Do you supply spare parts to other independent garages? If so, in 2008 what percentage of the spare parts that you purchased was for own use / reselling purposes?
- f. Please explain your pricing concept of spare parts for reselling purposes.
- g. Please list the garages that, as far as you are aware, are generally used for repairs in Jersey or abroad for the same new car brands that you supply.
- h. What constraints do other repairers either in Jersey or abroad have on your own workshop's pricing? Please provide examples.

8. Additional items

- a. Please feel free to submit any additional information that you think is relevant to the JCRA in producing this report on the new car market in Jersey.

Thank you again for your time in completing this questionnaire.

Appendix B – UK Suppliers Questionnaire

1. Please provide a copy of your most recent recommended retail prices (RRPs) applicable for the United Kingdom (net of taxes and delivery charges). With respect to your recommended retail prices, please also answer the following question:
 - Do the RRPs applicable to the UK also apply to dealers located in Jersey, Guernsey and the Isle of Man? If not, please describe any differences, and provide a list of the RRPs applicable in Jersey, Guernsey and the Isle of Man.
2. Are the delivery and other charges the same for dealers located in Jersey, Guernsey and the Isle of Man compared to dealers located in the UK? Please explain the basis for any differences.
3. Please provide information about the duration and geographical coverage of the warranty that is provided with all the new passenger cars that you supply. Do warranties for new cars purchased in the UK extend to Jersey, Guernsey and the Isle of Man?
4. Please describe any differences in in-house finance offers available from dealers located in Jersey, Guernsey and the Isle of Man compared to dealers located in the UK.
5. Please provide a brief overview of the bonus scheme and other incentive schemes that you offer to your dealers located in the UK, Jersey, Guernsey and the Isle of Man. With respect to any bonus or incentive schemes, please include the following in your description:
 - Are the same bonus and incentive schemes applicable to dealers in the UK also applicable to dealers located in Jersey, Guernsey or the Isle of Man?
 - Are the bonus and incentive schemes based on the dealer reaching sales volume targets? If so please describe.
 - Have any dealers in Jersey, Guernsey and the Isle of Man qualified for any of your bonus and incentive schemes in the past 3 years?
6. In your view, what are the challenges faced by a dealer located in Jersey, Guernsey and the Isle of Man compared to a dealer located in the UK, if any?
7. Please provide any other remarks or observations you think are relevant to our understanding of any differences that may exist in the motor vehicle trade in Jersey compared to the UK.

Thank you again for your time and co-operation.

Appendix C – Jersey Garages Questionnaire

1. Please provide the following information about your business:

Company name:

Name of the director(s):

Name of the owner(s):

Number of total staff employed

- 2. Please attach a copy of your standard price list or hourly rates for servicing and repairing passenger cars.
- 3. Are you registered with any of the car manufacturers as an approved service and repair centre? If so, for which manufacturers are you approved?
- 4. Do you carry out warranty related repairs? If yes, for which makes?
- 5. Who are your main spare parts suppliers for each major make of vehicles you service.
- 6. Do you have any difficulty in obtaining spare parts, or obtaining spare parts on worse terms than the official distributors/repairers in Jersey?
- 7. Who do you see as your closest competitor for the repair and maintenance of passenger cars?

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Appendix D – Public Consultation Questionnaire



Jersey Competition Regulatory Authority

Consultation and Public Questionnaire

concerning

the Motor Vehicle Trade in Jersey

16 October 2009

I. Introduction

On 1 September 2009, the Jersey Competition Regulatory Authority (“JCRA”) received a request from the Minister for Economic Development (the “Minister”) to examine the motor trade industry in Jersey and, specifically, the sale of new vehicles. The aims of this study are to:

- undertake a review of the level of pricing, costs and profit of motor vehicle sales to residential customers within Jersey, concerning new and imported pre-registered car sales by commercial companies; and
- produce a report detailing the state of the motor vehicle sector and the level of competition and profit and loss, making any such recommendations for change or improvement that might be considered.

Pursuant to these aims, the JCRA is intending to produce its report to the Minister in early 2010.

II. Purpose of this Consultation

Part of the JCRA’s terms of reference for this study is to make meaningful comparisons with the market for new vehicles sales in other parts of the British Isles. The purpose of this Consultation is to hear from consumers about their experiences of purchasing new vehicles in Jersey and also importing new cars into Jersey. Finally, we want to hear about consumers’ experiences of vehicle maintenance services. **The Consultation will be the primary way consumers can help inform the JCRA’s advice to the Minister on the sale of new vehicles in Jersey.**

III. Procedure & Confidentiality

The JCRA is collecting this information from consumers through the attached questionnaire. Responses to this questionnaire must be received by the JCRA by **Friday 18 December 2009**. Responses can be emailed to our secure server at carstudy@jcra.je or faxed to us at +44 (0) 1534 514995. Alternatively, responses may be sent to the JCRA or dropped into our office mailbox at the JCRA, 2nd Floor, Salisbury House, 1-9 Union Street, St Helier, JE2 3RF, Jersey. Please address responses to Kerstee Norris, Case Officer.

All responses to the questionnaire that we receive are confidential and their disclosure is protected by law. We will use the information contained in the responses solely for the purposes of this study. It would be helpful if you could provide your contact details should we have further questions concerning your response or need more information. However, responses to the questionnaire may also be submitted anonymously.

JCRA QUESTIONNAIRE

- 1) **Please provide details of the new⁴⁷ cars that you have purchased since 1 January 2006.**

Date (month/year)	Make and model of the car	Original asking price [£]	Price paid [£]	Value of part exchange, if relevant[£]	Dealer's name and location
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- 2) **In respect of the last new car you bought in Jersey, why did you pick that specific model and that specific make?** (Choose only one option)

- I was interested in this particular model.
- I was mainly interested in this make, and this was the model that I could afford.
- I was mainly interested in another make/model, but there was a special deal on the one I chose.
- I was looking for the best deal within my budget, the make and/or model was not important.
- Other reason. (Please explain)

- 3) **In respect of the last new car you bought in Jersey, answer question 3 only if you considered buying other makes/models first.**

What other makes and/or models did you consider? (Please list below)

What factors made these other model and/or makes appealing? (Please explain below)

What was the price range that you considered when looking for a car?

⁴⁷ For the purposes of this document 'new car' means: either you are the first registered owner or the dealer purchased the car "pre-registered".

4) **Did you consider buying a used car in Jersey instead of buying a new one?**

YES NO

If YES, what made you decide to purchase a new car? (Please explain below)

5) **Did you consider buying your new car from anywhere else?** (Please tick)

I considered other Jersey garages/ dealers. (Please list the names below)

I did consider importing a car from the UK or abroad, but chose not to do so for the following reasons. (Please explain below)

Other. (Please explain below)

6) **If you have imported a new car to Jersey since 1 January 2006 what was the reason for deciding to import a car instead of buying it locally?** (Please tick)

Better price. How much do you think you saved. £

Greater choice and/or availability of models and/or makes.

Other reasons. (Please explain below)

7) **If you imported your car, did you import it from the UK or another country?**

UK

Another country other than the UK

8) **If you imported a car to Jersey please provide a brief description of the difficulties that you experienced, if any.**

9) If the price of the last new car that you purchased in Jersey had been 10% higher, what would you have done at the time of purchase? (Please tick one box)

- I would still have bought the car from the same dealer.
- I would have bought the same model but from another country.
- I would have bought the same model but with fewer or cheaper options (eg a cheaper cd player).
- I would have bought another model from the same make.
- I would have bought a different make of car.
- I would have bought a used car instead.
- I would not have bought a new car at that moment in time.
- Other. (Please detail)

10) Where do you have your car serviced?

- The terms of the warranty require that I use the franchise garage.
- Only at the local franchise garage.
- Only at independent garages.
- Both at the local franchise garage and independent garages.
- Other. (Please detail below)

11) In terms of car service and maintenance, in your view, what is the biggest difference between the independent and the franchise garages? (Please detail below)

12) Have you ever been refused warranty service by the franchise dealer in Jersey? If so, please detail.

- 13) **Please share any other information or experiences with the JCRA that you have had in respect of the purchase of new cars that would be relevant, and was not addressed above.**

- 14) **Please provide your contact details.** (Optional)

Name:

Contact Details:

CONFIDENTIALITY & THE NEED TO RESPOND TRUTHFULLY

Any information provided in response to this questionnaire is confidential and its disclosure is protected by law. The JCRA will only use the information provided in response to this questionnaire for the purpose of completing its examination of new car sales in Jersey.

Finally, please note that it is an offence to knowingly or recklessly provide materially false or misleading information to the JCRA in response to this questionnaire.