

COFECE sanctions Mexico City's International Airport taxis for increasing their prices in a coordinated manner

- *The Board of Commissioners has imposed on the sanctioned economic agents, fines totaling 23.6 million Mexican pesos*
- *The taxi representatives agreed on contracting a rate-setting study with the object and effect of fixing, raising, manipulating or arranging taxi services' rates to be charged.*
- *The Commission notified Mexico City's International Airport (AICM) of its resolution, since the contracts that the AICM has signed with the associations of taxis operating in its facilities, provide that engaging in absolute monopolistic practices is a serious ground for termination.*

Mexico City, September 11, 2017.- The Board of Commissioners of the Mexican Federal Economic Competition Commission (COFECE or Commission) determined that *Confort y Servicios en Transportación Terrestre (Confort)*, *Porto Taxi Terrestre Ejecutivo (Porto Taxi)*, *Taxistas Agremiados Para el Servicio de Transportación Terrestre Sitio 300 (Sitio 300)*, *Yellow Cab del Nuevo AICM*, previously named *Sitio 300 Yellow Cab- (Yellow Cab)* and *Transportación Terrestre Nueva Imagen (Nueva Imagen)*, as well as the four individuals that represented some of these taxi associations, engaged into absolute monopolistic practices in the market for land passenger transport services, in the taxi sector, with destination to or from the Mexico City's International Airport (AICM or airport).

In the case file (DE-009-2014), the Commission found that the sanctioned economic agents entered into an agreement with the object and effect of fixing, raising, arranging or manipulating the price of the taxi services, illegal conduct defined under article 9 section I of the former Federal Economic Competition Law (FECL).¹

The Federal Regulation on Motor Carrier and Auxiliary Services establishes that carriers may determine and modify their rates, without approval from the Ministry of Communications and Transport (SCT). In principle, given the freedom of establishing rates, the participation

¹ Published in the Federal Official Gazette (DOF), on the December 24, 1992, amended by Decree published in the DOF on June 28, 2016.

of diverse economic agents in the market would generate competition conditions to lower the services' prices.

On April 11, 2011, the aforementioned taxi associations, through their representatives, signed an agreement in which they decided to jointly hire *Santaló Estudios y Proyectos (SEPSA)* to carry out a "rate-setting study" with the objective of determining the future price of taxi services to improve their revenue. To that end, the taxi companies shared strategic information with the consulting firm, which under normal circumstances would not be shared, such as their operational costs, rates, revenue, number of units, sales statistics, among others.

SEPSA provided each of the taxi associations with the "rate-setting study", in which it defined a scheme and recommendations to determine "competitive rates" to be charged until the year 2021. At the same time, the associations permit holders, except for *Confort*, registered before the SCT the rates recommended in the study, and in August 2011, taxi rates were increased.

The sanctioned conduct affected passengers at this airport, and even participants in related markets— such as the air transport passengers— whose competitiveness depends of the different costs incurred by a traveler. It is estimated that the conduct affected at least 12 million people and that the damage to the market, calculated considering the overprice paid by the users between August 2011 and December 2015, was of 771 million 713 thousand Mexican pesos.

Considering this, COFECE's Board of Commissioners fined the economic agents a total of 23 million 627 thousand Mexican pesos. These amounts are the highest fines allowed by the FECL according to the financial capacity of each of the sanctioned, based on the income the taxi associations reported to the Tax Administration Service.

The Board ordered AICM authorities be informed on the matter for all the legal purposes, as the AICM has signed contracts with the associations of taxis operating in its facilities that provide that engaging in absolute monopolistic practices is a serious ground for termination. If this were the case, and the AICM must initiate a procurement process for this service, it would have to request COFECE's prior opinion on the process.

It is worth keeping in mind that the COFECE recommended, in November 2016, the SCT to modify the regulatory framework for taxi transport services in domestic airports, and transit from the current model of restricted or exclusive access to airports towards and open

model, allowing the entry of all vehicles that meet the applicable requirements, to pick up and transport passengers to and from the airport, as it occurs in several airports around the world, as it is the case of Boston, Miami, Houston, San Francisco, Zurich, and Paris, among others.

Once the matter has been resolved and the parts are notified, the Law establishes that the sanctioned economic agents have the right to go before the Federal Judiciary Authority to review the legality of COFECE's actions.

Read the full Commission's recommendations to the SCT

What is an absolute monopolistic practice?

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