

COFECE-012-2017

COFECE acknowledges the Mexican State of Morelos for legal reforms to promote competition between gas stations

- *The Morelos' Congress approved a reform introduced by the Governor of the State to provide fuels at competitive prices.*
- *The criteria incorporated into the State's legal framework followed COFECE's recommendations to eliminate regulatory barriers restricting the establishment of new service stations.*

Mexico City, March 14, 2017.- The Mexican Federal Economic Competition Commission (COFECE) acknowledges the Mexican State of Morelos for the recently approved legal reforms to promote competition between gas stations and enhance fuel supply at competitive prices for consumers.

With the amendments to the Municipal Organic Law, Ecological Balance and Environmental Protection Law, Land Use Planning and Sustainable Human Development Law, and the Public Works and Related Services Law, the State of Morelos defines parameters for authorizing the establishment of new service stations, avoiding the imposition of excessive requirements or contradictory obligations to those established in the federal energy regulations.

Now, municipal authorities must ensure that no minimum distances restrictions, constraints on the land area or characteristics of buildings where service stations are to be constructed, are imposed. Local regulations should not go beyond federal safety regulations and environment provisions. In addition, municipalities will be obliged to establish response times to permit requests.

The criteria incorporated into the legal framework of the State of Morelos follow the recommendation issued by COFECE in January this year, so that authorities and legislators of state and municipal governments remove regulatory barriers that restrict the establishment of new service stations. These restrictions to competition give economic benefits to established companies and prevent investment in the states, harming consumers.

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The number of service stations competing in a specific territory is a determining factor for competition as it creates incentives for companies to reduce its profit margins and improve the quality of the goods and services they offer. This, in turn, is reflected in the final prices paid by consumers and the quality of the service received.

Mexico has low market penetration of service stations in comparison to international benchmarks. In fact, to catch up with other countries (based on the average number of vehicles served by service station) from 2,000 to 12,000 new service stations must be built, in the short term. For this reason, the proper implementation of the energy reform, in which local governments play a key role, opens the opportunity for greater investment and incentives service stations to compete for consumer's loyalty through substantive improvements in service and price. It is therefore essential that state and municipal regulations facilitate entry and encourage competition.

COFECE respectfully calls for municipal authorities in the state of Morelos to harmonize their regulatory provisions with the state reform. Similarly, calls for all the Mexican States and municipalities to participate in the successful implementation of the energy reform.

See COFECE recommendations to local governments and state legislatures to eliminate restrictions for establishing and operating gasoline and diesel service stations.

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