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Truck groups braced for record fines on price-fixing

by Peter Campbell and Alex Barker (Financial Times, 18.7.2016)

Brussels will this week unleash record-breaking cartel fines against Europe's biggest truckmakers, hitting them with a multibillion-euro penalty for colluding to fix prices over many years.

The settlement decision planned for Wednesday brings to a close a five-year probe into Scania, Iveco, DAF, Volvo, Daimler and MAN with what are shaping up to be the biggest EU antitrust fines in history.

Although the precise penalty will be formally set on Wednesday, four of the companies have provisioned for fines totalling €2.85bn. As a whistleblower in the case, MAN - owned by Volkswagen group - will escape penalty, according to people familiar with the case.

Scania, which is also owned by VW, has not made an estimate for fines but said earlier this year than an imposed fine "cannot be ruled out". Two advisers involved in the case said Scania may ultimately hold out against the fast-tracked voluntary settlement, which would force the commission to issue a standard prohibition decision at a later stage if it pursues the company. Settlement talks are ongoing.

The original charges issued by Margrethe Vestager, EU competition commissioner, accused the six manufacturers of colluding over 14 years to fix haulage prices and delay the introduction of key emissions technology, according to a charge sheet seen by the Financial Times.

The allegation of delaying emissions-reduction measures in new truck models is particularly damaging in the wake of the VW diesel scandal, and since nitrogen oxides, which are produced by diesel engines, are linked to respiratory diseases and death. Total penalties are expected to smash the previous record for a single cartel, which was for €1.4bn against a television and computer monitor cartel in 2012. It is also expected to top the €1.8bn tally for EU penalties associated with several cartels that manipulated interest rate benchmark such as Libor and Euribor.

EU rules allow Brussels to levy a fine of up to 10 per cent of global turnover, which in the case of the six companies involved would amount to €10.7bn. Volvo recently increased its provisions from €400m to €650m, in an announcement put out during the weekend that followed Britain's EU referendum. This increased total provisions to €2.85bn. Only Scania has not taken a provision for the fines, arguing that it is "unable to estimate the impact the investigation will have".

In the wake of the fine, the truck companies are also likely to face legal action from haulage groups that faced inflated prices for more than a decade. Europe has 600,000

hauliers, most of which are small businesses.

Between them, the six companies have near-control of the European truck market. Cost increases faced by many of them will have been passed on to consumers in the form of higher prices for everything from food to furniture.

EU investigators raided the offices of the truck groups in 2011 following a tip-off from MAN.