



## **MEDIA RELEASE**

**11 December 2017**

### **MAJOR CAR DEALERS AMEND WARRANTY TERMS THAT RESTRICT COMPETITION FOR CAR SERVICING AND REPAIRS**

1. The Competition Commission of Singapore (“CCS”) has concluded its inquiry into the supply of car parts in Singapore. The inquiry aimed to better understand how the car parts market in Singapore works and the effects of market features on competition.<sup>1</sup>

#### Importation and wholesale distribution of car parts are generally competitive

2. CCS found that car parts distributors and car workshops are generally able to obtain parts from a large number of suppliers (including stockists and retailers) located in Singapore and overseas. While supply is more limited for parts that are replaced infrequently or that belong to niche car models, this is likely to be due to the small number of buyers and sellers in the market.

#### Technical information, equipment and diagnostic tools are generally available

3. CCS also found that while car manufacturers and their authorised car dealers in Singapore generally do not supply certain essential inputs, such as technical information, equipment and diagnostic tools, to independent workshops, this has not significantly impacted competition for car servicing and repairs. This is because independent workshops are generally able to gain access to viable alternatives such as those supplied by third-party equipment suppliers.

#### Concerns with car warranty terms that restrict competition for car servicing and repairs between authorised car dealers and independent workshops

4. CCS has, however, identified concerns with regard to car dealers requiring customers to service or repair their cars exclusively at the respective dealers’ authorised workshops, in order to ensure that the car warranty remains valid. These restrictions give car dealers the right to void car warranties or reject warranty claims if the car has been serviced and/or repaired at an independent workshop, regardless of whether the damage or defect to be claimed under the warranty is in fact caused by the independent workshop. The presence of such restrictions deters car owners from

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<sup>1</sup> Where a market inquiry reveals sufficient evidence that practices by market players have limited competition, CCS may, among other things, work with market players to address such competition concerns or commence an investigation and enforce the relevant prohibition under the Competition Act.

using independent workshops, thus restricting the ability of independent workshops to compete effectively with authorised workshops. This restriction on competition may in turn allow authorised workshops to charge customers higher prices for their car servicing, repair and parts.<sup>2</sup>

5. To address this, CCS has raised its concerns with the major car dealers and have worked with them to remove the warranty restrictions from their car warranties and related documents.<sup>3</sup> CCS's specific concerns are set out in the Appendix. All the major car dealers have agreed to make the relevant changes to the warranty terms identified by CCS. CCS expects all agreed changes to the warranty terms for existing warranties in force and new warranties to be retrospectively implemented by 31 December 2017. With the changes, these car dealers may void car warranties or reject claims only if they establish that the damage or defect to be claimed under the warranty is in fact caused by the independent workshops.

6. CCS encourages all other car dealers to review their warranty terms and practices to ensure compliance with the Competition Act.

7. The full report can be found in CCS's "Media and Publication – Market Studies" on [www.ccs.gov.sg](http://www.ccs.gov.sg).

8. CCS Chief Executive, Mr Toh Han Li said,

"The removal of the warranty restrictions will facilitate a more competitive market for car repairs and servicing, with more choices for car owners, and opportunities for existing and new independent workshops. Market participants and consumers are encouraged to report any potentially anti-competitive business practices to CCS."

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<sup>2</sup> Based on information provided by the major car dealers, CCS found that the proportion of customers that service their cars at the authorised workshops falls distinctly upon the expiry of the car warranty, suggesting that many customers switch to servicing at other workshops. In particular, the proportion of customers with new cars that service at the authorised workshop can be as high as 90% for the first few years of the cars' lifespan, but the proportion drops to 40% or lower for older cars. Market feedback also indicates that authorised workshops can charge two to three times as much as an independent workshop for comparable parts and servicing.

<sup>3</sup> CCS approached and obtained the cooperation of the following car dealers that are authorised distributors for the respective car brands shown in parentheses: Alpine Motors Pte. Ltd. (Chevrolet), Borneo Motors (Singapore) Pte. Ltd. (Toyota and Lexus), Cycle & Carriage Industries Pte. Ltd. (Citroen, KIA, Mercedes Benz and Mitsubishi), Eurokars Group of Companies (Porsche, Mazda and MINI), Kah Motor Co. Sdn. Bhd. (Honda), Komoco Motors Pte. Ltd. (Hyundai), Motor Image Enterprises Pte. Ltd. (Subaru), Performance Motors Ltd. (BMW), and Tan Chong Motor Sales Pte. Ltd. (Nissan). CCS also obtained the cooperation with respect to the warranty restrictions for Suzuki cars through Borneo Motors (Singapore) Pte. Ltd., which is under the Inchcape Group of UK. CCS understands from information provided by Volkswagen Group Singapore Pte. Ltd. (Volkswagen) and Premium Automobiles Pte. Ltd. (Audi) that there are no such restrictions in the warranties. The car brands that these car dealers distribute made up more than 90% of cars in Singapore in 2016.

## **About The Competition Commission of Singapore (CCS)**

CCS is a statutory board established under the Competition Act (Chapter 50B) on 1 January 2005 to administer and enforce the Act. It comes under the purview of the Ministry of Trade and Industry. The Act empowers CCS to investigate alleged anti-competitive activities, determine if such activities infringe the Act and impose suitable remedies, directions and financial penalties.

For more information, please visit [www.ccs.gov.sg](http://www.ccs.gov.sg).

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## **Appendix: CCS's concerns with regard to the warranty terms by major authorised car dealers**

1. In the course of the market inquiry, CCS raised concerns with the major authorised car dealers with regard to any of their warranty terms that in effect requires the customers to service or repair their cars at the dealers' authorised workshops in order to ensure that the warranty remains valid. Such terms may include:
  - (i) a term that explicitly requires servicing or repairs to be done at the authorised workshop (e.g. "All servicing and repairs must be done at the authorised workshop"), or
  - (ii) a term that allows warranty claim over a defect or malfunction to be rejected solely on the basis that any part of the car has been serviced or repaired by a third-party e.g. independent workshops (e.g. "The authorised workshop will not be liable for the warranty if the vehicle has been repaired by persons other than the authorised workshop").
2. Authorised car dealers may also have warranty terms that:
  - (i) require customers to perform warranty repairs<sup>4</sup> at authorised workshops;
  - (ii) allow car dealers to reject a warranty claim over a defect or malfunction if they can establish that the defect or malfunction is caused by:
    - a) Any repair, servicing or other actions carried out by third parties; or
    - b) The failure of the car owner to ensure that the car receives proper and periodic servicing according to the manufacturer's recommended schedule; or
  - (iii) allow car dealers to reject warranty claims in respect of parts that have been replaced or modified by third parties.

CCS did not have concerns with respect to these terms in the market inquiry.

3. CCS also did not have concerns with regard to car dealers recommending the use or promoting the merits of using their authorised workshops, e.g. quality of service, customer experience, technical expertise, use of proper equipment and use of Original Equipment ("OE") Parts. However, CCS would be concerned if car dealers cast negative aspersions on the capability and integrity of independent workshops beyond advising the car owners that car owners will have to bear the cost of any defect, damage or malfunction to the car that is caused by servicing and repairs by third parties.

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<sup>4</sup> Warranty repairs are repairs, the cost of which is to be claimed under the warranty.