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Does changing distributors violate the Competition Law? Lessons from KPPU's Ningbo AUX decision

CLIENT UPDATE: Competition and Antitrust

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On 8 September 2026, the Indonesian Competition Commission (**KPPU**) found that:

1. Ningbo AUX Electric Co., Ltd. (**AUX Electric**);
2. Ningbo AUX IMP & EXP Co., Ltd. (**AUX IMP & EXP**); and
3. PT Teknologi Cipta Harapan Semesta (**PT TCHS**),

(together, the **Reported Parties**),

had not violated Articles 16, 19(d), 23, and 24 of Indonesia's Competition Law[1] in Case No.13/KPPU-L/2025 (the **Case**).[2]

The Case concerned the distribution and sale of "AUX"-branded air-conditioning products (**AC**) in Indonesia and changes made to the distribution arrangements of AUX AC products in Indonesia.

AUX IMP & EXP entered into a series of distribution agreements for AUX products with PT Berkat Elektrik Sejati Tangguh (**PT BEST**) for over 20 years, most recently taking effect on 1 September 2023 until 1 September 2024.

Separately, AUX Electric entered into a distribution agreement for certain AUX products with PT TCHS on 1 January 2024, while the PT BEST distribution agreement was still ongoing.[3]

PT BEST had distributed AUX products for approximately 20 years before PT TCHS was appointed to distribute certain AUX products. The KPPU investigators (**Investigators**) alleged that the Reported Parties had unfairly shifted the distribution chain from PT BEST to PT TCHS, to the unfair advantage of PT TCHS, eventually terminating the PT BEST distribution agreement on 5 July 2024.[4]

What Competition Law violations did the Investigators allege?

The Investigators alleged that the Reported Parties had violated various Competition Law articles by:[5]

- entering into a new distribution agreement with a foreign party (AUX Electric) that could harm competition, in violation of Article 16;
- discriminating against PT BEST by prioritising supplies to PT TCHS and reducing or stopping supplies to PT BEST, in violation of Article 19(d);
- conspiring to obtain or use PT BEST's confidential business information, including financial data, sales volumes, prices and marketing strategies, in violation of Article 23; and
- conspiring to obstruct PT BEST's production or marketing activities by limiting its access to AUX products and ultimately excluding it from AUX's distribution network, in violation of Article 24.

What did the Reported Parties argue?

The Reported Parties disputed the investigators' assessment of the competitive relationship between PT BEST and PT TCHS.

Their main argument was that the two distributors handled different categories of AC products supplied by different AUX entities, arguing that:

- PT BEST primarily distributed *residential AC products* (**RAC**); and

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1 Law 5 of 1999 on the Prohibition of Monopolistic and Unfair Business Competition Practices (as amended).

2 Article 16 concerns agreements with foreign parties, Article 19(d) concerns discriminatory practices, Article 23 concerns conspiracy to obtain confidential information and Article 24 concerns conspiracy to hinder a competitor's business.

3 Pages 144 and 189 of the Case.

4 Page 142 of the Case.

5 Pages 19-41 of the Case.

- PT TCHS distributed *commercial AC products* (**CAC**).

The Reported Parties also argued that RAC and CAC products differed in their characteristics, applications and prices, and could not be substituted for one another. They also argued that the distributors operated in different relevant markets and that the termination of PT BEST's distributorship arose from separate contractual and commercial considerations, including sales performance and supply-related issues.

What did the Indonesian Competition Commission (KPPU) conclude?

The KPPU's Panel of Commissioners (**PoC**) in its Case decision dismissed all four Investigators' allegations. The PoC's key consideration was that PT BEST and PT TCHS were not competitors in the same relevant market due to differences between the products they distributed and the periods during which they sold the products.[6]

Why did the PoC dismiss the allegations?

KPPU's decision turned to the relevant market and the timing of the distributors' activities.

1. PT BEST and PT TCHS did not compete in the same relevant market

KPPU distinguished between RAC and CAC products. Although both carried the AUX brand, KPPU found that the products differed materially in their characteristics, uses and prices, and were not substitutable.

KPPU also considered the timing of the product sales. PT BEST's CAC product sales took place in 2016-2017, whereas PT TCHS began distributing CAC products in 2024. KPPU therefore found that the two distributors were not competing for the same relevant products during the same period.[7]

2. The alleged violations were not established

Based on its findings, KPPU concluded that none of the four alleged violations had been proven.

Alleged Articles	KPPU's consideration
Article 16	The PoC did not identify any provisions in the AUX Electric and TCHS distribution agreement that could give rise to monopolistic practices and/or unfair business competition. The PoC's assessment also took into account the relevant market, particularly the relevant product and geographic markets, and concluded that PT BEST and PT TCHS were not competitors due to differences in product characteristics and the timing of their respective sales.
Article 19(d)	The differences in treatment did not establish prohibited discrimination because PT BEST and PT TCHS were not competing businesses in the same relevant market.[8]
Article 23	The element of conspiracy was not established, as the relevant market in this case involved products with different characteristics and prices that were neither similar nor substitutable, as well as differences in the timing of their respective product sales. Accordingly, PT BEST was not a competitor of PT TCHS in the sale of AUX-branded CAC products in Indonesia.
Article 24	PT BEST and PT TCHS were not found to be competitors in the same relevant market.[9]

[6] Pages 180 and 201 of the Case.

[7] Page 187 of the Case.

[8] Pages 188-193 of the Case.

[9] Pages 197-200 of the Case.

What does this mean for businesses?

The Case offers several practical lessons for businesses reviewing or restructuring their distribution networks in Indonesia.

- **Assess the relevant market before changing distribution arrangements**

  The fact that two distributors sell products under the same brand does not necessarily mean they compete in the same relevant market. Product characteristics, intended uses, pricing and substitutability may affect the market definition.

  Businesses should also assess whether the distributors concerned actually compete for the same customers and sales opportunities, rather than relying solely on brand identity or their position within the same distribution network.

- **Consider the timing of competitive activity**

  The competitive relationship between distributors may depend not only on the products they sell but also on when they sell them. Historical sales of a product may not necessarily establish that two distributors compete in the same market during the relevant period.

  Businesses should therefore record the products distributed, sales periods, customer segments, and commercial arrangements relevant to any proposed change.

- **Document the commercial rationale for distributor changes**

  A distributor's replacement or termination may raise questions if it coincides with the appointment of another distributor, changes in supply priorities or restrictions on the former distributor's activities.

  Businesses should maintain clear records of the reasons for their decisions, including contractual grounds, sales performance, payment history, supply arrangements and other relevant commercial considerations. Such records can help support the basis for a decision if it is later challenged.

- **Handle distributors' confidential information carefully**

  The Case also involved allegations concerning the use of PT BEST's commercial information. Businesses should ensure that confidential information received during negotiations, proposed joint ventures or other commercial discussions is handled in accordance with applicable confidentiality obligations and used only for authorised purposes.

  Even where distributors operate in different relevant markets, businesses should not assume that all concerns regarding confidential information are automatically resolved.

Conclusion

The Case highlights the importance of establishing the actual competitive relationship between distributors when assessing allegations arising from changes to distribution arrangements. In this Case, KPPU found that PT BEST and PT TCHS distributed materially different products and did not compete in the same relevant market during the relevant periods. This finding was decisive in the dismissal of all four alleged violations.

For businesses, the key takeaway is that changing a distributor while a current distribution agreement is still ongoing is not, by itself, a competition law violation. However, the legal assessment will depend on the relevant market, the distributors' actual competitive relationship, the timing of their activities and the circumstances surrounding the change. Businesses should therefore assess these factors and maintain appropriate supporting documentation before implementing significant changes to their distribution networks.

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If you would like to discuss any aspect of this update, or your industry activities or plans, please feel free to contact us.

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