

Competition Commission imposes hefty penalty on car manufacturers

A. Background

The Competition Commission of India (“CCI”) has *vide* its order dated 25th August, 2014¹ has imposed a penalty of approximately USD 420 million on fourteen car manufacturers². The CCI has held that auto companies have indulged in anti-competitive practices by not making genuine spare parts freely available in the open market by way of their respective vertical arrangements. The CCI found the manufacturers guilty of the following acts:

- i. restricting the growth of the spare parts market;
- ii. abusing their dominant position; and
- iii. not allowing independent maintenance companies or garage owners to provide after sales services to customers.

B. Directions

In addition to the penalty, the CCI gave *inter alia* the following directives to the manufacturers:

- i. to put in place an effective system to make spare parts and diagnostic tools easily available;
- ii. to allow Original Equipment Suppliers (“OESs”) to sell spare parts in the open market without any restriction (specially in relation to pricing and branding);
- iii. to make relevant information relating to spare parts available in public domain as well as on their website; and
- iv. not to impose blanket conditions that warranties would be cancelled if the consumer avails of services of any independent repairer.

C. Objectives

The primary objectives of CCI while making this order were:

- i. to increase consumer access to spare parts;
- ii. to give freedom to consumers to choose between independent repairers and authorized dealers; and
- iii. to enable the independent repairers to provide competitive services in the after sales market and to have access to essential inputs such as spare parts and other technical information.

D. Appeal

The car manufacturers will have an opportunity to approach the Competition Appellate Tribunal and challenge the order of the CCI.

¹ [Available here](#)

² The penalized manufacturers are: Tata Motors Ltd, Maruti Suzuki, Mahindra & Mahindra, General Motors, Honda Siel, Volkswagen India, Fiat India, BMW India, Ford India, Hindustan Motors, Mercedes Benz, Nissan Motor, Skoda Auto India and Toyota Kirloskar India.

ARA LAW's View

The above order marks a welcome change in the auto industry. For a long time now, the anti-competitive conduct of car manufacturers has restricted the availability of spare parts and independent repairers which came at the cost of the consumers, service providers and dealers.

This order may also be a push in the right direction for the Government to come up with suitable legislation and setting up an appropriate regulator for safety and standards relating to spare parts and after sales services.