



## **Media Statement**

### **Competition in the Automotive Industry in Namibia**

**24 January 2019**

The Namibian Competition Commission (“the Competition Commission”) was established in terms of the Competition Act, Act No. 2 of 2003 (“the Competition Act”) with jurisdiction over competition matters across all sectors of the country’s economy. The Competition Act prohibits any practices which have potential for lessening or prevention of competition in the Namibian economy.

The Competition Commission completed a market study in the Automotive industry in 2018, to understand the market structure and the state of competition in the industry. The study defined the automotive industry as the distribution and retailing of vehicles, servicing and maintenance of motor vehicles, and the sales of vehicles and automotive related components.

The Namibian Automotive Industry is underdeveloped, with active market players only in automotive retail and the automotive aftermarket services such as panel-beating and motor repair service centres. Currently, one company has been involved in the manufacture of vehicles for the security services (Windhoek Maschinenfabrik), while several companies have produced parts for the automobile industry. Most of these companies have produced parts for the domestic market on a small scale, driven by the consumer demand, while one company has assembled vehicles exclusively for the export market.

The biggest concern in respect of competition and market structure were found in the application of franchising in the vehicle retail market, more specifically the market for new vehicles sales, whereby one company is given exclusive right by the franchisor to sell a certain brand in the entire country.

The Competition Commission is concerned about the prevalence of territorial restrictions that create monopolies in the sale of certain vehicle brands, exclusive distribution arrangements of vehicles that may foreclose new entrants and third parties from the market. These practises reduce and or eliminate intra-brand competition in the retailing of vehicles.

The Competition Commission found that the allocation of territories had not only created monopolies in the sales of certain vehicle brands, but also stifle competition, limit consumer choices and competitive pricing.

Similarly, of concern is the prevalence of various arrangements between aftermarket service providers across the value chain including panel beaters, service centres, fitment centres, original equipment manufacturers (“OEMs”) and insurance companies. These arrangements vary in nature across the value chain. In some instances, OEMs impose warranty provisions that require customers (vehicle owners) to use approved panel beaters or spare parts distributors as condition of the sale of a new car by a dealership.

These practises were found in the insurance industry where insurance companies may also require that their customers (insured vehicle owners) use approved service providers who are usually the same service providers as those approved by the OEMs. These agreements or arrangements during the different value chain of the aftermarket segment of the automotive industry have the potential to prevent competition and act as a huge barrier for the Small and Medium Enterprises to access repairs and services of vehicles and can ultimately lead to high cost to consumers.

The Competition Commission has initiated a formal screening into the automotive industry to ascertain whether there are grounds upon which the Competition Commission could initiate investigations. Additionally, the Competition Commission will embark upon extensive advocacy work and engagement with various stakeholders in the industry following concerns raised during its consultations. Fair competition is imperative for the development of the automotive industry in Namibia as it has the potential to create employment and entrepreneurial opportunities for Namibians.

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