



COMISIÓN FEDERAL DE COMPETENCIA
MÉXICO

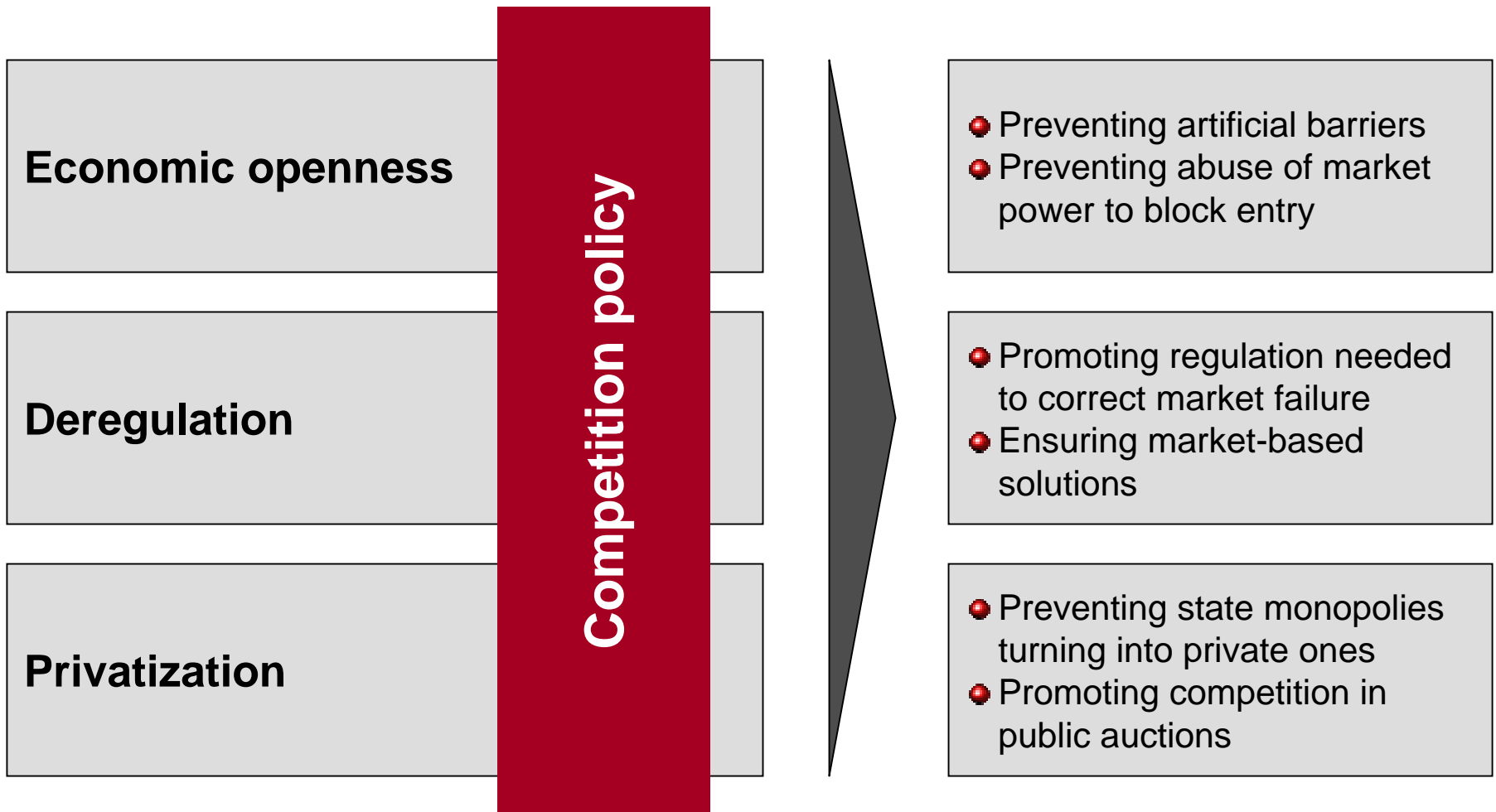
Consumer Welfare and Efficiency: New Guiding Principles of Competition Policy?

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- Efficiency and consumer welfare in Mexico's Federal Law of Economic Competition (LFCE)
- Efficiency and consumer welfare in CFC practice

In the mid-1980's, Mexican industrial policy turned to creating the conditions for economic efficiency, with competition policy becoming an essential instrument to increase competitiveness and welfare



Market efficiency is the main goal of competition policy in Mexico since the law's passage in 1993

- Article 2 of the Federal Law on Economic Competition (LFCE):
“The object of this law is to protect the process of competition by eliminating monopolies, monopolistic practices and other restrictions to the efficient functioning of markets.”
- Last year's amendments to the LFCE allow economic agents investigated for unilateral conduct to ask for an evaluation of the conduct's net effect on consumer welfare, to determine whether there are efficiency gains derived from the practice (in addition to rule of reason analysis).

Efficiency gains have to lead to a net benefit for consumers in order to offset any anticompetitive effects

Efficiency gains contemplated in Article 10 of LFCE (indicative)

- introduction of new products
- use of perishable or imperfect products
- cost reductions derived from new production techniques
- asset integration
- increased scale of production or production of different goods or services with the same inputs
- technological improvements that generate enhanced output
- combining assets or investments and recovery that improve quality and attributes of goods and services
- quality and investment enhancement
- service and punctuality that positively impact the distribution chain without significantly increasing prices, reducing consumer options, or restraining innovation ...

- Efficiency and consumer welfare in Mexico's Federal Law of Economic Competition (LFCE)

- Efficiency and consumer welfare in CFC practice

The CFC makes special emphasis on efficiency and consumer welfare principles in its advocacy efforts

- The CFC's increased public role in the past 2½ years has relied on underscoring the importance of competition for **consumer welfare**
 - Drawing attention to benefits for consumers to overcome Mexico's non-existent competition policy tradition
- **Market efficiency** has been the cornerstone for the CFC's involvement in promoting improved regulatory frameworks

The CFC has concentrated on four regulated sectors with horizontal impact on overall market efficiency

CFC's main opinions in regulated sectors

NON EXHAUSTIVE

Sector	Issue	Purpose of the opinion	Status
Energy	<i>LP Gas</i>	<ul style="list-style-type: none"> To intensify competition in transport & distribution 	●
	<i>Gas stations</i>	<ul style="list-style-type: none"> To avoid territorial exclusivities 	●
Telecommunications	<i>Convergence</i>	<ul style="list-style-type: none"> To generate competition among telephony & restricted TV networks 	●
	<i>Contents</i>	<ul style="list-style-type: none"> To guarantee non discriminatory access to essential content for restricted TV 	●
Transport	<i>Railroads</i>	<ul style="list-style-type: none"> To strengthen competition in interlinear traffic & ensure effective trackage rights 	◐
	<i>Airports</i>	<ul style="list-style-type: none"> To ensure non discriminatory access to airports & airport services 	◐
Financial Services	<i>Pensions</i>	<ul style="list-style-type: none"> To eliminate barriers & to focus competition on net yields 	●
	<i>Credit cards</i>	<ul style="list-style-type: none"> To evaluate impact of competition conditions on commissions & rates 	◑

Promoting efficiency is the guiding principle for the priority-setting exercise the CFC is currently undertaking

- Aim: Directing scarce resources towards those economic sectors where impact is greatest
- Inspired by the recent analogous UK exercise in “horizon scanning”