

CHAPTER 2

The company and the reference goods

The company

2.1. Ford Motor Company Limited (Ford) is a wholly-owned subsidiary of Ford Motor Company, Dearborn, Michigan, USA. Ford's principal activity is the design, development, manufacture and sale of motor vehicles. Ford has a number of wholly-owned subsidiaries incorporated in the United Kingdom.

2.2. Ford's group turnover in 1983 was £3,585 million, of which United Kingdom sales revenue amounted to £2,679 million. The OFT report noted¹ Ford's estimate of its current annual domestic revenue from the sale of body panels at between £30 and £40 million a year, and our enquiries confirmed that the exact sales figure lay within this bracket.

2.3. In 1983 Ford was the sales leader in the United Kingdom motor car market (28.9 per cent share), the commercial vehicle market (32.7 per cent) and the tractor market (26.0 per cent) for the seventh successive year. Sales volumes in all three markets represented increases on the previous year.

2.4. In 1983 the average number of people employed by Ford was 63,900, including 61,000 working wholly or mainly in the United Kingdom.

2.5. Ford has 23 manufacturing plants in the United Kingdom, with major operations at Dagenham, Halewood, Southampton, Basildon, Bridgend and Langley. Some vehicle parts and completed vehicles are manufactured overseas for Ford by other Ford companies, particularly in the Federal Republic of Germany (FRG) and Spain. Similarly, Ford supplies vehicle parts and completed vehicles to other members of the Ford Group in Europe.

The reference goods

2.6. The OFT report said²:

Replacement body parts are often referred to as either 'full' panels or 'part' panels. These descriptions relate to the extent to which the panel which is fitted to the vehicle when sold new is replaced. Full panels thus have a similar size and shape to the original panel, part panels have a size and shape suitable for replacing only part of the original panel. Replacement panels may be required to repair damage caused either by accident or by corrosion, and the repairs may be carried out with either full or part panels depending on the extent of the damage.

2.7. To Ford the principal panel categories are as follows:

'full panel': a panel identical to that used in the original assembly of the vehicle body in production; 'service part panel': a panel, which is a subdivision of a full panel, provided to the aftermarket to facilitate

¹ See paragraph 3.15, OFT report.

² See paragraph 2.7, OFT report.

handling, storage and repair. While in older cars a body side may have been constructed from several panels, in more modern vehicles only one full panel, comprising the whole body side, is utilised. Ford therefore makes available 'service part panels' which are subdivisions formed out of the full body side panel for the reasons stated (see Diagram 1).

2.8. Ford also offers 'crash part panels': such a panel represents part of a full panel *or* of a service part panel, and has been developed by Ford in collaboration with the insurance industry to repair localised accident damage at reduced cost.

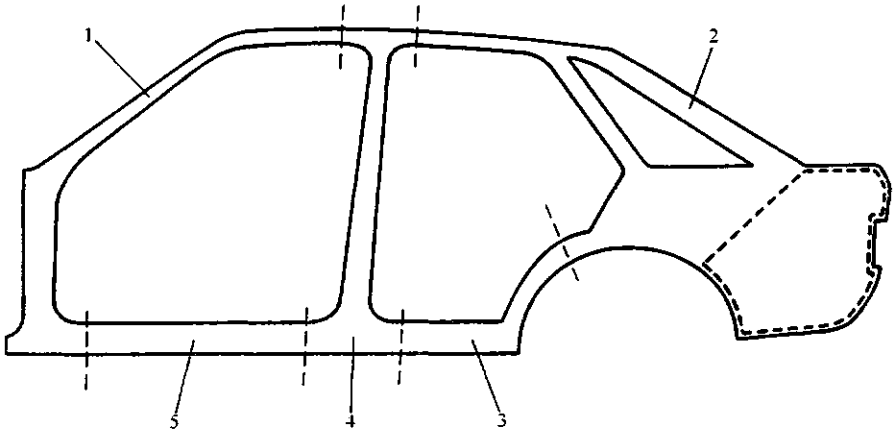


DIAGRAM 1 Five Ford service part panels for the Escort Mk3 (4 door) which comprise a full body side panel. The dotted area represents a crash part panel.

2.9. Some of the range of replacement body panels offered by a typical independent is illustrated by Diagram 2. The independents' annual turnover of replacement panels for Ford vehicles was estimated by OFT¹ to be between £5 to £6 million out of an annual turnover of approximately £24 million for body panels for various makes of vehicles.

2.10. The independents, besides supplying some complete and part panels, also offer 'corrosion part panels'. These are smaller than a part panel and are intended to replace those areas of a car body most susceptible to rust, being welded into position when the affected part has been cut away.³ The aim is to save the cost of buying a larger panel and also to reduce associated labour and paint costs. Ford did not compete with the independents in supplying such panels until February 1984, when it launched a range of

¹ See paragraph 3.16, OFT report.

² See also paragraph 5.35 and Appendix 4 for a definition by Ford of a corrosion part panel.

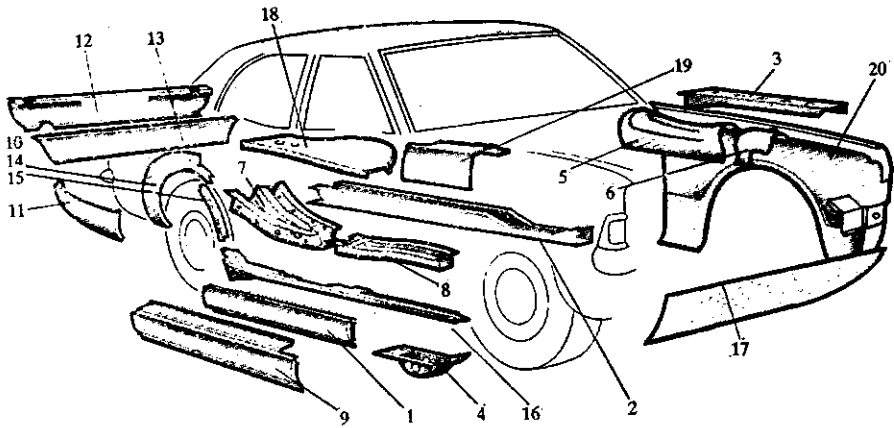


DIAGRAM 2—Replacement body parts for the Ford Cortina Mk3 1970–1976 offered by a typical independent.

- | | |
|--|---|
| 1 Skin sill | 12 Rear centre valance (car) |
| 2 Centre chassis section | 13 Rear centre valance (estate) |
| 3 Mounting rail for front wing | 14 Rear wheel arch to door shut (4 door) |
| 4 Front jacking point support | 15 Rear wheel arch to door shut section only (4 door) |
| 5 Inner wing repair section (rear) | 16 Sill to floor (shaped inner sill) |
| 6 Inner wing repair section (front) | 17 Front lower panel |
| 7 Swinging arm chassis member (forked) | 18 Boot repair section |
| 8 Rear chassis section | 19 Front wing repair panel (top rear) |
| 9 Full sill | 20 Front wing |
| 10 Rear wheel arch (2 door) | |
| 11 Rear lower corner | |

50 corrosion part panels; Ford informed OFT¹ in February 1984 that it intended to supply those corrosion part panels. Subsequently, Ford extended its range of corrosion part panels at the end of August 1984 by the introduction of a further 35 such part panels and Ford told us that it intended to extend that range again by introducing 18 more corrosion part panels by the end of 1984. At that time, Ford expected to be able to supply 90 per cent of the likely range of corrosion part panels for Ford vehicles.

2.11. Differences in nomenclature are comparatively unimportant so far as a dealer is concerned. If he is a Ford dealer he will order (by reference to a specific FINIS² number) from Daventry³ the panel he requires for a particular repair job. A repair garage which is not part of the Ford franchised network will similarly order the panel needed, either from a Ford dealer (in the case of a genuine Ford replacement equipment (RE) panel) or from a motor factor (in the case of an 'independent' panel).

¹ See paragraphs 5.28 (footnote) and 8.18, OFT report.

² Ford International Numerical Identification System.

³ Ford's Parts Distribution Centre at Daventry (see paragraphs 3.14 and 3.15).