VERTICAL AGREEMENTS IN THE MOTOR VEHICLE SECTOR
BLOCK EXEMPTION

BACKGROUND:

The 2010 Vertical Agreements Block Exemption for Vehicle Sales came into effect from 1st June 2013. The old 2002 Motor Vehicle Bar Exemption Regulation was replaced by the 2010 Motor Vehicle Bar Exemption Regulation “2010 MVBE”. These Bar Exemption Regulations have brought in a lot of significant changes in the Automobile Industry. The reason behind replacing the sector specific 2002 Motor Vehicles Block Exemption with the general 2010 Vertical Agreements Block Exemption was that the European Commission considered that car sales markets are generally highly competitive, and that there are no significant shortcomings in the competition that distinguishes the motor vehicle distribution sector from other Economic Sectors.

The European Commission hopes that the removal of the old 2002 sector specific rules will reduce distribution costs by allowing car manufacturers significantly greater freedom to organise their distribution networks effectively and efficiently. The Objectives and frame work of the Sector Specific 2002 MVBE related to After-Sales Service, Repair and Maintenance is been retained by the new 2010 MVBE as this particular area seems to have less intense competition. The New Block Exemption Regulation will be in existence for a period of 13 years as it will be valid till the year 2023.

IMPORTANT PROVISIONS OF 2010 MVBE

Key features regarding the Distribution and Sales:

- **Single Branding**: Manufacturers are no longer be required to permit dealers to sell brands of at least two competing manufacturers within the same showroom, subject to a number of restrictions. The most significant restriction is that the single branding obligation must not last for more than five years, following which the dealer will be free to terminate the tie. Other restrictions include provisions designed to exclude competitors, or smaller brands. The European Commission has the right to withdraw the benefit of the Vertical Block Exemption for manufacturers if single branding is found to act in such a way that competing brands cannot break into the market.

- **Location clauses**: No significant alteration or changes have been found in the new 2010 MVBE when compared to older Regulation. The manufactures are subjected to certain requirements, are able to control the territorial limits in which the Dealers are allowed to establish the outlets.
- **Clauses related to Termination, Notice and Dispute Resolution & Transfer:** The Manufacturers are no longer under the obligation to provide Dealers, a detailed reason for termination, or the minimum period of notice, or to enforce a specific dispute resolution procedure. More significantly, the Dealer does not have the right to transfer his business to another authorised Entity or Dealer.

**After-Sales Service, Repair, Maintenance and Spare Parts:**

- **Tooling-Arrangements:** It is the duty of the vehicle manufacturer to provide the Repair Tools, Equipment for diagnosis and spare parts to the Distributor. Agreements between the former and latter, relating to these tooling arrangement will be held prohibited if the agreement affect the ability of the distributor to sell to the unauthorised repairers or independent automobile garage owners.

- **Spare Parts Sales and Distribution:** There exists no restrictions in agreements between the authorised repairers and independent repairers in their ability to sell original spare parts to the former. And also the agreement between the vehicle manufacturer and the manufacturer of spare parts will be held prohibited when the former is not allowed in applying its own Trademark on its products.

- **Benefactor to the consumers & independent garages:** with the vehicle manufacturer providing technical and repair information, 2010 MVBE facilitates in keeping the repair costs low and very affordable as the operating costs of the independent repairers is low compared to the franchised dealers. It also provides security for independent garages and specialists such as automobile electricians, air-conditioning specialists and body tinkering repairers.

  From the consumer’s point of view, they don't have to wait too long or travel too far for servicing or repairs as they can approach any independent garage as long as that garage uses manufacturer approved parts and correctly follows the manufacturer's service schedule.

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