

COFECE-01-2017

COFECE recommends local governments and state legislatures eliminate restrictions for establishing and operating gasoline and diesel service stations

- *COFECE analyzed 319 state and municipal regulations governing the establishment and operation of fuel service stations.*
- *COFECE detected several regulations and provisions that are hampering the establishment of new service stations or restricting competition between the stations already established. This, limits the expansion of the overall supply affecting consumers.*
- *The existence of a greater number of service stations operated by different economic agents is highly important since consumers have more options and this impact retail fuel prices.*

Mexico City, January 11, 2017.- The Federal Economic Competition Commission (COFECE or Commission) made recommendations to state governors; Mexico's City Head of Government: state legislatures, and municipal officials, to remove regulatory restrictions that hinder the establishment and operation of fuel service stations, restrict competition or give advantages to stations already established.

The number of retail service stations in local markets, as well as the competition that prevails among them, has an impact on profit margins and, therefore, on final prices paid by consumers. In the transition to competitive retail gasoline markets, state and municipal governments play a key role to further expand supply of fuel service stations.

In Mexico, there is a low penetration of service stations in comparison with international benchmarks. In fact, in order to catch up with other countries (based on the average number of vehicles served by service station) 2,000 to 12,000 new service stations must be built.

This opinion complements the recommendations of the report "Transition to competitive retail gasoline and diesel markets", issued by COFECE in July 2016. Following this work, the



authority analyzed 319 state and municipal regulations and provisions on urban development, zoning, environment, safety and waste management, relevant to the establishment and operation of service stations.

The opinion, which covered the 32 states and major cities of the country, identifies regulatory restrictions, as well as the states and municipalities keeping them, such as:

- Minimum distance requirements between service stations;
- Unjustified surface and characteristics of the property requirements that could limit different service formats;
- Requirements inconsistent with federal regulations that could restrict or increase entry costs, considering that the provisions on industrial and operational safety, as well as environmental, as a result of the 2014 energy reform, are of federal jurisdiction when it comes to the industry of hydrocarbons; and,
- Provisions that generate uncertainty when obtaining permits, licenses or authorizations.

On its Annexes, the opinion also details all states and municipalities imposing restrictions to competition, and the regulations containing these restrictions.

Therefore, the Board of Commissioners of COFECE recommends the following:

1. To eliminate provisions providing for minimum distance requirements between service stations.
2. To eliminate provisions establishing minimum surface and main front requirements for service stations.
3. To update regulations governing the establishment of service stations in accordance with the new regulatory framework.

4. To set transparent and public criteria for the granting of authorizations, licenses, and permits to construct and operate service stations, aimed at providing legal certainty.

These measures will promote competition, contributing to the development of a competitive retail fuel market, particularly relevant in the context of the opening up of the sector in Mexico.

[Full document \(in Spanish\).](#)

– 000 –

MORE COMPETITION FOR A STRONGER MEXICO

The Federal Economic Competition Commission is entrusted with safeguarding competition and free market access. Through this, it contributes to consumer welfare and the efficient functioning of markets. Through its work, COFECE seeks better conditions for consumers, greater output, better services and a “level playing field” for businesses.

