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Final Report

Study on Consumer Protection in Automobile Service
Providers and Contract Terms and Conditions of
Service Providers (Motor Vehicle Dealers, Rental,
Real Estate, Travel Agents and Education
Consultancies) 2021

Office of Consumer Protection
Ministry of Economic Affairs

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GLOSSARY

Consumer Protection Terms

Asymmetric information: A situation where one party in a transaction is more fully informed about a product than another. Policy makers often use government-mandated information provision a disclosure in this circumstance to rectify the imbalance between traders and consumers on the assumption that well-informed consumers should be in a better position to make decisions that are consistent with their own preferences.

Manufacturer: A business that makes and puts products together or has its name on the products.

Dealer: Any business that supplies vehicles to consumers of new vehicle dealers that are authorized by manufacturers usually via a franchise agreement (often referred to as a dealer agreement) to be the primary seller of the manufacturer's vehicles and replacement parts produced by, or for, an original equipment manufacturer, and also a provider of authorized repair and servicing of new and used vehicles. Used vehicle dealers that supply used vehicles to consumers, and also repair and service new and used vehicles, generally with no official endorsement by or affiliation with the manufacturer.

Automobile workshops: A business that repairs and services vehicles, but is not officially endorsed by or affiliated with the dealer.

ACRONYMS

ABTO	Association of Bhutanese Tour Operators
BCCI	Bhutan Chamber of Commerce and Industries
BSB	Bhutan Standards Bureau
CPA	Consumer Protection Act 2012
CP	Consumer Protection
CPRR	Consumer Protection Rules and Regulations
CPT	Consumer Policy Toolkit
DAHE	Department of Adult and Higher Education
DCSI	Department of Cottage and Small Industries
DoI	Department of Industries
DoT	Department of Trade
DRC	Department of Revenue and Customs
FGD	Focused Group Discussion
MoE	Ministry of Education
MoEA	Ministry of Economic Affairs
MoWHS	Ministry of Works and Human Settlement
MSFCP	Multi-Sector
MoIC	Ministry of Information and Communication
NEC	National Economic Census
OCP	Office of Consumer Protection
PPD	Policy and Planning Division
RSTA	Road Safety and Transport Authority
RTIO	Regional Trade and Industry Office
TCB	Tourism Council of Bhutan
TVET	Technical and Vocational Education and Training
UNGCP	United Nations Guidelines for Consumer Protection

Chapter 1: Introduction

1. Background

Consumer protection is understood as the practice of safeguarding consumers of goods and services, as well as the public, from unfair practices in the marketplace. The Government legislated the Consumer Protection Act (CPA) in 2012, taking into account the interests and needs of consumers, particularly recognizing that consumers often face asymmetry in economic terms as well as educational levels and bargaining power, and have the right to access of non-hazardous products and services as well as right to information and just, equitable and sustainable economic and social development and environmental protection.

Furthermore, guided by the importance of protection and welfare of consumers, the Office of Consumer Protection (OCP) in the Ministry of Economic Affairs (MoEA) was established in 2014. The OCP has made significant strides in developing and strengthening consumer protection in the country. Since its formation in 2014, the OCP has focused its work in building capacity at the national and community levels, so as to guide the development of guidelines, and standards necessary to strengthen consumer protection. The OCP has been tasked to promote and protect the economic interest and safety of consumers, raise awareness on consumer rights and responsibilities, as well as ensure redressal of grievances.

The study of consumer protection in automobile services sector is timely and important. The automobile sector, comprising of both motor vehicle dealers and automobile service providers, is one of the fastest growing sectors, with an average annual growth rate of 9%¹ consistently for the past decade.

However, just over 10% of business establishments² in this sector are Large and Medium size, with an investment of Nu.10 million to 100 million, and employment size of 20-99 employees. The remaining 90% of businesses in the sector are in the Cottage and Small Industry Scale (CSI), defined as businesses with Nu.1 million to Nu.10 million investment, and engaging five to nineteen employees.³

Automobile services include sale, repair and maintenance used by consumers which involves over 500 business establishments ranging from automobile dealers to tire trading businesses and car wash businesses across the country. The high demand for these services is contributed by the continued increase in the number of vehicles imports.

This study is aimed to present existing measures of consumer protection in automobile service sector. In addition, it also presents the perception about the automobile service sector by both dealers and automobile workshops. The study concludes with recommendations of measures and action plans to strengthen consumer protection in automobile services sector. Furthermore, it also analyzes the existing contract terms and conditions in leading service sectors- Motor Vehicle Dealers, Rental, Real Estate, Travel Agents and Education Consultancies and a brief assessment of the impact of the Covid-19 pandemic on the automobile services sector.

2. Organization of the Report

This study has two components. The **Component-I** presents consumer protection existing in the automobile services sector in the four Thromdes of Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar. In order to present the situational analysis of existing consumer protection, the study first analyses existing legislation and policies framework in place to protect consumers availing automobile services.

¹ Calculated from RSTA Statistical Bulletin Feb. 2021

² Calculated from data from Regional Trade and Industry Offices data, MoEA June 2021

³ Definition of MoEA

Due to the clear divergence between existing practice and legal framework in place, the study further makes a detailed analysis of perception of consumer protection in the automobile services sector. The perception study has been recorded through a 26-question survey conducted with 500 participants.

The study also investigates existing practice in the automobile sector in order to highlight the gaps between legal framework and practice. A two-day Focus Group Discussion (FGD) was conducted with automobile dealers in Thimphu on 10th and 11th June 2021 to explore their concerns and opinions with regards to consumer protection.

The **Component-II** of the study outlines a detailed analysis of the existing contract terms and conditions by the service providers in the four leading service sectors-Motor Vehicle Dealers, Rental, Real Estate, Travel Agents and Education Consultancies in Bhutan. The study analyzed existing contract terms and conditions of the respective service providers and conducted detailed analysis to present gaps. Based on the outcome of the study, the guidelines are proposed to strengthen and better safeguard consumer rights.

The report is structured as follows: **Chapter 1** presents the introduction, **Chapter 2** outlines the Policy Responses, Regulatory Environment and Legal Framework on consumer protection. **Chapter 3** explains situational analysis of automobile providers and consumer perception survey analysis under Component-I. **Chapter 4** provides contract terms and conditions of the service providers under Component-II. **Chapter 5** provides key findings and recommendations. **Chapter 6** provide a brief a brief assessment of the impact of the Covid-19 pandemic on the automobile services sector.

3. Methodological approach

This report brings together evidence from a process that started in 17 May to 30 June 2021 by the Global Research (BGR), to draw a more complete picture of the situation of the consumer protection.

3.1. Component I: Consumer Protection in the Automobile Services Sector

3.1.1 Existing legal framework, enforcement institutions and redressal system

The review was conducted through the principles of good business practices as per the United Nations Guidelines for Consumer Protection (UNGCP). These principles cover: (1) Fair and equitable treatment, (2) Commercial behavior, (3) Disclosure and Transparency, (4) Education and Awareness Raising, (5) Protection of Privacy, and (6) Consumer Complaints and Disputes.

The UNGCP are a set of principles outlined for effective (a) consumer protection legislation, (b) enforcement institutions (c) redressal systems which take into consideration respective economic, social and environmental circumstance of the country as well as promotes international cooperation in encouraging consumer protection.

3.1.2. Perception of Consumer Protection in automobile service sector

The perception of consumer protection was assessed through a consumer survey comprising of 26 questions (Annex 1) that were devised as per the “Brady & Cronin hierarchical and multi-dimensional model” for service quality assessment, formed by three primary dimensions of interaction quality, physical environment quality and outcome quality. This survey was the first perception survey of consumer protection in the country. The SERVQUAL Model was also used as quality measures of the services in preparing the customer questionnaires. While the perception of quality was measured, the factors used to measure perception of quality was further expanded to translate to perception of consumer protection and consumer rights.

Each of these dimensions contributed in formulating the survey questionnaire in order to assess existing perception of consumer protection in the sector. The questionnaire designed based on the dimensions of SERVQUAL Model developed by Parasuaram, Zeithaml, and Berry (1985)

in order to develop insights concerning the criteria by which consumers judge service quality. The five dimensions identified in the questionnaire were **Tangibility, Reliability, Responsiveness, Assurance and Empathy**.

The surveys were administered online as well as on a face-to-face from 500 respondents (66% male and female 34% in the age range of 24-65 years) at selected automobile service providers in four Thromdes. The primary data were obtained through closed-ended questionnaire distributed to the respondents. The respondents were asked to indicate their perception towards consumer protection. Due to time constraint, as well as movement constraints from lockdown measures in places in Phuntsholing and Samdrup Jongkhar Thromdes due to the Covid-19 pandemic during study, a target sample size of 500 respondents was made. This number was chosen since the minimum suggested sample size in survey guidelines by Gay & Airasian (2003) is 400 respondents where population size becomes irrelevant beyond this point.

3.1.3. Focus Group Discussions (FGD)

The FGD with the automobile dealers (Annex 2) in Thimphu from 10 to 11 June 2021 captures the supply-side challenges to consumer protection in automobile services sector. The main issue was focused on the product guarantees offered by the dealers to consumers and service guarantees including contract terms. It was also focused on assessing how business operators play under existing laws and their overall businesses ethics. The issues raised in the FGD covered: (1) Consumer guarantees; (2) Perceived challenges in providing consumer protection; (3) Business establishment's understanding of existing legislation; and (4) Other concerns.

Snowball sampling technique was also used in the FGD with automobile dealers.

3.1.4. Stakeholder Interviews

In-depth semi-structured interviews were conducted with a list of open-ended questions to identify additional understanding of the sector with key informant in government, business organization as well enforcement agencies (Annex 3.)

3.2. Component-II: Contract Terms and Conditions in Motor Vehicle Dealers, Rental, Real Estate, Travel Agents and Education Consultancies

The Component-II analyze the existing contract terms and conditions in the automobile services sector, real estate and rental sector, tour operations sector and education consultancies sector based on the information gathered from licensed business establishments of respective sectors. The contract terms and conditions were then investigated to assess whether they covered and encompassed best practices in consumer protection.

Respective sectoral legislative framework were assessed to ensure that consumer protection measures were in place. In addition, a randomly selected consumers from service providers in respective sectors (rental and real estate, tour operators, education providers and automobile service providers) in the past three years were contacted. The list was provided by the business establishments from the four main Thromdes to follow up on their views and considerations of contract terms and conditions.

3.3. National Economic Census Data

The study also used the survey data collected by the National Statistics Bureau (NSB) for the National Economic Census (NEC) for 2017 and 2018 in order to gather additional information on the automobile services sector and to get a more accurate understanding of the growth of the sector. Since the NEC data captured retail and wholesale business establishments together with the automobile service providers and automobile dealers, it was necessary to separate the data findings to examine the sector specific development, growth and weight.

Chapter 2: Policy Responses, Regulatory Environment and Legal Framework

1. Comparative Analysis of Legislative Framework on Consumer Protection

This chapter offers a comparative analysis of the current legal landscape and explores key issues with references to existing practices and international best practices. It also summarizes cross-market consumer protection legislations in the country associated with automobile services. The primary focus is to examine what legal principles have been adopted in the laws of Bhutan regarding rights of consumers. The cross-cutting nature of consumer protection, across different bodies of law necessitates the assessment of sectoral laws and professional services laws. Table 1 presents legislation related to CP in Automobile Services.

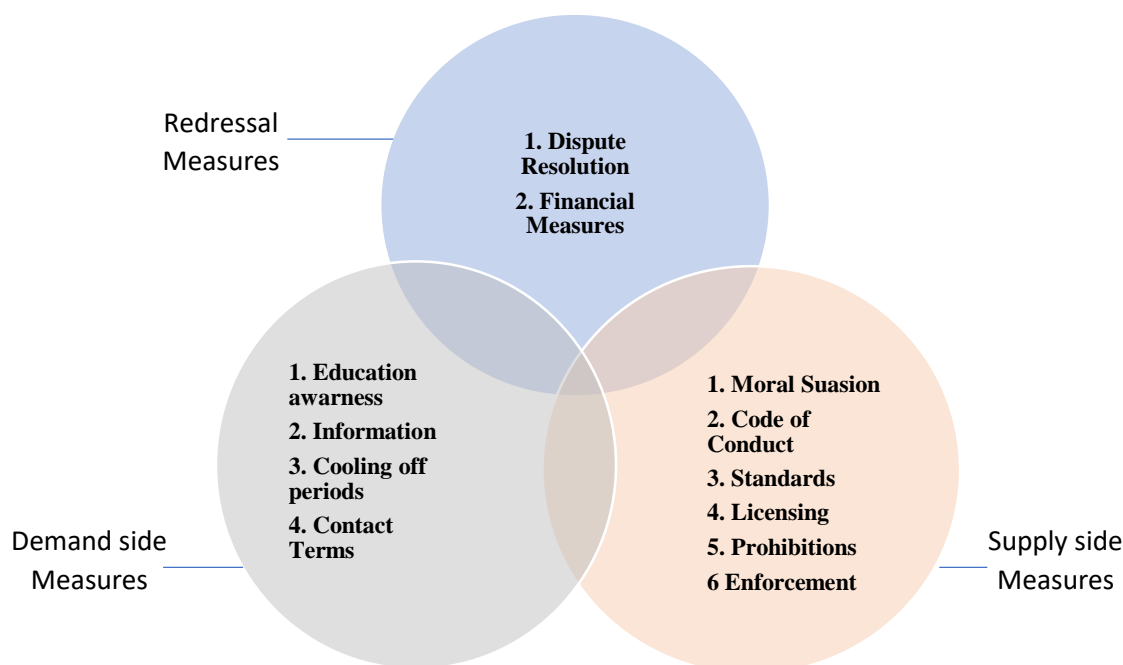
Table 1: Legislation related to Consumer Protection in Automobile services

Sl.#	Name	Sector	Consumer Protection Provisions
1	Constitution of Bhutan 2008, Royal Government of Bhutan	All	Freedom of information
2	Contract Act of Bhutan 2013	All	Unfair contract terms Forms of contract
3	Rules and Regulations for Establishment and Operation of Industrial and Commercial Ventures in Bhutan 1995, MoEA	All	Fair trading Product safety Control of supplies Freedom of information
4	Consumer Protection Act 2012 OCP, MoEA	All	Fair trading Advertisement / misleading and false representation Control of Supplies Product Safety Weights and Measures Freedom of Information Sustainable consumption
5	Consumer Protection Guidelines OCP, MoEA	All	Fair trading Advertisement Control of supplies Product safety Freedom of information Control of supplies
6	Bhutan Standards Act 2010, BSB	All	Product safety Weights and measures
7	Road and Safety Transport Act 1999, MoIC	Automobiles	Product safety
8	Rules and Regulations of RSTA 2019, MoIC	Automobiles	Product safety
9	General Information and Guidelines for Vehicle Wash Facility, NEC	Automobiles	Product safety
10	National Transport Policy 2017, MoIC	Automobiles	Product safety
11	The Consumer Grievances Redressal Guidelines 2017 OCP, MoEA	All	Fair trading Dispute Resolution Redressal

Comparative legal analysis is important to understand about the consumer protection regulation in the country. The OCP has 12 basic tools as per the Consumer Policy Toolkit (CPT) similar to the OECD 2010 policy toolkit to pursue enforcement strategies to protect consumer. The National Strategic Framework and Action Plan for Consumer Protection 2019 highlight the overall mandate of the OCP. It work together with several agencies across the government and business organizations in order to ensure consumer protection. The OCP also assists with dispute settlement and resolution mechanisms through consumer advocates across the country, who play the role of Ombudsman.

The trained advocate allows for direct interaction between the aggrieved parties. A timeline of eight working days to process individual complaints at the district level is maintained. However, for more complicated cases, an investigation would take place within a timeline of two to three weeks. The enforcement measures would include imposing fine at the discretion of OCP and, in the event of repeated violations, a recommendation for license cancellation would be issued to the Department of Trade (DoT), MoEA, for action.

Figure 1: Roles and Responsibilities of the Office of Consumer Protection

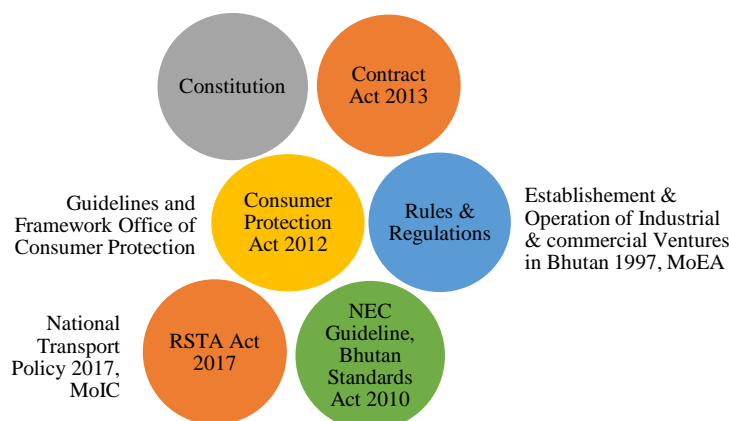


2. Sector Laws on Automobile Sector and Automobile Service Providers

The existing legislation for consumer protection are general, and sector specific consumer protection legislation or guidelines are yet to be developed. While the CPA 2012 clearly reflects the legitimate needs and rights of the consumers such as: (1) Right to be heard, (2) Right to information; (3) Right to safety; (4) Right to choose; (5) Right to consumer education; (6) Right to consumer redressal; (7) Freedom to form consumer groups; (8) Promotion of sustainable consumption patterns; and (9) Promotion of economic interest of consumers, which are aligned with the UNGCP and the legislation protects those rights under the CPA 2012, there are no specific Acts, Policies, Guidelines or Codes of Conduct that regulate automobile service providers in the country.

Although the framework law on consumer protection in the country does make reference to consumer guarantees, it does not list in particular the specificities of service guarantees in consumer rights for automobile service providers.

Figure 2: Existing Legislative Framework covering Consumer Rights



The Road Safety and Transport Act (RSTA) of 2017, Bhutan Standards Act (BSA) 2010, Contract Act (CA) 2013 are the existing sectoral legislations that complement the CPA 2012 for securing consumers protection in automobile services.

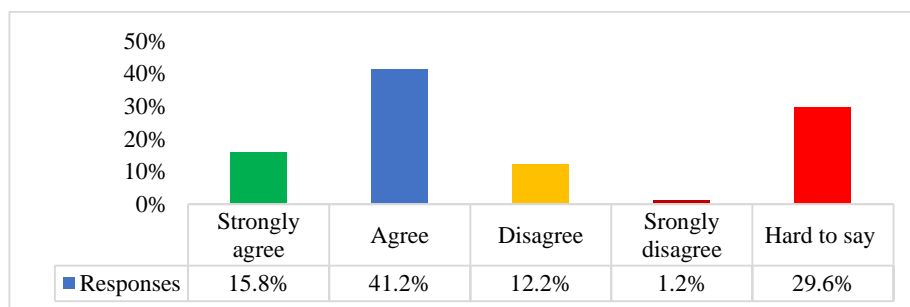
Nonetheless, the consumer protection law adheres to international best practices and guidelines as per the UNGCP but how adequately consumers are protected in practice depends on the knowledge of the law as well as how they apply the law by the consumers. This can be measured on whether the consumers are willing to actively seek legal remedies when problems occur.

While the legislative framework in Bhutan for the protection of consumers is adequate and at par with international best practices, survey findings on perception of consumer protection in automobile sector show that their knowledge of the law as well as the application of the law is limited. About 56% of respondents found regulations on consumer protection was very complicated. In addition, 63% of respondents believed that most people do not know their consumer rights.

3. Consumer Guarantees through Consumer Protection Act 2012

The CPA 2012 covers in detail the measures to ensure and safeguard consumers in Bhutan from products in particular. Although consumers of services are also mentioned, additional guidelines for sector-wise services is highly recommended. Nonetheless, the legal regulatory framework in place for automobile dealers in Bhutan are extensive. This could be the reason why there is a vast difference in consumer protection between wholesale dealers of automobile and their services vis-à-vis automobile service providers who are not wholesale dealers.

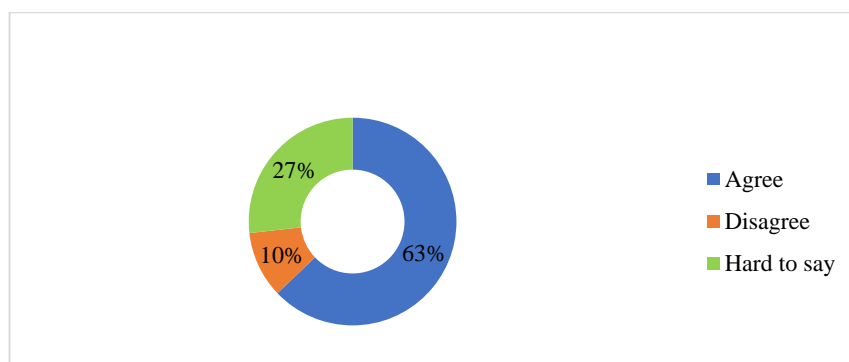
Figure 3: Regulation on consumer protection



Q 17. Regulations on consumer protections are too complicated?

The perception survey shows more than 41% of the respondents found the regulations and laws related to consumer protection are too complicated. Further, the automobile service providers felt that most of the consumers (63%) do not know their rights as defined in the CPA.

Figure 4: Automobile Services Consumer Perception of CR



Q 20. Do you agree that Bhutanese do not know their customer right?

Table 2: Consumer Guarantees on vehicle Sales required by CPA 2012

Sl.No.	Consumer Protection Provisions	Consumer Protection Act 2012 details
1	Goods will be of acceptable quality	As per the CPA 2012
2	Goods will be fit for any purpose disclosed before sale	“Where goods are supplied to a consumer, there shall be an implied guarantee that the goods are fit for any particular purpose.” – CPA
3	Goods will match their description	As per the CPA 2012
4	Goods will match the sample or demonstration model	As per the CPA 2012
5	Will honour any express warranties	An express guarantee in respect of goods given by a manufacturer in a document binds the manufacturer where the document is given to a consumer with actual or apparent authority of the manufacturer in connection with the supply by a supplier of those goods to the consumer.” – CPA 2012
6	Consumers have title to the goods	“Guarantee in respect of supply of goods; implied guarantee of title” – CPA 2012
7	Consumers have undisturbed possession of the goods	“The consumer has a right to quiet possession of the goods.” – CPA 2012
8	No undisclosed securities on the goods	“The goods are free from any undisclosed security.” – CPA2012
9	Will make available repair facilities or spare parts for a reasonable time	“Where goods are supplied to a consumer, there shall be implied a guarantee that the manufacturer and the supplier shall provide for the repair of the good and the supply of spare parts.” – CPA 2012

4. Professional Service Law in Automobile Service providers

Legislation for the protection of consumers in relation to services rendered are various and specific in most countries such as accountants, architects, lawyers, travel agencies etc. These services are subject to registration and licensing, as well as codes of practice, disciplinary rules and compensation systems.

Although professional restrictions can be perceived as restrictive resulting in higher prices for consumers, it does nonetheless set in place measures and standards of quality services in the sector. There are currently no professional service law or guidelines related to automobile services in Bhutan.

Key stakeholders have shared their interest in making industry standards in particular for automobile service providers through the Technical and Vocational Education and Training (TVET) sector of the Ministry of Labour and Human Resources (MoLHR), who can be the verifying or certifying agency.

5. Findings and Recommendations

The following are the recommendations made based on the study:

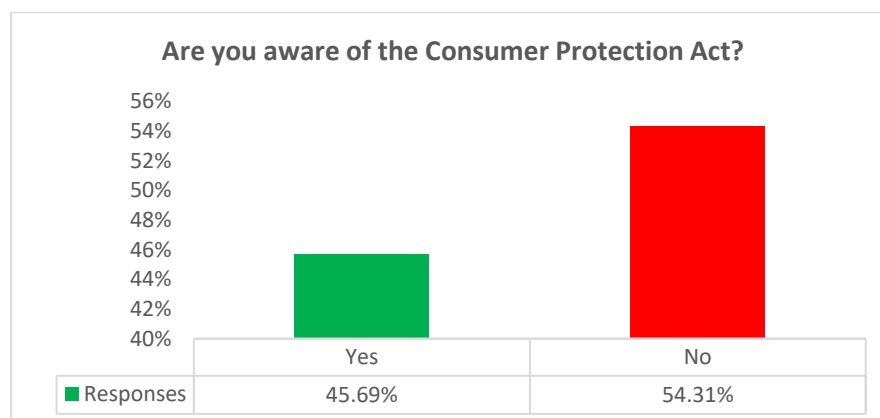
Lack of procedural guideline: Although business establishment themselves are expected to adopt good practices that are beyond enforcement or regulation through social responsibility, this study recommends that a simple guideline for codes of practice of automobile service providers be developed either through the industry association or recommended by the OCP. For example, most countries have specific guidelines that state requirements of consumer guarantees in services specific to automobile services.

Although the automobile industry is a laudable idea, there is a need to have an organized association of automobile dealers in the country in order to put in place guidelines and codes of practice. Due to the lack of legislation and guidelines in place and without the focal or nodal agency to monitor the sector lack policy direction and guidance.⁴

Strengthen monitoring and coordination: It is recommended to strengthen the monitoring system to avoid sub-letting of automobile workshop lots practices across the country. That is, license holders of workshops have been found to be subletting individual repair spaces to individual auto-mechanics, which further hampers the ability to monitor or guarantee services and quality products. It is also recommended to improve coordination among stakeholders for streamlining the issuance of licensing of auto-mobile workshops in Thimphu. For instance, three automobile service licenses were assigned to the same workshop space, leading to poor quality of service and consumer protection measures.

Public Education: It is also recommended that the OCP puts in place education and awareness programs, in particular for awareness of consumer rights in services through different channels of media such as print, social media, as well as education programs in schools since the majority of consumers in the consumer survey shared that they were not fully aware of the consumer protection act. The automobile services consumer perception survey shows that 45.69% of respondents are not aware of the Consumer Protection Act (Figure 5).

Figure 5: Awareness of Consumer Protection Act



Q 16. Are you aware of the Consumer Protection Act?

⁴ Association of Automobile Service providers of Bhutan (ASAB)

Chapter 3: Situational Analysis of Automobile Services Providers (Component-I)

1. Introduction

The legal framework for the protection of consumer rights is well-developed in Bhutan from the CPA 2012, which covers in depth the consumer guarantees for products and for services well as compensation and redressal mechanism. However, it is important to note that the difference between the gap between existing legislation and the existing practice is vast. The lack of information and understanding of consumer rights in services sector has had strong implications for consumers and consumer protection for the automobile services.

Box 1. Overview of Automobile Services Sector in Bhutan

The total present population of Bhutan is 768,577 consisting of a total of 307,431 urban population. It is projected that the total urban population of Bhutan will be 70-72% by 2045. The total number of automobiles registered by the RSTA in 2021 is 112,058, with an average annual growth rate of 9.33% in the last decade⁶.

More than 88% of private vehicles are registered in Thimphu and Phuntsholing Thromde. In 2021, 4,800 taxis were registered, with 66% of total taxis registered in Thimphu and 24% in Phuntsholing thromde.

Licenses Businesses in Automobile Service Sector, June 2021

Thromde	Dealers	Automobile service providers	Car rental business	Total no. of registered vehicles
Thimphu	35	284	88	59405
Phuntsholing	1.	157	n.a	37417
Gelephu	-	24	-	7410
SamdrupJongkhar	2.	125	-	5452
Total	35	590		109684

Source: compiled from data from Regional Trade and Industry Offices, Thimphu, Phuntsholing, Gelephu and Samdrupjonkhar, MoEA, June 2021 and RSTA Statistical Bulletin, Feb 2021

Registered Number of Automobiles, June 2021

Thromde	vehicles	taxis	Two-wheelers
Thimphu	59405	3804	486
Phuntsholing	37417	1104	659
Gelephu	7410	584	120
SamdrupJongkhar	5452	106	229

Source: compiled from RSTA Statistical Bulletin, Feb 2021

There are currently 35 automobile wholesale dealers in the country. All 35 have their offices showroom as well as service centres in Thimphu. Although the competition policy in the country does not permit a monopoly, the development of single country dealers per vehicle manufacturing brand is due to the small size of the market. International manufacturers do not see business logic and viability in nominating more than a single dealer for the Bhutanese market. However, there are two dealers for TATA Vehicles in the country at the moment and there are no regulations against more than single dealer.

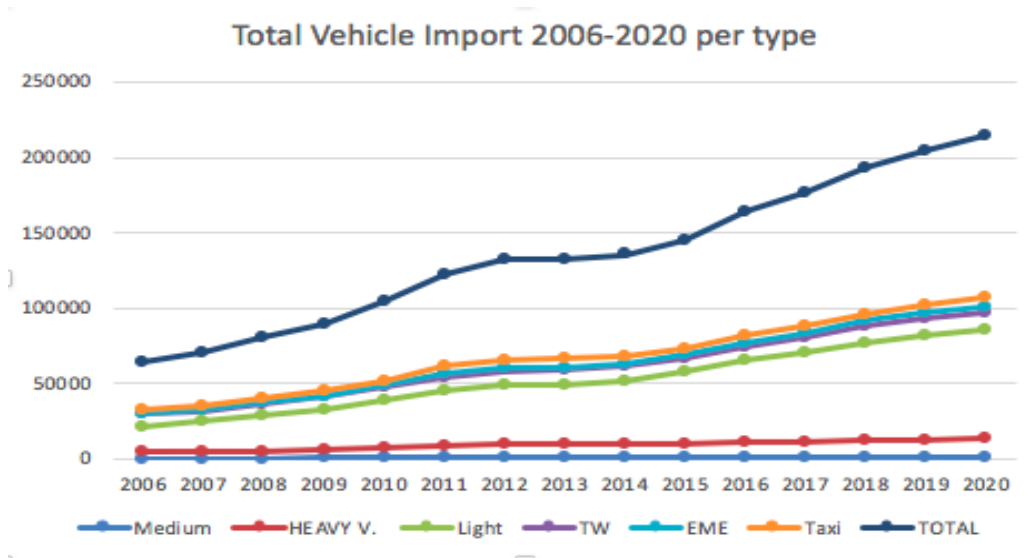
The growing number of vehicle imports has also led to the growth of the automobile services sector that include vehicle repairs (electrical and mechanical), car washes and tire repair businesses. As highlighted by the RSTA, although the roles and responsibilities of each institution in the sector functioning are well-defined, however

⁵ Road Safety and Transport Authority, MoIC Statistical Bulletin, Feb. 2021

⁶ ibid

there is no clarity on the responsibility of the monitoring of the quality of automobile spares or quality of services in automobile sector.

Figure 6: Total vehicle import from 2006-2020



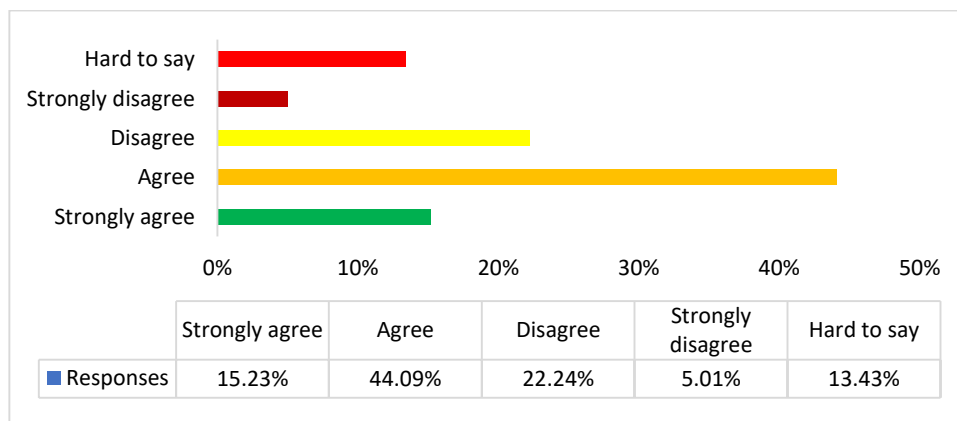
2. Perception of Consumer Protection in Automobile Service Providers

The perception of people towards Consumer Protection in automobile service providers across the four Thromdes was ascertained. The findings of consumer perception of consumer protection in automobile services sector are presented in Table 3 through the international measures of consumer protection and principles of good business practices. It is important to note that these are consumer perceptions based on experience and not reflections of existing practice which presented in chapter 4 of the study.

2.1. Consumer Perception on the quality in Automobile Services

It was imperative to gather empirical observations due to the fact that perception surveys in the sector was never conducted in the country. Figure 7 presents the results of the survey. In the absence of baseline survey, the asymmetrical relationship between the service provider and the consumer were found to lead to unequal respective bargaining powers and skewed knowledge base of consumers and supplier.

Figure 7: Consumer Perception of Quality in Automobile Services



Q 24. I cannot assess which services are really good, better than others

More 59.3% of consumers in the survey felt that they could not assess the quality of automobile services they purchased. Many reasons may be attributed for the asymmetrical relationships and unequal bargaining position of consumer and supplier.

Firstly, it could be led by the structure of the market, with few suppliers in the market-place due to excessive dominance of a few private suppliers. However, in the interesting case of Bhutan, it was found that the 35 existing vehicle dealers forming a natural cartelistic model due to small market size, were bound by stringent regulations in consumer protection in vehicle sales when compared to the remaining majority of over 400 cottage and small automobile service providers across the country.

The automobile dealers had clear and strict guidelines and codes of practice in place ensuring consumer protection frameworks due to the fact that they represent international manufacturers who already have best practices in place.

The significant lack of consumer protection in automobile services was found in cottage and small size business establishment further led by the disparate levels of consumer literacy and lack of knowledge specific to the sector. As the service provider and seller of parts had inherent knowledge of service and products, this led to a significant advantage over consumers regarding his/her own service.

Box 2 - Used Automobile Dealers Overview in Bhutan – Need for Monitoring

There are currently no specifically licensed used vehicle car businesses in the country other than asset brokers who deal with both sale of real estate and vehicles. With the increasing number of vehicle sales, the sale of used vehicle is also growing. Although until up-to 7 years ago, most used vehicles sales were made directly from the owner to the customer through personal sales deeds, the study also suggests implementation of guidelines and monitoring on used vehicle sales as timely in light of the growing number of asset brokers selling used vehicles. Putting in place guidelines for used car traders would also help organize the sector and improve customer protection.

International practice requires used car traders licensing regulations to provide statutory warranty on used vehicles that meet particular criteria. They usually have a car trader guidelines or act which includes used car traders. For example, if a person buys a second-hand vehicle from a trader that was manufactured not more than 10 years before the date it was sold and has been driven for less than 160,000 kms, that person has a particular statutory warranty that defects will be repaired or otherwise made good from the business establishment.

Used vehicles not covered by statutory warranty, are often still covered by consumer guarantees in international practice. For example, if a four-wheel drive vehicle which is not covered by statutory warranty as it has travelled too many kilometres, it is still covered by the consumer guarantee under the consumer protection act. Such guidelines and codes of conduct may not only strengthen consumer protection in general but more specifically improve trust in service providers in the country.

The study found that regulations of consumer protection of service consumers were neglected when compared to safeguarding consumer protection in purchases of products and goods in the country. Since unlike consumer goods, the supply of services involves human activities that cannot be subject to control of quality assessment, consumers were found to lack the technical expertise thereby weakening their bargaining position, as they found that they could not discuss or make a distinction on the quality of the service.

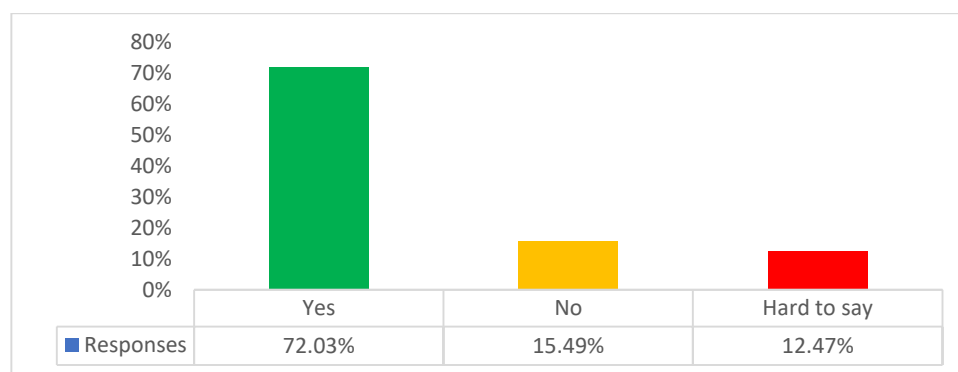
From the total of 500 respondents who participated in the study, 66% identified themselves as male while 33% as female and 0.2% identified as other. One can assume that this was also due to the fact that in Bhutan most males take their automobiles themselves to the automobile service providers and also on behalf of female owners. The age group of respondents was between 25 and 65 years. The respondent's education level were spread out with the following 44% having graduated from high school and less than 29.6% completing college. About 16% of respondents had completed less than 10 years of school.

2.2. Consumer Perception on Fair and Equitable Treatment

The perception survey showed that consumers felt that they were being dealt with fairly and honestly at all stages of their relationship with the service provider. Most consumers felt that they received fair and equitable treatment from automobile service providers in general and did not feel that there had faced any discrimination or biases. Consumers didn't feel that businesses had practices that harmed consumers, particularly with respect to vulnerable and disadvantaged consumers.

72.03% of consumers in the survey felt that they had received clear and timely information, address, name and contact number of service providers. Consumers felt that automobile service providers treated them fairly and equitably.

Figure 8: Consumer Perception on fair and equitable treatment



Q 4. Did you get the clear & timely information, address, name, contact, number of service provider?

However, with regards to product and service quality, almost 50% of consumers felt that they had come across substandard products as well as services from automobile service providers across the four thromdes. Survey results reflected that almost half of all consumers experienced substandard services and product and that they felt that there was no product or service liability by the business establishments.

Figure 9: Quality of Product and Services



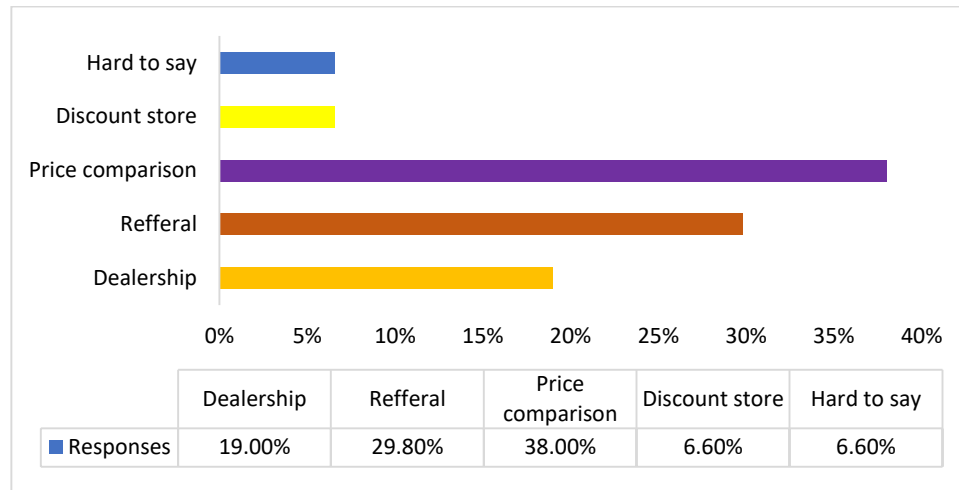
Q 14. Have you ever come substandard products and services

2.3. Consumer Perception on Commercial Behavior

Consumer protection requires that businesses should not subject consumers to illegal, unethical, discriminatory and deceptive practices such as abusive marketing tactics and abusive debt collection. In addition, in order to ensure consumer rights, businesses and their authorized agents as per the UNGCP, should have due regards for the interest of consumers and responsibility for upholding consumer protection as an objection.

In order to understand commercial, the questionnaire was designed based on the dimensions of SERVQUAL Model to develop insights concerning the criteria by which consumers judge service quality. The five dimensions identified in the questionnaire were **Tangibility, Reliability, Responsiveness, Assurance and Empathy**. More than 29% of respondents said that they choose their automobile service provider based on referral, based on reliability and assurance. This reflects need for accountability and trust since consumers felt that they could hold the referrals accountable.

Figure 10: Consumer perception on commercial behaviour

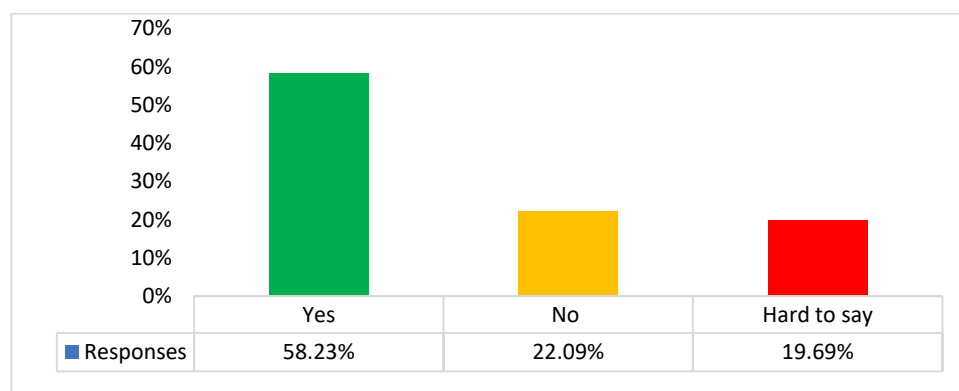


Q 22. How do you usually choose your service provider?

2.4. Consumer Perception on Disclosure and Transparency

An important measure for consumer protection is that businesses provide complete, accurate and not misleading information regarding their services, terms, conditions, products, applicable fees and final costs in order to enable consumers to take informed decisions. In addition, businesses should ensure easy access to this information, especially to the key terms and conditions regardless of the means of technology used.

Figure 11: Consumer Perception on Disclosure and Transparency



Q 8. Were the contract terms clear, concise and easy to understand?

Consumer perception on disclosure and transparency in automobile service providers showed that 58.2% felt that the contract terms were clear. However, survey and physical inspections of automobile services showed that the majority of automobile service providers do not display all their important information to consumers such as their service charge, prices of spare parts, and their certifications. Although the practice was recommended by the OCP in 2019, due to lack of monitoring, the majority of automobile service providers in the four thromdes had discontinued the practice. In addition, with regards to contracts, it was found that only

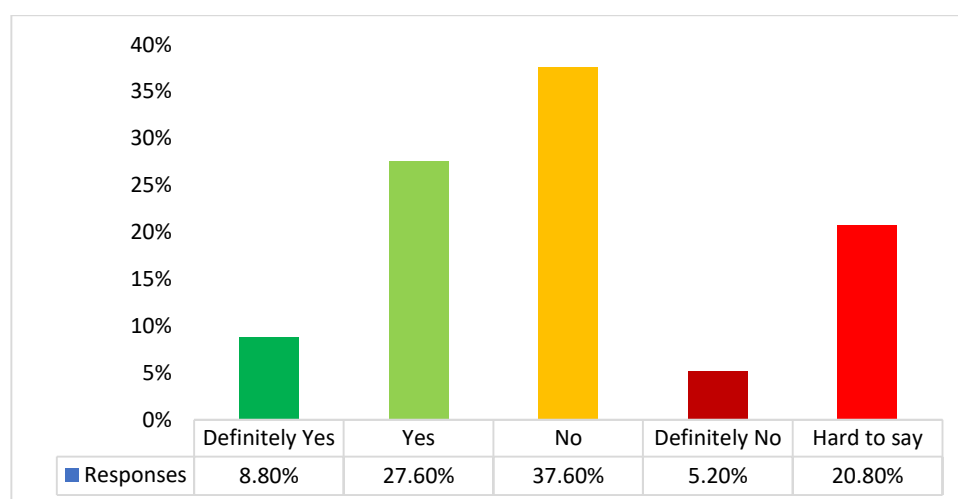
automobile dealers sign service contracts and sale deeds which are for new vehicle sales services under express warranty. The survey respondents were mainly referring to automobile sales contract and not service contracts.

2.5. Consumer Perception on Education, Awareness and Consumer Right

Businesses are encouraged as per the UNGCP, as appropriate, to develop programs and mechanisms to assist consumers to develop the knowledge and skills necessary to understand risks, including financial risks, to take informed decisions and to access competent and professional advice and assistance.

Survey results on understanding and awareness of consumer rights in automobile services was considerably low. More than 63% of respondents on the perception survey stated that they did not know their rights with regards to automobile services. While consumers were aware of their rights with regards to quality of products, the majority did not know how consumer protection could be related to services.

Figure 12: Perception on education, awareness and consumer right

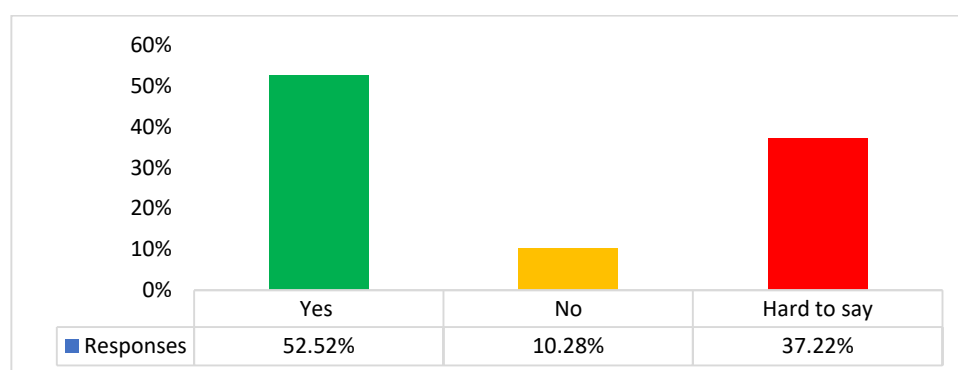


Q 19. Do you know consumer rights in the following situations, when your automobile service were not satisfactory?

2.6. Consumer Perception on Protection of Privacy

An important measure of consumer right is the protection of their privacy. Businesses should protect consumers' privacy through a combination of appropriate control, security, transparency and consent mechanisms relating to the collection and use of consumer information. With regards to protection of consumers privacy and data, 52.5% of consumers thought that they privacy and data security was maintained. 37.27% however, are not sure.

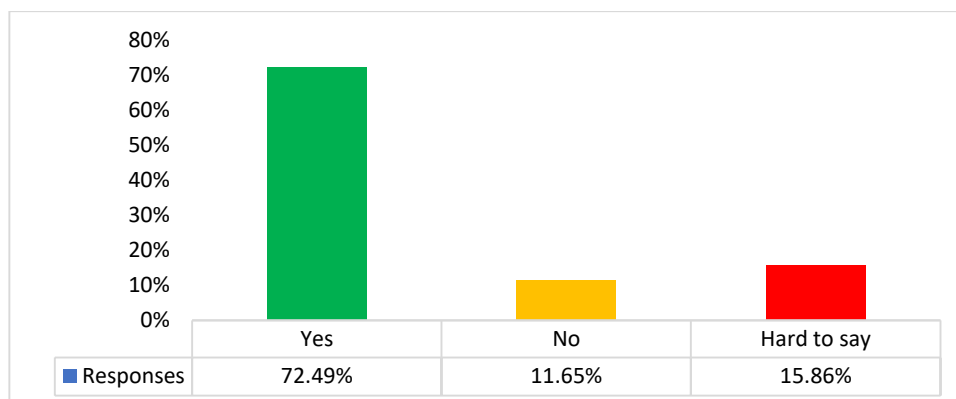
Figure 13: Perception on Protection of Privacy



Q 10. Did you feel your privacy and data security were maintained?

A significant number of consumers (72.49%) perceive that they have secure payment mechanism.

Figure 14: Perception on the payment security



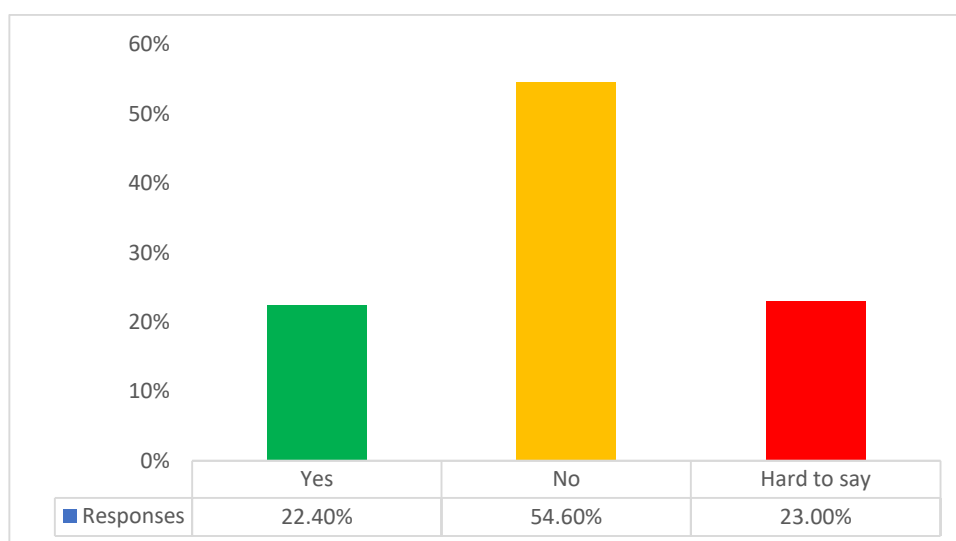
Q 9. Was there a secure payment mechanism?

2.7. Consumer Perception on Dispute and Redressal mechanisms

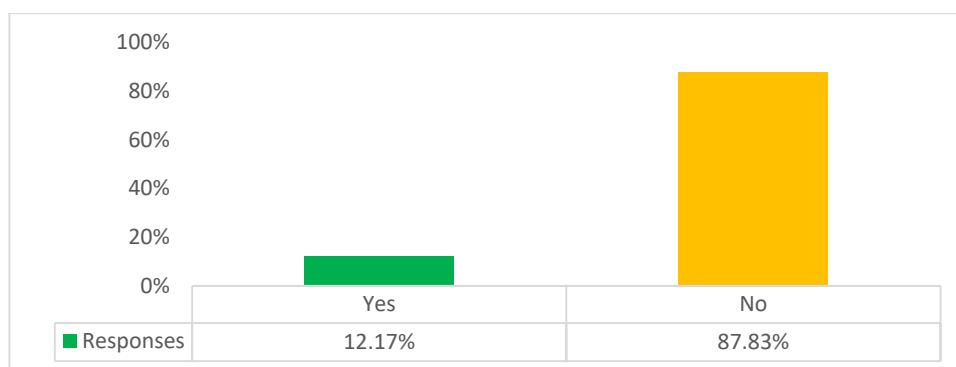
In order to ensure efficient consumer protection and consumer rights, businesses should make available complaints-handling mechanisms that provide consumers with expeditious, fair, transparent, inexpensive, accessible, speedy and effective dispute resolution without unnecessary cost or burden. Businesses should also consider subscribing to domestic and international standards pertaining to internal complaints handling, alternative dispute resolution services and customer satisfaction codes.

With regards to redressal and dispute settlement perception in the consumer perception of consumer protection in automobile services, it was found that a large portion of the consumers did not seek remedies for substandard services or products because they were not aware of the process or the redressal measures were not made accessible. This could be understood as a lack of understanding of legal framework and redressal mechanisms amongst consumers in particular in the services sector. This may also be linked to cultural skepticism on the redressal mechanism by the average consumer, who were not informed of the steps taken by the OCP in addressing their complaints.

Figure 15: Perception on the complaint lodge to OCP



Q 21. Do you know what would happen if you lodge a complaint to the Office in Consumer Affairs?



Q 15. If Yes, Did you complaint to the Office of Consumer Affair?

Box 3- Perception of Automobile Dealers and Service Providers to challenges to Consumer Welfare

Stakeholders from the automobile sector cited several concerns and challenges that they find necessary to address given that the study was the first to be initiated by the Government. They welcomed the study and the platform to voice their challenges and opinions and requested that these key concerns be noted in the study as they affect their pricing and quality of services.

- Access to finance – Access to credit and more flexible credit assessment from financial institutions would enable the automobile dealers to provider better products to their customers. In particular, it was highlighted that utility vehicles for farmers could be considered with preferential financing options.
- Lack of Skilled professionals – Automobile service providers and automobile dealers in the sector unanimously voiced the shortage of skilled professionals such as automobile engineers in their sector which often leads to the delivery of substandard services and higher costs of services. The ASAB stressed the demand of 700 mechanics urgently in the Thimphu Thromde itself.
- Restrictions on resale of used vehicles to neighbouring countries – Automobile dealers, in particular heavy vehicles, proposed the possibility of approving re-sale of used Bhutanese vehicles to neighbouring countries that would further expand their markets and also address the rising number of old vehicles in the country.
- Import of used or fake spare parts – The ASAB and vehicle dealers unanimously raised their concern on the import of fake spare parts and used spare parts and the lack of regulation and certification check which enables such imports.
- Limitations to Fitness tests of vehicles – The automobile dealers shared their enthusiasm in working with the RSTA to provide professional fitness tests for vehicles. For example, the failures of air bags and checking of air bags is one of the examples where the automobile dealers could provide their expertise.
- Licensing procedures – The ASAB voiced their concern in the licensing of automobile service providers without facility inspection before issuing of trade license which has led to several licenses operating under one space.

The challenges faced by the automobile service providers and automobile dealers have been reflected in this study on consumer protection as they are directly relevant to the standards and cost of services within the industry.

Box 4: Consumer Responsibilities and Consumer Protection

As per the CPA, the consumer has the responsibility to promote awareness concerning availability, price and quality of private and public goods and services. In addition, consumers also have the social responsibility to guard against the erosion of cultural, social and economic traditions along with the responsibility to consider the impact of their consumption patterns on the environment to maintain ecological balance.

As such the perception survey revealed that a significant number of consumers were yet to act on the consumer responsibility. For example, although 73% of consumers stated that they relied on certification of products while purchasing their products, only 65% stated that they check the certifications of the goods. In addition, only 34% of consumers request to see the training certifications of their mechanics while availing automobile services. Consumer responsibility can be facilitated through awareness campaigns by the OCP.

Chapter 4: Contract Terms and Conditions of Service Providers (Component-II)

1. Introduction

The study revealed that issues on contract terms and conditions of services providers in Bhutan are varied. Most service providers in the country, other than those representing international companies or institutions such as education consultancies and automobile dealers, do not provide contracts in particular for services. For those who provide legal contracts on their services, sub-clauses and details are limited.

The Contract Act of Bhutan 2013 put in place measures to “consolidate and codify” practices relating to contracts. The Act has legislative provisions regulating contracts and their performance tend to ensure the rights of the people concerning contractual transactions. This Act remains the legal framework and legislation guiding contracts in the country. While education consultancies have in place sectoral guidelines and stringent code of conduct, the rental, real estate and travel agents in the country have in place sectoral laws that monitor and safeguard the rights of consumers. Although the 2019 Ease of Doing Business Report ranked Bhutan 29 out of 190 countries in the “Enforcing Contract” indicator - with an average of 225 days in the country for enforcement of contracts.-This study revealed that contract terms with transparent and clear terms is necessary, particularly in the services sector.

2. Vehicle Dealers Contract Terms and Conditions

Considering the fact that car dealerships in Bhutan have to follow international warranties constructed by their foreign parent companies, this study also analyzed how foreign dealerships resolve consumer protection through international warranties.

The study revealed that automobile service providers in the country do not provide service contracts to customers in general. Other than for services that are within the express warranty period, automobile dealers also do not provide service contracts beyond the manufacturer’s warranty coverage.

It is recommended that service providers in the automobile sector sign contracts for their services in order to safeguard consumer protection as well as their own business practices. Putting in place contracts with clear terms and conditions would further develop the trust of consumers and also strengthen industry best practices and standards.

The following recommendations are made for service contract terms for automobile service providers:

Table 3: Recommendations for Contract Terms for service providers

Sl. No.	Measure	Comments
1	Provide written estimates and upfront pricing	<p>Based on International practice, Component pricing must not promote or state a price that is only part of the cost, unless also prominently advertising single total price. The single price must include any charge payable, along with the amount of any tax, duty, fee, levy, or other additional charge (GST, import tax, dealer fees or stamp duty.) the single price must be displayed at least as prominently as any component price.</p> <p>A prominent single price is one that:</p> <ol style="list-style-type: none"> 1. Stands out so that it is easily seen by a consumer 2. Is clear, eye-catching and very noticeable

		<p>What is prominent may vary in case-by case basis and you should consider factors such as the size, placement, color and font of the price, as well as the background of the advertisement.</p> <p>If a total price is comprised of a number of components, you must quantify and add up each component to the extent to which you are able.</p> <p>Where a total price involves:</p> <ol style="list-style-type: none"> 3. Combination of quantifiable and non-quantifiable components or 4. A component amount that fluctuates or varies (changes in foreign currency) clearly advice consumers of the basis on which the amounts were calculated and that they may change as not all components were able to be included in the single pricing.
2	Indications on the repair invoice of parts and labour details	There are no guidelines on the requirement of indications on the repair invoice of parts or of labour details.
3	Information on final invoice	Detailed information must be reflected in the final invoice with separate prices for labour and product costing.
4	Vehicle Identification Number - VINs	VIN must be stated in the contract
5	In-and-out mileage recordings	In and Out mileage must be recorded in the service contract.
6	Sequential document numbering	Detailed sequential numbering is recommended.
7	Need for notification for any work	Service contract must reflect the need to notify consumer on any additional work other than the work agreed to, with a contact number and mode of approval.
8	Sign the repair order prior to repair and information on each repair order	International best practice consider unauthorized repairs unlawful.
9	Details on parts (new, re-manufactured or used)	Option of new/re-manufactured or used parts should be clearly stated in contract along with part details.
10	Warranty on repair work	A warranty should be offered on service provided.
11	Requirement of final invoice to be within 10% of the original estimate	<p>'Reasonable costs' for a repair would be within the normal range charged by repairers of that type of vehicle, and include:</p> <ol style="list-style-type: none"> 1. The cost of the repair 2. Any other associated costs incurred by having the vehicle fixed elsewhere, such as transport costs.
12	Implied guarantee of time of completion	Where services are provided to a consumer, there shall be implied guarantee that the service will be completed within a reasonable time stated in the CPA 2012, a reasonable time must be listed in the service contract.
13	Language and redressal measures	Mention the availability of contract in Dzongkha and also state the redressal measures in the event of disputes within the service contract.

3. Rental and Real Estate Situational Analysis Contract Terms and Conditions

The CPA 2012 briefly raises consumer rights specifically to rental and real estate services in point 15 in the section titled “Land and Building Sales” as follows:

“15. No person shall in connection with the sale or grant or possible sale or grant of an interest in land and building make a false or misleading representation concerning any or all of the following:

- 1. The nature of the interest;*
- 2. The price payable;*
- 3. The location;*
- 4. The characteristics;*
- 5. The use to which land or building is capable of being put or may lawfully be put; and*
- 6. The existence or availability of facilities associated with the land or building.”*

Although the CPA does address the description of the product as well as ownership of the product, there are no clauses on the liability, fair trade, commercial behavior, and transparency or consumer awareness for consumers availing services from real estate and rental service providers in the country.

The other sectoral laws that govern the activity of rental and real estate service providers are the Moveable and Immovable Property Act of the Kingdom of Bhutan 1999, Rules on the Property Ownership Transfer Tax Act of Bhutan 2020 and the Tenancy Rules and Regulations of The Kingdom of Bhutan 2018, all of which cover consumer protection measure. With regards to rental contract, the Ministry of Works and Human Settlement (MoWHS) provides a detailed template of contract for tenants (Annexure 4.) The terms and conditions of rental contract as provided by the MoWHS covers all aspects of consumer protection.

The disclosure and transparency principle of best business practice as a measure to safeguard consumer protection are also not reflected in real estate and rental service providers as they do not share the prices of the properties upfront in their offices or their websites and listings. It is therefore recommended that the OCP encourages the service providers to provide price disclosure with terms and conditions disclosures.

4. Travel Agent Situational Analysis and Contract Terms and Conditions

There is no earlier research being carried out to study in detail of travel agents or tour operators in Bhutan about their contract terms and conditions. This study was based on the academic literature review and observations.

There are more than 3,000 travel agencies, over 4,000 certified tour guides, and 309 certified hotels (3-5 stars) including village homestays in the country. In addition, numerous handicraft shops, porter services, rafting, trekking and small businesses depend on tourism for livelihoods. The number of travel agents increased to 3,020 in 2019 from 100 in 2002. This drastic increase in the number of travel agents led to very high competition among the travel agents, particularly the smaller travel agents, to compete on the price by illegally lowering on the minimum daily rate instead of competing on the quality of services and products they offer.

The prevalence of undercutting on the rate leads to travel agents choosing lower quality standard hotels and other related tourism products at lower price in order to maximize their profit, which leads to low quality of tour. This contradicts to the policy set by the government of “High Value, Low Volume”.

Guidelines

The Tourism Policy of Bhutan 2021 outlines a clear direction for the promotion of Bhutan as a green, sustainable, inclusive, and high-value destination. Section 7.6 on Standard and Quality states that TCB, in collaboration with stakeholders, will “establish certification systems and standards” and also “ensure compliance to standards and code of ethics.” Section 8 of the Policy outlines the roles of stakeholders, through which Tour Operators are responsible for “operating business according to appropriate standards and code of ethics.”

These standards and code of conduct are further detailed in the Guideline for the Licensing, Registration, and The Code of Conduct for Tour Operators 2021, implemented by the TCB as its mandate from the Tourism Levy Act of Bhutan 2020, section 13.

Chapter 6 of the Guideline provides a clear Code of Conduct that provides protection to tourists, clients, employees, and service providers. The Guideline also has specific mentions for Travel Insurance (“Tour Operator and tourist shall discuss and decide on the travel insurance and also agree on the terms and conditions...”) and the related Penalties (“An act or omission that contravenes any of the provision of this Guideline shall constitute offence and shall be liable for penalty...”) TCB provides templates for the application of tour operator license clearance, including a Letter of Undertaking.

Although there is clear provision of terms and conditions for the regulation and conduct of Tour Operators, it is recommended that the Code of Conduct for Tour Operators be made public through public channels, such as the TCB website, and that license tour operators also be made mandatory to share this Code on their own website. Such transparency will uphold best practices in the industry and protect consumer rights.

Quality assurance is recognized as an essential element in the success for all industries and most particularly for the services sector in Bhutan. Delivering the quality service to the customer will result in significant advantages in the highly competitive environment of the travel services sector. This is reflected in customer satisfaction and loyalty, increased productivity and profitability and retention of qualified and experienced staff. The overall performance value of the Travel Agencies are below the importance values for 13 of the total 14 total attributes, 7 respondents were unsatisfied with hotel facilities, transportation, quality of food, overall tour package, value for money, cleanliness/sanitation, safety and security, website, brochures, guide responsiveness and attitude, other employees (driver and staff), efficiency and tour management.

Table 4: Situation Overview

Sector	Education consultancy	Real Estate & Rental	Tour Operator
Number of licensed businesses	33	24	3020
Sectoral legislation	<ul style="list-style-type: none"> • Constitution of the Kingdom of Bhutan • Contract Act of Bhutan 2013 • Consumer Protection Act 2012 • Guidelines for Education Consultancy and Placement Firms 2017 • Rules and Regulations for the Establishment and Operation of Commercial Ventures 1995 	<ul style="list-style-type: none"> • Constitution of the Kingdom of Bhutan • Consumer Protection Act 2012 • Contract Act of Bhutan 2013 • Rules and Regulations for Auctioning of Goods and Real Property 2014 • Moveable and Immovable Property Act 	<ul style="list-style-type: none"> • Tourism Policy 2021 • Guideline for the Licensing, Registration, and the Code of Conduct for Tour Operator 2021 • Contract Act of Bhutan 2013 • Consumer Protection Act 2012

⁷ The present situation of travel agencies and their future prospects in Bhutan, Tashi Dorji and Manat Chaisawat Faculty of Hospitality & Tourism, Prince of Songkla University, Phuket Campus, Thailand.

	<ul style="list-style-type: none"> • Consumer Protection Rules and Regulations 2015 • Guidelines on E-Commerce 2019 • Consumer Grievance Redressal Guidelines 2017 	<ul style="list-style-type: none"> of the Kingdom of Bhutan 1999 Land Act 2007 National Housing Policy 2019 Rules on Property Ownership Transfer Tax Act of Bhutan Inheritance Act of Bhutan Rules and Regulations for the Establishment and Operation of Commercial Ventures 1995 Consumer Protection Rules and Regulations 2015 Guidelines on E-Commerce 2019 Consumer Grievance Redressal Guidelines 2017 	<ul style="list-style-type: none"> Rules and Regulations for the Establishment and Operation of Commercial Ventures 1995 Consumer Protection Rules and Regulations 2015 Guidelines on E-Commerce 2019 Consumer Grievance Redressal Guidelines 2017
Monitoring agency	Department of Adult and Higher Education, Ministry of Education Ministry of Economic Affairs	National Land Commission Ministry of Works and Human Settlement Ministry of Economic Affairs	Tourism Council of Bhutan Department of Immigration Ministry of Economic Affairs
Industry Association	n.a	n.a	Association of Bhutan Tour Operators

5. Education consultancies situational analysis and contract terms and conditions

There are currently 33 licensed education consultancies in the country. The education consultancies and placement firms are strictly monitored by the Department of Adult and Higher Education (DAHE) under the Ministry of Education (MoE). It was found that the Guidelines for Education consultancy and Placement Firms 2017 by DAHE listed clearly all components to ensure consumer protection and consumer rights.

With regards to transparency and disclosure of information the Guidelines for Education Consultancy and Placement Firms 2017, DAHE, MoE, point 22 states that the ECPFs “must have proper address, signboard with name in front of the office, telephone numbers and other necessary indication of location, website,”

In addition, the ECPFs are required by the guidelines in section 26 and 29 to provide details of fees and costs, as well as charges. Section 26 states that ECPF’s “must provide complete and accurate information on all available options and cost during the initial counselling”, whereas section 29 states that “fees and charges must be made transparent providing break-up of all fees for each semester including consultancy charge/fee if any. There shall be no hidden costs.”

It was found that all 33 ECPF’s had agreements with the consumers as per the template provided in the guidelines in Annexure VIII. In addition, with regards to fair trade, section 32 of the guidelines states that

“all services availed by students/parents/guardian including the break-up of the fees and charges must be mutually agreed and agreement shall be signed for the purpose of clarity, the

terms of the agreement must be clear and understood by both parties and the parties shall be bound by the agreements.”

The additional recommendation is that a redressal measure and clause be added in the agreement template for ECPF's in order to ensure that the consumers are aware of the redressal measures in the event of disputes.

Chapter 5: Key Findings and Recommendations

1. Key findings

The following are the key findings from the study for the consumer rights.

1.1. Main Consumer Rights and Public Participation

The OCP need to ensure the protection of consumer rights and promote public participation in order to protect broad public interests from arbitrary decisions and abuse of monopoly powers. Main rights of the Consumer Protection include (1) Right to be heard, (2) Right to information; (3) Right to safety; (4) Right to choose; (5) Right to consumer education; (6) Right to consumer redressal; (7) Freedom to form consumer groups; (8) Promotion of sustainable consumption patterns; and (9) Promotion of economic interest of consumers. The rights are aligned with the UNGCP. However, there are no specific Acts, Policies, Guidelines or Codes of Conduct that regulate automobile service providers in the country.

These main consumer rights should be introduced in the automobile service providers in the country; the main approaches for the implementation of these rights should include:

- (a) Ensuring a transparent and predictable policy application to all the sector;
- (b) Promotion of good practices among service providers; and
- (c) Information and education of consumers.

The education consultancy and the tour operations are highly monitored and stringent standards have put in place by the concerned agencies such as the DAHE with the Education Placement Guidelines of the MoE. In addition, the cost of entry into these sector are higher due to licensing requirements through committee presentation, licensing costs and yearly renewal cost. These create a deterrent to market entry and further controls the safety of the consumers of the services. This need to review in order to bring more uniformity in relation to the consumer protection.

1.2. Information for decision-makers and for consumers

The households are becoming the major customers in the automobile sector. The owners and business operators should pay greater attention to the opinions and preferences of the consumers. Consumer surveys could be used regularly at different sector and at the local level, in addition to or as a part of the methodologies for assessing consumer protection. These sectors need to improve information provision to consumers, including provision of full, regular and reliable information about the sector and specific situations in particular locations.

The minimum set of information for consumers should include the information on:

- (a) Service standards, consumption norms, allowed interruptions of service provision;
- (b) Levels of and rules for establishing prices and taxes including advanced information about changes in prices and taxes;
- (c) Rights and obligations of consumers, service providers and regulatory authorities;
- (d) Procedures and forms of conflict resolution;
- (e) Performance of service providers; and
- (f) Available privileges and subsidies, procedures for and documents required for receiving them.

2. Recommendations

Based on the findings, the following recommendations are made:

- (a) OCP enforce regular monitoring schedules and more attention be given to small automobile service providers. The inspection and enforcement bodies need to give more attention in monitoring the sub-lease of workshop space individually;
- (b) Providing training on consumer protection guidelines in order to achieve a higher standard of services as well as to provide a comprehensive consumer protection. OCP could promote consumer groups so that adequate influence may be acquired in order to ensure public attention and support for consumer interests in these service sectors;
- (c) The consumer board could look into prescribing the standards of the service providers such as certification, board recognition of certification, in order to regulate the standards of the services together with relevant authorities such as RSTA and MoLHR;
- (d) Integrate consumer rights awareness in school curriculum from the secondary level onwards so that they may begin to learn their rights. In addition, consumer education with regards to quality of goods and services can be offered at all levels of school systems, as well as adult education programs, which in turn could lead to consumer groups;
- (e) In relation to automobile dealers and larger service providers, the study recommends a focus on providing information on spare parts sourcing, as well as implementing standard service contracts, price disclosures and providing service warranty to customers. This would address the negative perception towards service providers in relation to lack of information and transparency. An industry led implementation of best practices and ethical code of conduct would further benefit and strengthen consumer relations. It is recommended that the Association of Automobile Service Providers of Bhutan (ASAB) puts in place a mechanism in monitoring the services and spare part quality of their members, and also control services charges through a uniform retail pricing of services. While membership is not compulsory, automobile service providers who are members of ASAB could share their membership certification. Thus, it can be stated that the Association of ASAB and other industry associations such as ABTO and ECA can be helpful in self-regulation to strengthen the industry codes of practice;
- (f) Public Information should be provided in a form accessible for consumers, including contracts with the service providers containing detailed description of all the conditions. It should be stressed, that all information, which does not present commercial secrets, should be made available for independent experts. Besides, independent information about the performance of the sector can play an important role during the reform process. The right of the consumers for carrying out a public audit or expertise should be officially, possibly legally established; and
- (g) There is an importance to enacting specific legislations governing the automobile industry as well as measures for the safety of consumers. While it has been noted that the neither RSTA nor the NEC currently have the capacity to test the fitness of automobiles and engines thoroughly, the initial and urgent intervention recommended in this study is that OCP prioritize the immediate fitness test of vehicles through automobile service providers who have the capacity to conduct the tests that conform to the standards set by the RSTA.

Detailed key findings, recommendations for strengthening of consumer protection in the services sector are presented in Table 4;

Table 5 shows the summary of implication of key findings and recommendations for consumer protection in services sector (automobile services, rental and real estate, tour operations and education consultancy).

Table 5: Implication of key findings and recommendations

Consumer Protection Objective	Key Recommendation	Which providers cover?	Consumer awareness needs	Consumer education needs	Comments on implementation and roles
Disclosure and transparency	Require by regulation standardized price disclosure across all regulated service providers	All service providers (automobile service, rental, real estate, tour operations and education consultancy.)	Public information campaign on right to receive information (when, how, format)	Outreach to consumers through multiple channels, simple materials, practical	Service providers required to display and explain this information to the customers.
	Plain language and standard contract for services	All service providers in automobile, rental, real estate, tour operations, and education consultancy	Public information campaign in the right to understand your service, the tools available to do so pre-contract quotation and also should be provided in Dzongkha language if requested.	Initiatives interagency to help consumers understand agreements and use info in decision making such as taking home the documents and seeking advice before signing.	Key fact documents should be provided as cover sheets in agreement and pre-contract quotation should be signed by both parties. Plain direct language should be developed, and standard contract provisions are highly recommended.
	Service Guarantee Warranty awareness	Automobile service providers	Information on service guarantee, timeline, warranty coverage and protection and when coverage would be lost	Education consumers on benefits of shopping around and checking the list of covered guarantees and warranty coverage for automobiles and spares	Use broad range of media, including radio, local offices and newsprint
Fair practices	Service provider liability for manufacturer behavior	Automobile service and education consultancy	Incorporate relevant content into public information about rights to transparent disclosure and recourse in services	Education initiatives on right to recourse and how to pursue a complaint	Service providers, agents must provide bold signage at premises with clear disclosures in agreements and contracts
	Key Fact Documents about products and services	Relevant to all service providers	Incorporate key facts documents as part of the product and service marketing to enable consumer to	Incorporate as part of awareness campaign and education programs to ensure consumer	Service provider associations (ASAB) to set standards for these documents and take part in the campaigns.

			select appropriate services and products across the board comparisons.	request and use them.	
Effective dispute resolution and 3rd party recourse	Internal dispute resolution	All service providers	Incorporate information in contract regarding internal dispute resolution rights and procedures into public information	Integrate knowledge and skills regarding effective dispute resolution into initiatives for consumers.	Service providers could post procedures prominently in premises and on contracts. Surveillance by the regulators in sectors to monitor compliance of standards.
	Third Party recourse	Regulators (OCP), court tribunals, and industry associations	Integrated information about available resource mechanisms from the different sectors	Educate consumers on their rights to receive redress and mechanisms by report to regulators through administration where disputes were not settled.	Each sector regulator can provide information to public about recourse option. Media coverage to raise awareness and performance and publish an annual supervision report.

Box 6. Competition Law and Consumer Interest

Competition Legislation and Consumer Protection must both be implemented side by side. While competition can bring benefits to market efficiency by encouraging firms to provide better services and reduce prices and offer wider choices of goods, consumer protection must be also put in place to protect the rights and welfare of the consumer.

In the 2018 Global Competitiveness Report of 2018 released by the World Economic Forum, Bhutan ranked 82 in Global Competitiveness out of 190. The National Competition Policy 2014 was introduced in 2014 subsequently revised in 2020.

Most services sector in the Bhutan in particular are not regulated through standards which has led to increasing number of complaints at the Office of Consumer Protection.

Chapter 6: Impact of COVID-19

1. Key findings on the impact of Covid-19 Pandemic on Consumer Protection

The Automobile service providers and automobile dealers were not as significantly affected as other business establishments in the country by the impact of the Covid-19 pandemic. Nonetheless, automobile dealers from countries other than India shared that their imports were severely delayed due to transportation delays since March 2020.

The recent devastating impact of the pandemic in India since November 2020 also led to the significant delay in production and delivery of vehicles to Bhutan from India. With the closure of manufacturing plants in India and delays in deliveries to customers, automobile dealers shared that the average delivery period of 30 days from India has extended to over 6 months in 2021.

This ripple effect also affected automobile service providers with shortage of spare parts available. Although the demand increased due to the inaccessibility of services across the border, automobile service providers in border thromdes were stuck with lack of access to imports from India with the closure of borders. In addition, automobile service providers in the border towns also faced shortage of workers in the sector, as many were day worker employees from India.

The ASAB put in a request with the Ministry of Labour and Human Resources in June 2021 to employ 700 technical workers in the automobile services sector, due to increase in demand, however, the request has not yet been addressed. The suspension of cross-border trade and transit for automobile service providers has had significant impact since border closure with India and delays in delivery. This served as a reflection of the heavy reliance of businesses in the automobile services sector on foreign professionals as well as on imports.

Annex 1: Survey Questionnaire on perception on Consumer Protection in Automobile Service providers

- Q.1. How old are you?
- Q.2. What is your gender?
- Q.3. What is the highest level of education you have completed?
- Q.4 Did you get clear and timely information, address, name, contact number of the service provider?
- Q.5 Did you get clear and timely information regarding the service offered by the businesses and terms and conditions of the relevant transaction?
- Q.6 Where do you avail of your automobile services?
- Q.7 Were the contract terms clear, concise and easy to understand?
- Q.8 Was there a secure payment mechanism?
- Q.9 Did you feel your privacy and data security was maintained?
- Q.10 Do you feel you got accurate information on the environmental impact of the services, products, and on all aspects of the services?
- Q.11 Do you check the prices of the services you buy from alternative sources?
- Q.12 Have you ever come across substandard services?
- Q.13 Have you come across substandard products?
- Q.14 If Yes, did you complain to the Office of Consumer Protection?
- Q.15 Are you aware of the consumer protection act?
- Q.16 Regulations on Consumer protection are too complicated? Do you agree, strongly agree, disagree, strongly disagree?
- Q.17 Can the seller direct the customer coming with a complaint directly of a given product type directly to the manufacturer?
- Q.18 Do you know consumer rights in the following situations, when your automobile service provider was not satisfactory?
- Q.19 Do you agree- Bhutanese do not know their consumer rights?
- Q.20 Do you know what would happen if you lodge a complaint to the Office of Consumer Protection?
- Q.21 How do you usually choose your service provider?
- Q.22 What factors do you primarily take into account when buying your automotive services?
- Q.23 I cannot assess which services are really good, better than others; do you agree, strongly agree, disagree, strongly disagree or hard to say?
- Q.24 Do you rely on certification when you purchase a product?
- Q.25 Do you check tests and certifications on the goods and services that you buy?
- Q.26 Do you check the training certificate of automobile service providers?

Annex 2: Focus Group Agenda, Questionnaire for Automobile Dealers

Agenda

1. Brief Study on Consumer Protection in Automobile Service Providers
2. Findings of consumer survey
3. Discussion on respective existing contract terms, warranties
4. Understanding of legislative framework on Consumer protection
5. Challenges and concerns

Questions

1. Do you offer an automobile service contract upon the sale of a vehicle?
2. What are your manufacturer warranty terms?
3. Do you have required recommendation for coverage of warranty terms?
4. Do you display your service prices?
5. What challenges do you face in providing quality automobile services?

Annex 3: Key Sector Stakeholders interviewed

Organization	Official	Title	Location
Road Safety and Transport Authority	Mr. Sithar Dorji	Chief Planning and Policy Division	Thimphu, Bhutan
Road Safety and Transport Authority	Chief Engineer	Chief Engineer	Thimphu, Bhutan
Office of Consumer Protection, MoEA	Mr. Sonam Tenzin	Director	Thimphu, Bhutan
Office of Consumer Affairs			
Bhutan Chamber of Commerce and Industry	Mr. Sangay Dorji	Secretary General	Thimphu, Bhutan
Association of Automobile Service	Mr. Karma Tenzin	Executive Director	Thimphu, Bhutan
Department of Adult and Higher Education, Ministry of Education	Mrs. Sangye Choden	Chief	Thimphu, Bhutan
Association of Bhutan Tour Operators	Mr. Rabsel Dorji	Board Member	Thimphu, Bhutan

Annex 4: Proposed Template-Automobile Repair Contract

Date:
Name of Automobile Service Provider:
Phone no.:
Address :
License no. :

Customer Name:
Phone no. :
Address:
Vehicle License Plate no:
Make of vehicle:
Model:
Year:
Color:

Labour Charges: The estimates of repair includes parts, labor and diagnosis. Please be advised that labor rates are attached. Any labour charges will be at the customer's responsibility, if on further inspection, additional parts or repairs are needed, the customer will be contacted for prior authorization.

Storage policy: Once the repair of the vehicle is completed, the vehicle must be picked up and paid for in full within 72 hours of notice or storage charges will accrue. If the vehicle is returned to a customer before repairs are preformed, storage charges beginning the day the vehicle is brought in, diagnostic charges, tow bill (if any), handling charges will be paid before the vehicle is released. No storage is due if the vehicle is repaired at the workshop except as stated above.

Personal items: I, the customer, will be responsible for any personal items left in the vehicle for any loss. I the customer agree to remove all personal items from my vehicle before any work is commenced.

I, the customer authorize workshop to complete repairs. I acknowledge the policies and practices explained and personally guarantee that I will pay off all sums, upon presentation of final invoice. If payment is not made in full within days, the company may proceed in filing a lien on the vehicle for acquisition of the title.

I agree to divulge any information in pre-existing conditions.

Confidentiality:and its employees, representatives will not at any time or in any manner, either directly or indirectly, use for the personal benefit of the company, or divulge, disclose or communicate in any manner, any information that is proprietary to the customer. The workshop will protect such information and treat it as strictly confidential. This provision will continue to be effective after the termination of this contract. Upon the termination of this contract, the workshop will return all records and notes.

Term: this contract will terminate automatically within 3 months of signing date.

Terms of This Agreement:

The customer and workshop agree that this agreement shall not be assignable without the written consent or signature of all parties.

The customer agrees to pay Nu.....for any returned check, such as non-sufficient funds, account closed, stop statement or for any other reasons.

This agreement shall be construed in accordance with the laws of the Kingdom of Bhutan. Any action brought to enforce or interpret this agreement shall be brought in the jurisdiction in..... Bhutan.

Estimate Authorization and Acknowledgment of Policies:

Please Read Carefully, check each statement below and sign:

I have understood the terms of the agreement

I request a written estimate

Workshop Authorized Signature / Acknowledgement of policies

Customer Signature / Date

References

1. UNCTAD, Manual on Consumer Protection, New York and Geneva, 2004
2. UNCTAD, United Nations Guidelines for Consumer Protection (1999)
3. OECD Toolkit for Policy Makers on Consumer Protection
4. OECD Guidelines for Consumer Protection in the Context of Electronic Commerce (1999)
5. RSTA Statistical Bulletin, Feb. 2021
6. Consumer Protection Act 2012
7. Guidelines on E-Commerce 2019, MoEA
8. Bhutan Retail Trade Regulation 2006
9. 12th FYP 2018-2023
10. Economic Census of Bhutan 2018-2019
11. Contract Act of Bhutan 2013
12. Guidelines for Education Consultancy and Placement Firms 2017
13. Rules and Regulations for the Establishment and Operation of Commercial Ventures 1995
14. Consumer Protection Rules and Regulations 2015
15. Consumer Grievance Redressal Guidelines 2017
16. Rules and Regulations for Auctioning of Goods and Real Property 2014
17. Moveable and Immovable Property Act of the Kingdom of Bhutan 1999
18. Land Act 2007
19. National Housing Policy 2019
20. Rules on Property Ownership Transfer Tax Act of Bhutan
21. Inheritance Act of Bhutan
22. Tourism Policy 2021
23. Guideline for the Licensing, Registration, and the Code of Conduct for Tour Operator 2021