

The Investigative Authority of the Federal Economic Competition Commission identifies barriers that affect competition in the federal passenger transportation

- *The Investigative Authority preliminarily determined that links between competitors and some aspects of the regulatory framework, among other factors, could be generating a lack of competition in some modalities of federal passenger transportation in several regions of the country.*
- *If the findings of the preliminary statement are confirmed, the Board of Commissioners could recommend regulatory modifications to the authorities and order economic agents to eliminate the identified barriers.*

México City, May 13, 2024. As a result of an investigation in the market of federal motor transportation and passenger terminals, the Investigative Authority (IA) of the Federal Economic Competition Commission (Cofece or Commission) preliminarily identified the existence of barriers that hinder effective competition conditions.

Federal passenger transportation is the most widely used mobility option by the population in Mexico; in 2022 alone, Mexican families spent nearly 20% of their budget on this service. This service is classified into six modalities determined by the characteristics of the vehicles, the amenities they offer, and the way the service is provided: i) Luxury, ii) Executive, iii) First Class, iv) Economy, v) Mixed, and vi) land transportation of passengers to and from seaports and airports.

The IA determined that there is not enough competition in the modalities of First Class, Luxury, Executive, and transportation to and from ports and airports, in any region of the country. For the Economy mode, the absence of competition was identified in the Northwest region, which includes the states of Baja California, Baja California Sur, Sinaloa, and Sonora.

There are six possible barriers to competition and free market access that could be affecting these markets. Those related to the existence of various links between competitors in the federal motor passenger transportation service are as follows:

1. **Existence of relationships between competitors.** Multiple partnerships, joint ventures, and horizontal relationships between competitors in the passenger transportation service were observed. Practically all large transportation companies in the country have relationships or business in common with one another. This reduces rivalry and incentives to compete among them, while facilitating carrying out anticompetitive practices, as happened in 2022.
2. **Cross-directorships and contact spaces between competitors.** It was identified that a group of individuals are part of the administrative bodies of competing companies. Additionally, multiple spaces were identified where competing companies' executives interact, particularly in the administrative bodies of passenger terminals and the National Chamber of Passenger and Tourism Transportation (CANAPAT). All of this can facilitate the exchange of sensitive information between competitors, encourage anticompetitive agreements, and affect market competition to the detriment of consumers.

On the other hand, the other four are related to regulations that have been in place for several decades and are:

3. **Regulatory obligation of having origin and destination passenger terminals to provide passenger transportation services.** Currently, the regulation requires the use of terminals for the boarding and disembarking of passengers. However, the IA concluded that complying with certain safety criteria in the boarding and passengers disembarking, this service could be provided in places other than passenger terminals, diversifying passenger access to this service.
4. **Limitation of the permit on specific routes to provide passenger transportation services.** The limitation to a single authorized route in transportation permits makes it difficult for companies to adapt to changes in the market to better serve passengers. This reduces their competitive response and makes markets less dynamic.
5. **Discretion, opacity, and little transparency in the operation of passenger terminals.** As a result, the entry of new economic agents into the markets has been difficult and, the lack of clarity on the timing and requirements of processes creates advantages for established companies.
6. **Regulatory restriction to use vehicles other than buses to provide passenger transportation services.** Companies wishing to offer passenger transportation services in the Economy, First, Luxury, and Executive modalities must necessarily use buses with a capacity of more than thirty passengers. However, the use of smaller vehicles could reduce operating costs and allow them to serve a wider variety of routes and passengers.

In this sense, the IA preliminarily considered, that these barriers to competition could be eliminated if competing companies end their joint ventures in motor transportation services and avoid having the same individuals from making decisions in different companies that should compete among themselves. In addition, it proposes that large companies as well as CANAPAT implement compliance programs to prevent violations of the Federal Economic Competition Law.

Likewise, the preliminary statement proposed a series of measures consisting of recommendations to the Ministry of Infrastructure, Communications, and Transportation, the Chamber of Deputies, and the Chamber of Senators to modify the regulation and give greater dynamism to the markets of passenger transportation service.

It is worth mentioning that during the inquiry and in the proposal of corrective measures, the IA had the opinion and collaboration of the sector's regulatory authority through the General Directorate of Federal Motor Transportation.

Once the preliminary statement has been issued, anyone with a legal interest what is appropriate to their right and present evidence so that the Board of Commissioners from Cofece can ultimately decide the final direction of the procedure and the measures that, if applicable, correspond. Cofece's investigation aims to promote greater competition and dynamism in the federal passenger transportation service to benefit the final consumer.

[Consult the extract of the preliminary statement \(IEBC-003-2022\) \(in Spanish\)](#)

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*The Federal Economic Competition Commission safeguards competition and free market access.
Through its work, it seeks better conditions for consumers, that more services
are supplied with higher quality, and that there is a "level playing field" for companies.*