

COFECE determines the absence of effective competition conditions in several routes of passenger maritime transport in the modality of ferries in the routes with origin or destination in the north of Quintana Roo

- *It was resolved that there are high market shares of the economic agents that provide the service, barriers to entry, infrastructure limitations and several conditions that reduce the levels of competitive pressure.*
- *In the routes with origin or destination to Isla Mujeres there is an economic agent with substantial power in the relevant markets.*
- *With this determination the Ministry of the Navy may, where appropriate, establish the basis for the tariff regulation of the service.*

Mexico City, December 17, 2021.- The Board of Commissioners of the Mexican Federal Economic Competition Commission (COFECE or Commission) determined the absence of effective competition conditions in the service of passenger maritime transport, in cabotage shipping, in the modality of ferries in three relevant markets located in the northern zone of Quintana Roo: [i] Cozumel, [ii] Puerto Juárez and [iii] Zona Hotelera. These markets cover the routes, with origin and/or destination, the isle of Cozumel-Playa del Carmen; Isla Mujeres-Puerto Juárez or Gran Puerto, in Cancun; as well as Isla Mujeres with origin and/or destination to the docks of El Caracol, Playa Tortugas and El Embarcadero, also in Cancún.

Also, it was proved that the users of this service do not have other options to travel from these islands to the northern zone of Quintana Roo without recurring in additional costs. The foregoing because: i) the services of land, air or other forms of maritime transport -such as nautical tourism or shuttle-, do not substitute ferries, among other factors, due to the differences in the conditions such as facilities, price, speed of the transfer and frequencies; ii) there are no alternative routes, since the service cannot be provided from a completely different or far away point from the one of origin or destination; and iii) on the supply side, these providers have limited capacity to provide the service without recurring in significant costs.

For its part, regarding the inexistence of competition conditions in the relevant markets it was identified that *Naviera Magna (Magna)* has a high market share and substantial power in the ports of Puerto Juárez and Zona Hotelera – in the latter it is the only provider-, while in the Cozumel-Playa del Carmen route, *Magna* and *Golfo Transportación (Winjet)* have a



high market share and a similar behavior in tariffs and schedules, in a market structure that does not favor competition. In addition, it was found that these economic agents can freely and unilaterally fix their fees, as well as to restrict the supply, as they freely choose the schedules and itineraries that they wish to provide, and could even they stop doing so for 6 months without their having their permit revoked.

Likewise, it was determined that there are regulatory, economic and structural barriers that limit the entry of potential participants, among which there are:

- i) **Indivisibility of the infrastructure to provide the service**, that is, that the assets cannot be fragmented to adapt them to the seasonal demand of the service, which directly affects investment decisions and fixed costs of transporters.
- ii) **High amounts of investment** necessary to enter the market, related with the acquisition and/or lease of vessels, as well as its recovery period which can range from 7 to 15 years, and the shortage of alternative uses.
- iii) **Access barriers to the port infrastructure**, in certain cases, there are physical limitation in the facilities that hinder the simultaneous operation of several providers of the service; in others the use of docks is for exclusive use (*Magna* in the Hotel Zone) and there is no additional infrastructure to dock/sail away, so an interested economic agent would have to develop its own infrastructure.
- iv) **High advertising costs**. Companies that want to enter the market have to incur in significant costs to position themselves.

After the resolution on the lack of effective competition conditions in the aforementioned markets of the maritime passenger transport, in cabotage shipping, in the modality of ferries in Quintana Roo, it corresponds to the regulatory authority, the Ministry of Navy to establish, if it deems it pertinent, the tariff regulation for these services.

Read the [relevant information of the Resolution on competition conditions DC-001-2020](#) (In Spanish)

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The Mexican Federal Economic Competition Commission is responsible for ensuring competition and free market access. In this way, it contributes to the people's welfare and the efficient functioning of the markets. Through its work, it seeks better conditions for consumers, that more services are offered with higher quality and that there is "level playing field" for companies.

