NEWS | 13 December 2024

French Competition Authority fines electrical equipment manufacturers and distributors for resale price maintenance

In its decision no. 24-D-09 of 29 October 2024, the French Competition Authority imposed fines totalling 470 million EUR on two leading low-voltage electrical equipment manufacturers, Schneider Electric and Legrand, and two major distributors, Rexel and Sonepar. The companies were penalised for participating in vertical price-fixing agreements. These practices were initially exposed by the investigative newspaper Mediapart.

Background

The French Competition Authority's investigation uncovered two parallel infringements: one involving Schneider Electric, Rexel and Sonepar, and another involving Legrand and Rexel. The practices came to light following a judicial investigation launched by the Paris public prosecutor. The inquiry led to down raids on the companies' premises, the head office of the sector's professional organisation, and the homes of two Sonepar executives. Documents collected during these raids formed the basis of the Authority's case against the implicated companies.

The anticompetitive practice: resale price maintenance (RPM)

The investigation revealed that each supplier implemented a 'derogation system' to manage pricing. This system allowed suppliers and distributors to grant price reductions for specific projects or on a long-term basis, often at the request of customers or distributors. Suppliers would then approve or deny these reductions and issue credit notes to adjust purchase prices while preserving distributor margins.

Although the derogation system itself is not inherently anticompetitive, its implementation effectively established fixed prices. Distributors shared sensitive market information, including margin levels, with suppliers, who retained the final authority to grant or deny discounts. This arrangement eliminated pricing flexibility and created a system of fixed resale prices.

The evidence demonstrated that the parties knowingly used terms like 'maximum prices' or 'recommended prices' as a façade while intending to enforce fixed prices. Suppliers and distributors were aware of the illegality of their actions. The practices persisted for nearly six years for Schneider Electric (December 2012 to September 2018)

and over three years for Legrand and Rexel (May 2012 to September 2015).

The Authority concluded that these agreements an anticompetitive agreement by object. They were designed to strengthen price control, protect margin levels, and suppress intra-brand competition in France, leading to artificially high prices in a concentrated market.

Mitigating circumstance for Rexel

The French Competition Authority acknowledged a mitigating factor in Rexel's case. Rexel demonstrated a proactive commitment to reforming the derogation system and made efforts to persuade Legrand and Schneider Electric to adopt similar changes. Consequently, the Authority reduced the base amount of the fine with 20%.

Penalties

The French Competition Authority imposed the following fines:

- 207 million EUR on Schneider Electric,
- 43 million EUR on Legrand,
- 124 million EUR on Rexel (after the 20% reduction),
- 96 million EUR on Sonepar.

The parties retain the right to appeal the decision before the Paris Court of Appeal.