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For Immediate Release

Competition Commission consults on proposal to accept commitments offered by seven car distributors

The Competition Commission (“Commission”) today commenced a consultation on its proposal under section 60 of the Competition Ordinance (“Ordinance”) to accept legally-binding commitments offered to it by seven car distributors, namely *Cartel Motors Limited*, *Dah Chong Hong Holdings Limited*, *Inchcape International Holdings Limited*, *Kam Lung Motor Group Limited*, *Motor Image (HK) Limited*, *Sime Darby Motor Group (HK) Limited*, and *Vang Iek Holdings Limited*. The Commission considers that the commitments, if accepted, would address its concerns that restrictive warranty terms and conditions (“warranty restrictions”) imposed by the seven distributors on the owners of passenger cars may harm competition, potentially in contravention of the First Conduct Rule of the Ordinance.

The proposed commitments cover the following 17 passenger car brands: Audi, BMW, Citroen, Ford, Honda, Jaguar, KIA, Land Rover, Lexus, Mazda, MINI, Mitsubishi, Nissan, Subaru, Suzuki, Toyota and Volkswagen.

The Commission’s investigation revealed that the seven distributors have imposed warranty restrictions requiring maintenance and/or repair services to be carried out at authorised repair centres, regardless of whether the maintenance or repair item is covered by the warranty¹. Customers who did not follow this would be at risk of their warranties becoming invalid.

The Commission considers that these restrictions may deter passenger car owners from using independent car repair workshops during the warranty period. This would be likely to limit the ability of independent car repair workshops to compete with authorised repair centres. This may also reduce car owners’ choice of service and ultimately lead to higher prices for maintenance and repair services.

In response to the Commission’s investigation, the seven distributors have offered commitments not to enforce the existing warranty restrictions and not to include them in new warranties issued to passenger car owners. They also offered to make corresponding amendments to their contracts and to communicate the changes to customers within 90 days after the commitments enter into force. If the commitments are accepted following the consultation, passenger car owners will have greater freedom of choice in relation to the providers of repair and maintenance services of their vehicles.

The proposed commitments would last for 5 years from their effective date, with reporting and monitoring mechanisms in place to ensure compliance. The Commission takes the view that the proposed commitments are appropriate to address its concerns and therefore proposes to accept them. Together with the proposed commitments from each of the seven distributors, the Commission has published a notice of the consultation and a set of frequently asked questions to provide further

¹ Examples of items not covered by the warranty are repairs unconnected to manufacturing defects, and are usually provided at an additional cost to the passenger car owner. For example, a non-warranty repair could be one necessitated as a result of an accident.

information on the matter. These documents are available on the Commission's website at www.compcomm.hk.

Interested parties are now invited to submit representations on the proposed commitments, including the Commission's proposed acceptance of these commitments, no later than 18:00 on 15 August 2022.

All representations received by the deadline will be considered by the Commission and posted on its website before a decision on whether to accept the proposed commitments is made. If a representation contains confidential information, a non-confidential version of the representation should also be submitted.
