COFECE-032-2017

Sinaloa undertakes actions to eliminate barriers to competition in public freight transport services

- *The Mexican Federal Competition Commission (COFECE for its Spanish acronym) recognizes the Mexican state of Sinaloa for the modifications to the Transit and Transportation Law, which will improve the quality and prices of the service, as well as the entry of new competitors into the market, in compliance with the resolution issued by COFECE's Board of Commissioners in the file IEBC-002-2015.*

- *This Commission calls upon authorities and legislators of all Mexican states where similar obstacles to competition may exist, to modify regulatory frameworks, boost economic growth, and eliminate the privileges of a few.*

Mexico City, June 20, 2017. With the reform to the Transit and Transportation Law passed in recent days, the state of Sinaloa is moving towards the elimination of barriers to free competition and market access in the public freight transport services. The reform establishes new rules that will foster more favorable conditions for the efficient operation of this important activity, which could translate into greater supply, lower prices and improved quality for the benefit of multiple productive chains.

The following amendments are emphasized:

- The discretionary powers of the state authority in the procedure for granting and renewing concessions and permits are limited by law, which favors the entry of new service providers derived from objective and competitive mechanisms. Likewise, the procedure to decree the closure of a route or zone, which allowed the Governor not to grant concessions in the benefit of established providers, was eliminated.

- Public officials responsible for regulating the freight transport services are barred from obtaining a concession, thereby avoiding conflicts of interest in the exercise of their powers.

- The state Law adopts a regime that eliminates the freight transport permits by geographic area, so that a permit holder can provide the service on all roads under state jurisdiction. This will favor competitive pressure between economic agents to the consumer's advantage.

- Tariffs will be freely set by the permit holder and the user, rather than by political criteria between authorities and established economic agents.
- Preferential rights for granting concessions disappear. They only benefited unions, alliances, syndicates and societies of transport workers.
- Construction and materials companies may self-provide of the freight transportation service, if appropriate to their interests.

The changes stated indicate that progress was made regarding the resolution issued by the Board of Commissioners that determined the existence of barriers to competition and free market access in the Sinaloa public freight transport services (IEBC-002-2015), and that the regulatory framework should be reformed to favor competition, access of new competitors to the market, as well as self-supply of transport services.

Freight transport services are essential for economic growth because of its role in the supply chain of various sectors by linking the areas of supply and demand of goods and inputs where there are no other transport means.

It should be emphasized that in Mexico the promotion of competition conditions in the markets for public freight transport services, is a pending task. From a review undertaken by this Commission, the following possible regulatory obstacles were identified:

- Baja California Sur, Campeche, Chiapas, Durango, Sonora and Tabasco prevent economic agents from self-providing freight transport services.
- Campeche, Chiapas, Chihuahua, Colima, Mexico City, Durango, State of Mexico, Guerrero, Hidalgo, Michoacan, Morelos, Quintana Roo, Sonora, Tabasco, Tamaulipas, Tlaxcala, Veracruz and Zacatecas restrict the number of concessions and permits per holder.
- Baja California, Campeche, Chiapas, Coahuila, Durango, Querétaro, Sonora, Veracruz and Yucatan grant "zone permits" which authorize the provision of services to certain geographical zones.
- Tabasco and Chiapas empower the executive branch to suspend, on a discretionary basis, the granting of concessions or permits; Chihuahua, Coahuila, Jalisco, Tlaxcala and Veracruz allow this power to set or modify tariffs.

- Baja California Sur, Campeche, Coahuila, Durango, Guerrero, Jalisco, Michoacan, Oaxaca, San Luis Potosi, Sonora, Tlaxcala and Zacatecas establish preference criteria that is not objective or that favor local suppliers when granting concessions and permits.

- Baja California Sur, Chihuahua, Durango, Guerrero and Zacatecas set rules that foster conflicts of interest, for example, by allowing the participation of private parties in regulatory decisions.

COFECE restates its respectful call to the authorities and legislators of all Mexican states to assume their co-responsibility in the implementation of procompetitive legal frameworks that allow greater opportunities for economic development, eliminate the privileges of a few and generate greater welfare for consumers.

Know the barriers to competition imposed by the former Sinaloa Transportation Law.

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MORE COMPETITION FOR A STRONGER MEXICO

The Mexican Federal Economic Competition Commission guarantees competition and free market access. Thus, it contributes to the welfare of people and the efficient functioning of the markets. Through its work, it seeks better conditions for consumers, greater and better output and services, as well as a “level playing field” for companies.