CMA Markets Strategic Review Consultation Response from Volkswagen Group

The Supply of New Cars Order 2000 (**SNCO**) was made under the monopoly provisions of the Fair Trade Act 1973 and in our view is outdated and should be removed. The SNCO was introduced 26 years ago following the Competition Commission's investigation into new car sales, which found that UK consumers were paying materially higher prices than those in comparable European markets. Although the Order sought to tackle these issues (such as by prohibiting certain forms of price discrimination and restricting pre--registration practices) the competitive landscape has changed significantly since its introduction.

The SNCO was established before the widespread emergence of digital sales channels, online platforms and innovative business models, all of which have greatly increased transparency, expanded consumer choice and increased the number of players in the market, making the automotive industry even more competitive than when the SNCO was introduced. The CMA itself has recognised that the age and ongoing relevance of remedies, including whether they predate developments such as the widespread use of the internet, should be considered when assessing whether they remain appropriate. Moreover, subsequent regulatory reforms, including general Competition Law, the Vertical Block Exemption Order 2022 and the Motor Vehicle Block Exemption Order 2023 (**MVBEO**), have been introduced more recently than the SNCO and are aimed at addressing current potential competition law issues which may arise in motor vehicle markets and provide more effective, modern tools for doing so.

For example, the Motor Vehicle Block Exemption Regulation as introduced by the European Commission in 2010 identified in the recitals that there were no significant competition short-comings to distinguish the market for the distribution of new vehicles from any other market and so no specific provisions were required to deal with issues in this market (whilst motor vehicle aftermarkets have specific characteristics that need to be taken into account). Similarly, when the MVBEO came into force in 2022, the CMA did not identify a need to introduce any specific provisions targeting new vehicle markets.

Additionally, compliance with the SNCO has become disproportionate to its purpose, not reflective of the current commercial environment and placing significant compliance burden on businesses, at a time when the sector is increasingly under pressure and the market has evolved with more OEMs entering the markets (many of which may not even be aware of the SNCO) and heightened pressure on consumer spending.

We consider there are many other recent measures which ensure fair competition and don't disadvantage customers. Therefore, removing the SNCO would simplify the regulatory framework, eliminate unnecessary compliance burdens, address the uneven playing field created by seemingly disparate interpretations of the SNCO, and reduce confusion caused by remedies that no longer reflect current market realities.