Germany’s self-crashing car industry

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Just as Germany’s car industry seemed to be turning a corner after the diesel emissions scandal, along comes another potentially credibility-shredding story.

Volkswagen AG (and its Porsche and Audi subsidiaries), BMW AG and Daimler AG may have colluded for decades to agree on technical standards, thereby impeding competition, Der Spiegel reported on Friday. While the scope of any wrongdoing or potential fines are very unclear, t**hese cartel allegations may yet impose a heavy financial and political price on the carmakers.**

It’s not as if investors have been queuing up to buy shares in the German car giants anyway, amid fears that the rise of autonomous and electric vehicles will leave them without much of a business model. In Europe, meanwhile, they are having to **fight against the efforts of cities to ban many diesel vehicles**. New questions about their integrity won’t help.

That’s especially true ahead of a German federal election in September. Opposition politicians have every incentive to fling mud at chancellor Angela Merkel’s government, which is perceived as too chummy with the powerful car industry.

Although VW apparently acted as a whistleblower — presumably to minimize financial penalties — it still has reason to worry about the Der Spiegel allegations.

VW annoyed the European Commission by refusing to compensate about 8.5 million European customers affected by its diesel emissions cheating, whereas in North America, it has spent more than $20 billion atoning for its wrongdoing.

Yet unlike dieselgate, Brussels has plenty of tools to punish anti-competitive practices. Last month it fined Google 2.4 billion euros ($2.8 billion) for abusing its market dominance and last year hit **truck-makers with a 2.9 billion euro penalty for price-fixing.**

In theory, Brussels can impose fines totaling 10 percent of revenue in antitrust cases, which could leave the German trio with a bill approaching 50 billion euros. Gulp.

Still, if previous cases are a guide, penalties wouldn’t be anywhere near that high. Equity investors seem to agree. The three carmakers have lost “only” about 11 billion euros of combined market value during the last two trading sessions. Indeed, while some German media are billing this as one of the country’s biggest business scandals, there’s been little information to suggest carmakers actually fixed prices to the detriment of customers or suppliers.

If this was a cartel, it seems to have been a pretty boring one. One of the revelations in the Spiegel story was that carmakers conspired to agree under what conditions a cabriolet’s soft-top roof should operate.

Perhaps if carmakers enjoyed a better public standing, these allegations might be easier to shake off. Instead, they join a long list of reasons to shun the sector.

(By Chris Bryant, Bloomberg)