



COMPETITION COMMISSION OF INDIA

Suo Motu Case No. 01 of 2016

In Re: Cartelisation in the supply of Anti-Vibration Rubber Products and Automotive Hoses to Automobile Original Equipment Manufacturers

Against:

- 1. **Bridgestone Corporation, Japan** 2. Sumitomo Riko Company Limited, Japan Tokai Rubber Auto Parts India Pvt. Ltd. 3. For 4. **Toyo Tire and Rubber Company, Japan Anti-Vibration** 5. Yamashita Rubber Co. Ltd., Japan **Rubber Products** 6. Marugo Rubber Industries Ltd., Japan 7. Hokushin Chemical Industries Ltd., Japan 1. Sumitomo Riko Company Ltd., Japan 2. Tokai Imperial Rubber India Pvt. Ltd. For 3. Teito Rubber Ltd., Japan Automotive 4. Kinugawa Rubber Industrial Company Ltd., Japan Hoses 5. Togawa Rubber Co. Ltd., Japan
 - 6. Toyoda Gosei Co. Ltd., Japan
 - 7. Daiei Sangyo Kaisha Ltd., Japan

CORAM

Ashok Kumar Gupta Chairperson

Sangeeta Verma Member

Bhagwant Singh Bishnoi Member

ORDER UNDER SECTION 26 (6) OF THE COMPETITION ACT, 2002

Facts:

1. The present case pertains to alleged cartelisation amongst certain parties in relation to Requests for Quotations ('**RFOs**') issued by certain Automobile Original Equipment Manufacturers ('OEMs') for supply of (i) Anti-Vibration Rubber Products ('AVR Products'); and (ii) Automotive Hoses (Water and Fuel) ('Hoses').







- 2. The case commenced upon receipt of certain information under the provisions of Section 46 of the Competition Act, 2002 (the 'Act') read with the Competition Commission of India (Lesser Penalty) Regulations, 2009 (the 'LPR') which disclosed that two or more of the following companies had exchanged information and/ or reached agreements amongst themselves, as to who would supply AVR Products and Hoses in response to the RFQs issued by certain Automobile OEMs:
 - 1. Bridgestone Corporation, Japan ('**Bridgestone**')
 - 2. Sumitomo Riko Company Limited, Japan ('SRK')
 - 3. Tokai Rubber Auto Parts India Pvt. Ltd. ('Tokai Rubber')
 - 4. Toyo Tire and Rubber Company, Japan (**'Toyo'**)
 - 5. Yamashita Rubber Co. Ltd., Japan ('Yamashita')
 - 6. Marugo Rubber Industries Ltd., Japan ('Marugo')
 - 7. Hokushin Chemical Industries Ltd., Japan ('Hokushin')
 - 1. SRK
 - 2. Tokai Imperial Rubber India Pvt. Ltd. ('Tokai Imperial')
 - 3. Teito Rubber Ltd., Japan ('Teito')
 - 4. Kinugawa Rubber Industrial Company Ltd., Japan ('Kinugawa') Automotive
 - 5. Togawa Rubber Co. Ltd., Japan ('Togawa')
 - 6. Toyoda Gosei Co. Ltd., Japan ('Toyoda')
 - 7. Daiei Sangyo Kaisha Ltd., Japan ('Daiei Sangyo')
- 3. The information disclosed that these companies had exchanged information through in-person contacts, phone calls, e-mails *etc.* such as the price to be quoted in the RFQs and had generally allotted the RFQs amongst themselves. Such conduct had taken place in Japan. However, the automobiles incorporating these AVR Products and Hoses were directly or indirectly sold in different geographies including in India. Thus, based upon the above information, the Commission, forming an opinion that these companies have *prima facie* indulged into conduct which is in contravention of the provisions of Section 3 (3) (a), 3 (3) (b), 3 (3) (c) and 3 (3) (d) read with Section 3 (1) of the Act, passed an order dated 06.01.2016 under Section 26 (1) of the Act, directing the Director General ('**DG**') to cause an investigation into the matter and submit an investigation report.
- 4. The DG, after causing a comprehensive investigation, had submitted its investigation report to the Commission. Upon consideration of the same, the Commission had, *vide* its order dated 05.04.2019, directed the DG, under the provisions of Section 26 of the

For Anti-–Vibration Rubber Products

For

Hoses





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Act read with Regulation 20 (6) of the Competition Commission of India (General) Regulations, 2009 ('General Regulations'), to cause further investigation in respect of certain RFQs for AVR Products floated by

, and
as well as in respect of the RFQs for Hoses floated by
for , to ascertain
the appreciable adverse effect on competition ('AAEC') in India, if any, caused as a
result of the alleged cartelisation amongst the parties in respect of these RFQs.
However, no supplementary investigation in respect of the RFQs floated by
was directed.

5. Subsequently, the DG had submitted its supplementary investigation report to the Commission. The Commission, upon consideration of the investigation report and the supplementary investigation report submitted by the DG, *vide* its order dated 26.11.2019, had decided to pass an appropriate order in the matter.

Investigation by the DG:

- 6. As stated in the investigation report, AVR Products and Hoses are two different and specialised products involving different set of suppliers and can be described as *'intermediate products'* which are used by the Automobile OEMs as input components in manufacturing finished items *i.e.* automotive vehicles. AVR Products primarily comprise of rubber and metal, and are installed in suspension systems and engine mounts as well as in other parts of an automobile to reduce the road and engine vibration and noise. They comprise of three broad categories *viz.* engine mounts, suspension bush parts and strut mounts. On the other hand, Hoses are also automobile components and can be classified into two categories *viz.* water and fuel. There are several variants of automotive water hoses like hoses of water conduction to the radiator, bypass water hoses and water heater hoses while automotive fuel hoses are also of various types which can be used as applications of hydraulic pressure, necessary for hydraulic power steering and automotive transmission.
- 7. During its investigation and supplementary investigation, the DG has analysed the following RFQs floated by the following Automobile OEMs for supply of AVR Products and Hoses:







8. However, in respect of each of the above RFQ/ RFI, the DG has concluded that no contravention of the provisions of the Act by the parties in the matter is made out.





Analysis by the Commission:

- 9. The Commission has analysed in detail the investigation report and the supplementary investigation report submitted by the DG and the various evidences and submissions available on record.
- 10. At the outset, the Commission notes that with regards to AVR Products, Tokai Rubber has submitted before the DG that over the last 10 years *i.e.* from 2006 to 2016, it has never submitted any quotations for the RFQs issued by OEMs

or **directly**. Rather quotes were submitted by its holding company SRK in Japan for all such RFQs. Further, NOK Corporation, on behalf of Hokushin, has also submitted before the DG that it has not conducted any business activity in the Indian market and its AVR Products are supplied only domestically in Japan to OEMs and/ or their sub-contractors. It has no subsidiaries or joint ventures in India as well.

- 11. Similarly, with regard to Hoses, the Commission notes that Tokai Imperial has submitted before the DG that over the last 10 years *i.e.* from 2006 to 2016, it has never submitted any quotations for the RFQs issued by OEM **Community**. Rather quotes were submitted by its holding company SRK in Japan for all RFQs issued by **Community**. Further, Daiei Sangyo has also submitted before the DG that its only customer for Hoses is **Community** and it has never sold any Hoses to **Community**.
- 12. Further, the Commission notes that the DG also, in its investigation reports, has also not brought out any material which indicates any role of Tokai Rubber, Hokushin, Tokai Imperial and Daiei Sangyo in the alleged cartelisation in the present matter. Therefore, the Commission holds that no contravention of the provisions of Section 3 of the Act on part of Tokai Rubber, Hokushin, Tokai Imperial and Daiei Sangyo is made out in the present matter.
- 13. Now, the Commission proceeds to examine the conduct of the remaining parties, first with respect to AVR Products and then with regard to Hoses, OEM and RFQ wise.

AVR Products

- 14. <u>RFQs issued by</u>
 - 14.1 The DG has investigated five RFQs issued by for supply of AVR Products for its various vehicle models. Analysis upon each of the same is stated in the succeeding paras.





- 14.2 Regarding (i) RFQ issued in **Second Products for Second Products for Model**; (ii) RFQ issued in **Second Products for Second Products for Second Products for Second Products for Second Product P**
- 14.3 In respect of (iv) RFQ issued in **and** for AVR Products for the **and** model; and (v) RFQ issued in **and** for AVR Products for the **and** model, the information received by the Commission disclosed that the representatives of SRK and Yamashita, *vide* an e-mail chain dated **and**, had discussed and co-ordinated bids for the said RFQs. The DG, during its investigation, had issued notices confronting the said e-mail chain to all the concerned parties. In its response to the DG notice, Yamashita has submitted that this e-mail seems to be discussing the response of YUSA (a US subsidiary of Yamashita) to RFQ for **and** issued by

said model was not exported to India at all and had nothing to do with the Indian market. has also stated that no global RFQ was issued by it for procurement of AVR Products for **and the example of and the example of a state of and the example of a state of the example of the example of the example of a state of the example of the example of the example of a state of the example of the example of the example of a state of the example of a state of the example of the example of the example of a state of the example of the exam**

which were generated in North America. The





15. <u>RFQs issued by</u>

- 15.1 The DG has investigated three RFQs issued by for supply of AVR Products for its various vehicle models. Analysis upon each of the same is stated in the succeeding paras.
- 15.2 Regarding (i) RFQ issued in **Constant of AVR** Products for **Constant of MVR** Products for **Constant of MVR** Products for **Constant of AVR** models, the information received by the Commission disclosed that the parties *viz.* Bridgestone, SRK, Marugo and Yamashita had discussions on sourcing of AVR Products during **Constant of Products** for **Constant of Products** for
- 15.3 In this regard, the DG had issued notices to the parties involved as well as to and its Indian subsidiary seeking details regarding said RFQs/ sourcing thereof during the relevant period.
- 15.4 In reply, three parties *viz*. SRK, Yamashita and Marugo submitted that they did not supply any parts to **supply** in India. Bridgestone, another party, also submitted that though there might have been a possibility of meeting between the parties in this regard, however, it cannot verify the same.
- 15.5 As regards the responses furnished by OEMs and and a single it is noted that both and and have not provided any details relating to the RFQs issued by them, details pertaining to the period of supply, and the total number of AVR products supplied in India. The has only provided the number of models *i.e.* 805 and models *i.e.* 39,03,049 imported to India during is to . However, it has failed to provide the details of the RFQs by which the AVRs installed in these models were sourced. Even is has also failed to provide the details of the RFQs for sourcing of AVR Products used for manufacturing in India stating that sourcing was done by in Japan.
- 15.6 Thus, from such responses of the parties, the DG has concluded that it cannot be established that the potentially affected AVR Products were fitted in the aforementioned models manufactured/ sold in India. The investigation also could





not find any evidence of cartelisation/ bid-rigging against the alleged contacts between the parties. Therefore, since the DG has not brought out in its investigation reports any evidence which may establish the factum of alleged contacts amongst these parties, the Commission holds that no contravention by the parties, of the provisions of Section 3 of the Act, in respect of these RFQs, is established. Moreover, in light of the finding of the DG that it cannot be established that the potentially affected AVR Products were fitted in the **sector** models manufactured/ sold in India, no AAEC in India as a result of the alleged contacts between Bridgestone, SRK, Marugo and Yamashita is also established.

16. <u>RFQs issued by</u>

- 16.1 The DG has investigated three RFQs and one RFI issued by for supply of AVR Products for its various vehicle models. Analysis upon each of the same is stated in the succeeding paras.
- 16.2 Regarding (i) RFQ issued in for AVR Products for platform models, the information received by the Commission disclosed that Bridgestone and SRK had come to an agreement in Japan for supply of AVR Products to for these models. The DG had issued notices to Bridgestone and SRK in this regard in order to seek further details from them regarding the said sourcing. In their responses, both SRK and Bridgestone admitted to having had such contacts in relation to RFQs for AVR Products in Japan. However, for expressed its inability to trace any relevant information pertaining to the related RFQ/ tender issued by for the DG has found that AAEC in India as a result of the alleged contacts between Bridgestone and SRK cannot be established. Therefore, the Commission holds that no contravention by the parties, of the provisions of Section 3 of the Act, in respect of this RFQ, is established.
- 16.3 With respect to (ii) RFQ issued in for AVR Products for

platform models, the information received by the Commission disclosed that Bridgestone, SRK and Toyo had discussions and allocated the orders of AVR Products for engine mounts including NZ, ZZ, AZ, AZ-D and MZ engines. It was also disclosed that **was also disclosed that was also disclosed that**





configurations to be used for the **second vehicles** including **second vehicles** including **second vehicles** including **second vehicles**, *etc.* In this regard, the DG had issued notice to **seeking details of the alleged sourcing. In response, seeking, on behalf of second vehicles**, has submitted that no model with **second vehicles** and installed with AZ, MZ, NZ or AZ-D engine was ever sold in India, except for India bound **second vehicles** model installed with ZZ engine. However, **second vehicles** issued in relation to **second vehicles** model. In this backdrop, since the DG has not brought out in its investigation reports any evidence which may establish the factum of alleged contacts amongst these parties, the Commission holds that no contravention by the parties, of the provisions of Section 3 of the Act, in respect of this RFQ, is established. Moreover, the DG, in its investigation reports, has also been unable to show any AAEC in India as a result of the alleged contacts between SRK and Bridgestone.

- 16.4 As regards (iii) RFI issued in **Commission disclosed that SRK and Bridgestone had discussions with respect to the supply of suspension bush part for Commission disclosed that SRK and Bridgestone had discussions with respect to the supply of suspension bush part for Commission disclosed that SRK and Bridgestone had discussions with respect to the supply of suspension bush part for Commission disclosed that SRK and Bridgestone had discussions with respect to the supply of suspension bush part for Commission disclosed that SRK and Bridgestone had discussions with respect to the supply of suspension bush part for Commission disclosed that SRK and Bridgestone had discussions with respect to the supply of suspension bush part for Commission disclosed that SRK and Bridgestone had discussion disclosed that SRK and Bridgestone had discussion itself disclosed that Commission had a competitive RFQ for this model.** Moreover, upon notice from the DG, **Commission has also stated that no related RFQs/ tender details were available with Commission has not brought out any evidence which may establish the factum of alleged contacts amongst these parties, the Commission holds that no contravention by the parties, of the provisions of Section 3 of the Act, in respect of this RFI, is established.**
- 16.5 Lastly, with respect to (iv) RFQ issued in **Sec.** for AVR Products for **Sec.** platform models, the information received by the Commission disclosed that Bridgestone and SRK had discussions on engine mount parts and torque rod parts included in the RFQs issued for supply of AVR Products for **Sec.** model. In response to DG notice, **Sec.** has submitted that many parts other than engine mount parts and torque rod parts were also included in RFQ of **Sec.** for **Sec.** model. Further, **Sec.** has submitted that this RFQ was finalised in **Sec.** However, it has not been able to furnish any data pertaining to the relevant vehicle models been supplied to





India. In this backdrop, since the DG in its investigation reports has not brought out any evidence which may establish the factum of alleged contacts amongst these parties, the Commission holds that no contravention by the parties, of the provisions of Section 3 of the Act, in respect of this RFQ, is established. Further, in light of such submissions made by the OEM **DEM** before the DG, the DG has even found that AAEC in India as a result of the alleged contacts between Bridgestone and SRK cannot be established.

17. **RFQs** issued by

- 17.1 The DG has investigated three RFQs issued by for supply of AVR Products for its various vehicle models. Analysis upon each of the same is stated in the succeeding paras.
- 17.2 For the (i) RFQ issued in for AVR Products for Platform model, the information received by the Commission disclosed that representatives of Bridgestone, SRK and Toyo met in person on multiple occasions for sourcing of engine mount system for model. In this regard, SRK has admitted of having such discussions but contrary to this, the other two parties namely Bridgestone and Toyo have pleaded ignorance of having any such discussions amongst themselves. Further, has also expressed its inability to furnish RFO details as well as the number of models imported and sold in India because as per models were sold in India as Complete Built Up ('CBU'). In this backdrop, since the DG in its investigation reports has not brought out sufficient evidence which may establish the factum of alleged contacts amongst these parties, the Commission holds that no contravention by the parties, of the provisions of Section 3 of the Act, in respect of this RFQ, is established. Further, in light of such submissions made by the OEM before the DG, the DG has even found that AAEC in India as a result of the alleged contacts between Bridgestone, SRK and Toyo cannot be established.
- 17.3 Next, for (ii) RFQ issued in **Constant of a comparative statement showing** platform **Solution** platform **Constant of a comparative statement showing** platform sourcing results and found an internal communication regarding a meeting between SRK and Bridgestone.





has expressed its inability to furnish the said RFQ details as well as the details of the number of **models** sold in India because as per **models**, **models** were sold in India as CBU. In this backdrop, no AAEC in India as a result of the alleged contacts between Bridgestone and SRK or Toyo and SRK is established. Therefore, the Commission holds that no contravention by the parties, of the provisions of

17.4 Lastly, for (iii) RFQ issued in for AVR Products for Platform model, the information received by the Commission disclosed that Bridgestone, SRK and Toyo had discussed the RFQ issued in in Japan for model (known as in India). SRK and Bridgestone have acknowledged before the DG that RFQ issued by for sourcing of AVR Products for model was discussed amongst themselves. On the other hand, Toyo has submitted that it never supplied AVR Products to any of the Automobile OEMs involved in the matter. In response to a DG notice, (Indian subsidiary of). on behalf of the submitted that Bridgestone won this RFQ which was finalised on . However, it has not been able to furnish any data pertaining to the relevant vehicle model been supplied to India. In light of such submissions made by the OEM before the DG, the DG has found that AAEC in India as a result of the alleged contacts between Bridgestone, SRK and Toyo cannot be established. Therefore, the Commission holds that no contravention by the parties, of the provisions of Section 3 of the Act, in respect of this RFQ, is established.

Section 3 of the Act, in respect of this RFQ, is established.

Hoses

18. <u>RFQs issued for</u>

- 18.1 The DG has investigated two RFQs issued for **control** for supply of Hoses for its various vehicle models. Analysis upon each of the same is stated in the succeeding paras.
- 18.2 Regarding (i) RFQ issued in **Commission** for Hoses for **Commission** platform, the information received by the Commission disclosed that SRK and Kinugawa had an understanding that Kinugawa would win supply orders for water hoses while SRK would get certain fuel hoses orders. The information also provided three e-mail evidences (e-mails dated **Commission**, **Commission** and **Commission**) exchanged between





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the representatives of SRK and Kinugawa pertaining to exchange of sensitive information about bid pricing for supply of Hoses for Platform vehicles. When confronted with such e-mails, both SRK and Kinugawa admitted of having such anti-competitive contacts with each other at multiple locations including in India. However, it was submitted by them that these e-mails pertained to the year which is prior to the enforcement of Section 3 of the Act. Even water Hoses issued by it in were finalised before the enforcement of the provisions of Section 3 of the Act. Regarding supply of such which is prior to the Act. Regarding supply of such methods and week its provided any information.

- 18.3 In addition to this, Toyoda, another party in the alleged Hoses cartel, in its response to the DG notice, has also admitted to have had meetings with SRK and exchanged price information relating to the RFI for production of platform in Japan. However, it has stated that it has never sold Hoses to till now anywhere in the world.
- 18.4 In light of such submissions made by the OEM **Define** before the DG, the DG has found that AAEC in India as a result of the alleged contacts between SRK and Kinugawa or SRK and Toyoda cannot be established. Therefore, the Commission holds that no contravention by the parties, of the provisions of Section 3 of the Act, in respect of this RFQ, is established.
- 18.5 With respect to (ii) RFQ issued in for Hoses for model, the information received by the Commission disclosed that SRK had contacts with Kinugawa (Indian subsidiary of Teito), Togawa and Toyoda to exchange prices and co-ordinate bids. However, upon analysis of the responses received from SRK, Togawa, Toyoda, Kinugawa as well as in this regard, the DG noted that the information exchange between the above parties in this regard pertained to supply of Hoses to manufacturing model for manufacturing model for the Indian market at all, as per the DG, no contravention of the provisions of the Act is made out against the parties in this regard. As AAEC in India as a result of the alleged contacts between SRK, Kinugawa, Togawa and Toyoda cannot be





established, the Commission holds that no contravention by the parties, of the provisions of Section 3 of the Act, in respect of this RFQ, is established.

Conclusion:

- 19. In view of the above analysis and findings of the Commission, the Commission holds that no contravention of the provisions of Section 3 (3) (a), 3 (3) (b), 3 (3) (c) or 3 (3) (d) read with Section 3 (1) of the Act is established against the parties in the supply of AVR Products and/ or Automotive Hoses to the Automobile OEMs in the present matter as the DG has failed to bring out sufficient material on record wherefrom contravention of the provisions of Section 3 read with Section 32 of the Act by the parties is established. Therefore, the present matter is ordered to be closed under the provisions of Section 26 (6) of the Act.
- 20. The Commission also directs that two versions of the present order may be prepared non-confidential *qua* parties' version and public version. The same shall be prepared keeping in mind the confidentiality orders passed by the DG and the provisions of Section 57 of the Act.
- 21. The Secretary is directed to inform all concerned, accordingly.

Sd/-(Ashok Kumar Gupta) Chairperson

Sd/-(Sangeeta Verma) Member

New Delhi Date: 26.02.2020 Sd/-(Bhagwant Singh Bishnoi) Member