

Vehicle Delivery Delays & Advance Booking Fees Charged by Dealers – an investigation report

1. Background

During recent times, there has been a few complaints on the social media from aggrieved consumers against authorized vehicle dealers in the country - for taking abnormally long time to deliver pre-ordered vehicles; and having to pay large upfront advance booking payments.

While generally, COVID-19 pandemic is understood to have disrupted the global supply chain for goods, there is a need to ascertain whether these delays were actually caused by the supply disruptions or not. It is also important to find out if the advance booking payments are abnormally high.

The Office of Consumer Protection (OCP) Team visited the following dealers to verify if consumer complaints are true and determine the reasons thereof.

- a. Samden Vehicle
- b. Thunder Motors
- c. Zindra Pvt Ltd
- d. Singye Agencies
- e. Bhutan Hyundai Motors
- f. Dhejung Motors (Honda)
- g. STCBL
- h. Shingkhari Pvt Ltd

2. Findings and Observations

i) Factors Causing delays in Delivery of Vehicles

Generally, it is understood from most dealers that supply has been impacted mainly as a result of decrease in production of vehicles - which in turn, is understood to be impacted by factory shut-downs, erratic supply of raw materials including chips and further disruptions in shipping.

The manufacturers had notified the vehicle dealers (OCP verified emails received from the factory) about the delay in delivery. Subsequently, the dealers had intimated to individual customers (OCP learnt it was done via emails and some through telephone calls).

Further, online review of past news indicate verity of the reason that vehicle production decrease in India caused supply disruption.

(<https://auto.economictimes.indiatimes.com/news/passenger-vehicle/cars/lockdown-in-6-states-to-impact-31-of-indias-car-market/82154934>).

The vehicle dealers also pointed out that the online registration system operated by the Department of Revenue & Customs (DRC) at Phuentsholing for import registration was open for two hours only twice a week; which according to them was not adequate leading to further delays. The DRC corroborated that this issue persisted during the initial stage but now daily import registration facility is available. Furthermore, DRC also confirmed that during the nationwide lockdown, the import of vehicles had stopped and this would have also contributed to the delay delivery of vehicles to the consumers.

Keeping in line with the prescribed COVID-19 prevention protocol, goods clearance at the border was restrictive. Clearing & Forwarding Agents (CFA) takes longer time to clear the goods; since the protocol permits clearance of only two trailers per day per vehicle dealer. This too would have an impact in the timely delivery of goods to the final consumers.

ii) Vehicle dealers and their advance booking

It was found that the vehicle dealers have to make full payment at the time of placing order to the manufacturing company by opening either OD Facility or CD Accounts or through Real Time Gross Settlement (RTGS) remittance. The OCP verified this from the vehicle dealers by getting access to their official transaction records. Advance booking charges are levied based on the brand, type and of the vehicles ordered (Tab. 1).

Table 1: Advance Booking Charges levied by Vehicle dealers in Thimphu

	Dealer	Type of Vehicle	Booking Charge	Remarks
1.	Samden Vehicle Dealer	TATA	Nu. 50,000 - Nu. 100,000	Depending on type of car
2	Dhejung Motors	Honda	Nu. 200,000 - 500,000	Depending upon the cost of the vehicle.
3	STCBL	Isuzu/Toyota	Nu. 100,000 -150,0000	30% of the vehicle cost
4	Zimdra	Maruti Suzuki	Nu. 30,000 -100,000	Depending upon the cost of the vehicle.
5	Shingkar Pvt Ltd	Kia	Nu. 300,000	20% of vehicle cost
6	Bhutan Hyundai Motors	SUV (Creta, Venue)	Nu. 300,000	Lump sum
		Hatchback (i10, i20, Santro, eon,)	Nu. 200,000	Lump sum
7	Singye Agency	Bolero Pick ups	Nu. 200,000	Lump sum
		Scorpio	Nu. 300,000	Lump sum
		Truck/ Machines	Nu. 50,000	Lumpsum

iii) *The delivery period of the vehicles*

With regards to the impact of pandemic on the timely supply of vehicles, dealers were affected in different ways based on the type and source of vehicle (Tab. 2).

Table 2: Comparison of Vehicle Delivery time prior to and during the pandemic

	Vehicle dealers	Delivery Duration (Pre pandemic)	Delivery Duration (during pandemic)	Remarks
1.	Samden Vehicle dealer	1 - 2 months	30 - 45 days	The pandemic has not severely affected delivery since manufacturing plant is located at Jamshedpur, WB. Even at the height of the pandemic, the factory was operating at 50% capacity.
2	Dhejung Motors	2 months	<ul style="list-style-type: none"> ▪ 2 - 3 months for cars manufactured in India. ▪ 6 months (cars manufactured in others countries) 	
3	STCBL	2 months	2 months	During the pandemic the demand for Toyota vehicles dropped drastically while the demand for Isuzu increased. The manufacturer in India had a huge stock of Isuzu that could be delivered without much delay.
4	Zimdra	1 - 2 months	1 - 3 months	
5	Shingkar Pvt Ltd	3 months	3 - 4 months	
6	Bhutan Hyundai Motors	3 - 4 months	6 - 7 months	

7	Singye Agency	3 months	6 months	
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iv) *Terms and conditions pertaining to cancellation of order*

The OCP studied the terms and conditions of the various dealers related to the order of the vehicles to see if there are any contraventions to the CPA, 2012 and its rules and regulations. Terms and conditions were clear and does not directly contravene with the rules and regulations.

However, most provisions in the contract are designed to protect the business's own interest and does not seem to be highly favorable to the consumers (Table 3).

Table 3: Terms and conditions offered by vehicle dealers (not exhaustive, excerpts only)

	Dealers	Terms and Conditions
1.	Samden Vehicle	<ul style="list-style-type: none"> ▪ Technical specification is subject to change, ▪ Any delay due to any unforeseen circumstances beyond control, 100% advance amount will be retained as cancellation charges. ▪ Delivery time 3 months from date of confirmation. ▪ If delivery of the vehicle is not taken within a period of 1 year from the date of booking then the company will retain the booking amount and any amount deposited related to the vehicle booked.
2	Dhejong Motors	<ul style="list-style-type: none"> ▪ 50% of the cost of the vehicle should be deposited as advance (but in reality they levy a lump sum amount of Nu. 200,000- 500,000). ▪ In case of cancellation 10% of the cost of the vehicle shall be payable to the company.
3	STCBL	<ul style="list-style-type: none"> ▪ Cancellation of order after depositing advance money shall result in the forfeiture of 100% of advance money, unless the customers arrange or bring in another confirmed customer for the same vehicle which was booked. ▪ The arrived vehicle may be given to another customer if the same is not picked up within two weeks from the date of arrival intimation to the concerned customer.
4	Zimdra	<ul style="list-style-type: none"> ▪ In case of cancellation 2% of the cost of the vehicle is deducted from the lumpsum amount deposited by the customer and any changes in prevailing rate of taxes as per the RGOB shall be borne by the customer.
5	Shingkar Pvt Ltd	<ul style="list-style-type: none"> ▪ Prices and specifications are subject to change by the manufacturer without prior notice. ▪ Additional Nu. 6,000 for Thimphu delivery. ▪ If the order is cancelled before or during the delivery date, deducts 10% from advance booking charges.
6	Bhutan Hyundai Motors	<ul style="list-style-type: none"> ▪ No cancellation after confirmation of booking is entertained. ▪ In case of delay, the information regarding the delays being relayed to the consumers.
7	Singye Agency	<ul style="list-style-type: none"> ▪ In case of cancellation 2% of the cost of the vehicle is deducted from the lumpsum amount deposited by the customer and any changes in prevailing rate of taxes as per the RGOB shall be borne by the customer.

3. Major Findings and Recommendations:

- This investigation reveals that manufacturing and shipping of vehicles was disrupted by the pandemic. Such delays were beyond the control of the vehicle dealers.

- It was found that the vehicle dealers have to deposit 100 percent advance to the manufacturers at the time of order. In light of this, the booking advance amount appears reasonable.
- The terms & conditions of booking vehicles are favourable towards the vehicle dealers, particularly concerning delays and cancellations. While they do not directly contravene consumer protection rules and regulations, OCP has to explore ways and means to get the dealers to improve terms and conditions for the benefit and confidence of the consumers. At the same time OCP need to carry our more awareness program on the need to insist on terms and conditions and fully grasp the nuances of the terms and conditions, before signing the contracts.
- For each brand of vehicle, there is only one authorized dealer in the country. Such monopolistic market conditions deprives consumers of choice of dealer, thereby losing out in terms of price and the quality of service. While it would be ideal to have multiple dealers in the country for the benefits of consumers, it is understood the small size of the market does discourage manufacturers from appointing more than one dealer. Nonetheless, the Department of Trade (DOT) could further explore ways to put in place multiple dealers through negotiations with the manufacturers.
