COFECE-057-2017

COFECE Sanctions Five Latex Glove Suppliers for Bid Rigging in Public Procurement in the Health Sector

- *The companies coordinated their bids in terms of prices and/or discounts, and sat out public biddings carried out by the public health sector, to split percentages of the volume of purchases of exploration and surgery latex gloves.*
- *The conducts resulted in the overpricing of these products during the six years the practice took place, damaging the public purse in an amount of 174 million 80 thousand Mexican pesos.*
- *COFECE's Board of Commissioners imposed fines totaling 257 million 610 thousand pesos on Dentilab, Ambiderm, Degasa, Productos Galeno, and Holiday de México, as well as 11 individuals.*

Mexico City, December 11, 2017.- The Mexican Federal Economic Competition Commission's (COFECE or Commission) Board of Commissioners determined that the companies Dentilab, Ambiderm, Degasa, Productos Galeno and Holiday de México, as well as 11 individuals who acted on behalf of some of these companies,[1] committed absolute monopolistic practices in the market for the production, distribution and marketing of latex gloves for surgery and for exploration purchased in Mexico by the public health sector.

In the case file (DE-024-2013-I), the Commission confirmed that the sanctioned economic agents carried out anti-competitive practices with the purpose and effect of establishing, arranging or coordinating bids, in terms of prices and discounts, and sat out biddings, through which the volume of purchases of exploration and surgery latex gloves carried out by the public health sector was divided.

These absolute monopolistic practices were carried out, at least, from March 2009 to April 2015 and affected several procurement processes, mainly those carried out under the consolidated purchasing model convened by the Mexican Social Security Institute (IMSS), to acquire latex gloves for surgery and for exploration, as well as by the Institute for Social

[1] Juan Ernesto de la Puente de la Puente and Fernando Ángel Ibarra, on behalf of Dentilab; Enrique Salcedo Padilla, Diana Rocío Arreola Figueroa and Luis Carlos Leaño Padilla, on behalf of Ambiderm; Alejandro Jorge Rodríguez Fernández, Javier Alva Altamira and Fernando Enrique Montes de Oca Zavala, on behalf of Degasa; Alfonso Treviño Giorguli, on behalf of Productos Galeno; Alfonso Treviño Rubalcava, on behalf of Holiday de México, and Humberto Navarro Mandujano, on behalf of Galeno Products and Holiday de México.

Security and Services for State Workers (ISSSTE), the Ministry of National Defense, the state oil company (Pemex) and the Ministry of Health. [2]

The colluded companies, through meetings and communications (emails and other means), agreed in advance which company would win in certain locations and products. The coordination was maintained even with the existence of external shocks such as the entry of new bidders, which led the sanctioned to lower their prices in a coordinated manner.

The illegal distribution of the market meant that Dentilab and Ambiderm split the bids for the purchase of latex gloves for exploration. Ambiderm, in turn, abstained from participating in the bidding for latex gloves for surgery and provided unacceptable high prices, so that this market was distributed between Dentilab and Degasa. In addition, Productos Galeno and Holiday were allocated with approximately 5% of the market for latex gloves for exploration.[3]

The practice resulted in surcharging the purchase of latex gloves, which, multiplied by the minimum number of units required in the procurement processes, adds to an estimated damage to the public purse of 174 million 80 thousand pesos; resources that could have been allocated to cover other needs or to acquire a greater quantity of medical products required by the health sector.

Therefore, the Board of Commissioners imposed fines on Dentilab, Ambiderm, Degasa, Productos Galeno, Holiday de México, and 11 individuals, totaling 257 million 610 thousand pesos. The sanctions imposed are in line with the parameters established in the competition legal framework. Also, given that these are public procurement processes, the Board of Commissioners ordered to submit a public version of the resolution of this case to the Ministry of the Civil Service (SFP) for all legal purposes.

Once the parties have been notified, the Law grants the sanctioned economic agents the right to go before the Judiciary so that the legality of COFECE's actions can be reviewed.

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[2] The sanctioned conducts were committed under the provisions of Article 53 section IV, of the new Federal Economic Competition Law (2014), and under Article 9 section IV of the former Federal Economic Competition Law (1992).
[3] Galeno and Holiday belong to the same economic interest group, Grupo Holy, which only participated in the agreement from 2009 and until August 2013.

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 the markets. Through its work it seeks better conditions for consumers, greater output and better services and a "level playing field" for companies.