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**LATIN AMERICAN COMPETITION FORUM**

**Session I: Competition and Poverty Reduction**

**Contribution from Mexico**

**18-19 September 2012, Santo Domingo, Dominican Republic**

*The attached document from Mexico is circulated to the Latin American Competition Forum FOR DISCUSSION under Session I of its forthcoming meeting to be held on 18-19 September 2012 in Santo Domingo, Dominican Republic.*

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## LATIN AMERICAN COMPETITION FORUM

-- 18-19 September 2012, Santo Domingo (Dominican Republic) --

**Session I: Competition and Poverty Reduction**

-- CONTRIBUTION FROM MEXICO --

### URBAN ZONING RESTRICTIONS AND THEIR EFFECT ON CONSUMERS OF THE BASIC BASKET OF GOODS

#### 1. Introduction

1. The competition authorities have a general mandate to promote competition and the free play of market forces. They fulfil this mandate, for example, by issuing opinions or seeking to influence the process of adopting regulations. This is particularly important when the proposed regulation affects prices and conditions of sale for essential goods and services and therefore has an impact on the welfare of low-income households. Urban zoning regulations have these characteristics, as they produce effects on competition between the marketers of such goods and services.

2. Urban zoning seeks to define the ways in which residential and commercial uses of properties in a given urban area can coexist. It also seeks to balance protection of residents' rights against the risk of a deteriorating quality of life and the possible loss of asset value with the advantages represented by the local availability of goods and services. As well, it takes into account such objectives as economic promotion and creation of local employment sources. Yet zoning rules can sometimes betray different motivations, aimed at restraining competition to the detriment of consumers.

3. In this document we assess "*Norma* (Standard) 029" approved by the Assembly of Representatives of Mexico City. That standard amends the zoning regulations to restrict the geographic location of certain forms of retail marketing. We argue that this restriction has anticompetitive purposes, namely to protect established merchants, and that it injures consumers in general, and low-income consumers in particular. We also present empirical data to show the impact of *Norma 029* on the prices, quality and variety of products and available formats, and we highlight the probable effects on low-income consumers.

4. This document does not assume a specific definition of poverty, but merely defines the effects of zoning regulation on the well-being of low-income families. Consequently it does not present specific estimates concerning poverty reduction nor does it refer to mechanisms that necessarily imply a reduction in long-term poverty.

## 2. Zoning regulation and *Norma 029* in Mexico City

5. In 2010 the Assembly of Representatives of Mexico City approved an amendment to the zoning rules with respect to the location of businesses. That amendment regulates, in particular, the establishment of modern, large-scale retail businesses (supermarkets and convenience stores). *Norma 029* (hereinafter "the Standard") provides as follows:

*"29. IMPROVING THE CONDITIONS OF EQUITY AND COMPETITIVENESS FOR PUBLIC SUPPLY"*

*Commercial establishments that intend to engage primarily in the sale of articles that make up the basic goods basket and, in a complementary manner, the sale of clothing and footwear, under the self-service system, with the use of self-service stores, supermarkets, "mini-supers" or convenience stores, may only be located on premises for which the secondary zoning is "mixed residential" (Habitacional Mixto, HM), and on street-front properties covered by some "road planning standard" (norma de ordenación sobre vialidad) under the HM zoning indicated in the corresponding official urban development programme (Programa Delegacional de Desarrollo Urbano)...."*

6. The *Norma* prohibits the establishment of new self-service stores, supermarkets, "mini-supers" and convenience stores in certain areas of the city. The objective here is clearly to protect established merchants from competition by potential new entrants. In proclaiming its objective as "improving the conditions of equity and competitiveness for public supply", the *Norma* admits that it does not seek to protect local residents from nuisances, traffic problems or other externalities deriving from the new establishments, but on the contrary has the objective of favouring established merchants.

7. The construction of new commercial establishments is a frequent cause of disputes between governments, established businesses, new entrants and residents. Established merchants lobby or exert pressure for restrictions on entry, location, size and characteristics of new commercial establishments, in particular large-scale supermarkets and other modern distribution channels. On the other hand, residents tend to have a more ambiguous attitude, as they benefit from large-scale commerce if it does not invade residential areas.

8. Zoning rules can be justified in terms of protecting the property rights of residents. Zoning implicitly recognises the right of residents not to suffer negative externalities from a degradation of the urban environment, which would lead to a loss of quality of life and a reduction in the value of their properties. Regulation in this sense is not necessarily anticompetitive even if it restricts the entry of businesses into certain residential zones. Regulation becomes anticompetitive when it is designed to protect enterprises from losses caused by the entry of new businesses and the intensification of competition.

9. The reduction in competition at the local level, flowing from anticompetitive restrictions on the location of businesses, can have adverse effects on social welfare and, in particular, on low-income consumers. Those effects make themselves felt through various channels. On one hand, zoning restrictions can reduce the competitive pressure that potential entrants exert on established businesses, facilitating collusion among the latter. As well, they can reduce the availability of marketing channels in a given geographic area, thereby increasing costs to consumers in terms of transportation and shopping time. In

this way, some consumers may find themselves obliged to patronise establishments with fewer products or services for the same amount of expenditure and shopping effort.

10. Provisions such as *Norma 029* interfere with free competition by restricting the number of establishments, their format, their marketing strategy, and their location. Restrictions allow businesses to avoid finding ways to offer their wares more efficiently. In particular, the *Norma* creates an advantage for businesses that do not fall under the self-service system and it protects them against competition from businesses that would find entry profitable. The *Norma* also gives an advantage to supermarkets and other self-service businesses that are already located in the restricted zones. As well, it inhibits the incentives for traditional establishments that sell products forming the basic basket to become more efficient by lowering their costs.

### 3. Competition in the retail distribution of consumer goods

11. The retail supply of food, clothing and other essential goods through commercial establishments is characterised by a high diversity of marketing formats. The size of a business, its geographic location, infrastructure, complementary services and pricing policies betray substantial differences between formats, and even within the same format. As well, on the demand side, consumers exhibit great heterogeneity of preferences in various dimensions such as location, range and characteristics of products, size of displays, the time and occasion of purchase, long-term food storage capacity, and complementary services.

12. The different marketing formats exhibit great price variability depending on the shop, the trademark, the type of business, presentation, promotion, etc. Similar products may vary in price as a result of the merchant's price discrimination strategies. For example, large supermarkets sell bigger portions at lower unit price, they offer promotional price reductions or liquidation sales, they carry generic trademarks, or they introduce "loyalty cards".<sup>1</sup>

13. Consequently, consumers are faced with a series of possibilities for savings in various dimensions, including the geographic one. Higher-income consumers have lower transportation costs, they can buy products at discount (bulk pricing) and they can store them for a longer time. For them, it makes little difference if there is less competition within a specific geographic area. On the other hand, low-income consumers may face higher prices and lower quality if their access to the full range of distribution formats is restricted. Empirical evidence suggests that low-income consumers are those who benefit most from the presence of innovative, low-cost establishments and that they take best advantage of the discounts offered by those establishments.<sup>2</sup>

14. Competition in markets creates incentives for economic agents to take decisions that will allocate resources to activities of greater value. These decisions include the location of their establishments and their production and sales centres in light of the target clientele. In a competitive environment, then, economic agents respond to the needs of their customers by cutting prices, boosting quality and increasing the variety of products and associated services, for otherwise they would lose customers and the attendant sales and profits. Thus, a competitive market in which there is free access and freedom of format and

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<sup>1</sup> See for example: Griffith et al. "Consumer Shopping Behavior: How Much Do Consumers Save?" *Journal of Economic Perspectives*—Volume 23, Number 2—Spring 2009—Pages 99–120. Hendel et al. "Sales and Consumer Inventory." *The RAND Journal of Economics*, 37(3): 543–61. Anania et al. "Price dispersion, search costs and consumers and sellers heterogeneity in retail food markets". Working paper.

<sup>2</sup> Hausman & Leibtag, "Consumer benefits from increased competition in shopping outlets: Measuring the effect of Wal-Mart," *Journal of Applied Econometrics*, John Wiley & Sons, Ltd., vol. 22(7), pages 1157-1177.

marketing strategies can boost business and investment opportunities for economic agents and generate benefits for consumers, especially those in a precarious economic situation.

15. It is generally accepted that competition policy should protect the process of free competition rather than the private interests of participating firms. In this respect, the fact that new economic agents, regardless of their size, attempt to penetrate a given geographic area will be of benefit to consumers, as it will generate competition and efficiency in markets and consequently yield greater options and better quality at lower prices.

16. Retail distributors, whether operating in the traditional or the modern format, compete to attract consumers on the basis of such features as price, quality, variety, hours of business, availability of inventories, customer service, and infrastructure (for example, lighting and parking availability). In general, consumers do not completely substitute one buying format for another but rather use various formats depending on their particular circumstances in terms of time availability, ease of transport, income level, and frequency of purchase.

17. The existence of various marketing formats constitutes an advantage for consumers, who will see their welfare rise because of greater supply, availability and shopping convenience. The benefit of multiple formats comes from lower prices through more competition, but also from an offering of wares better adapted to consumer needs.

18. Businesses that are readily and quickly accessible, such as corner grocery stores or specialty shops, offer "impulse" goods such as candies, chips, soft drinks, cigarettes and mobile phone recharge cards, as well as a limited array of daily-use goods such as cooking oil, salt, milk, soap, tomatoes, avocados and onions. The range of goods offered by these businesses is limited, and in many cases will not amount to more than a hundred items.

19. On the other hand, "big format" operations such as public markets, supermarkets and price clubs make a variety of products available for purchase at a single visit. Generally speaking, supplies purchased in these locales are intended to cover several days and buying them takes greater time and effort per visit, although the total time spent will be less because greater quantities and varieties will be acquired on each occasion. These places also offer substantial savings for the family budget, both through the purchase of goods at lower prices in comparison to other establishments and through the ability to satisfy various needs with a single trip. To this end, large, centralised formats have advantages over small formats.

20. Supermarkets offer the possibility of purchasing a great variety of products in a single visit and taking advantage of low-cost goods in an environment that offers greater comfort compared to other formats. Public markets, for their part, offer a great variety of goods at relatively low prices but, in comparison to supermarkets, they do not offer the same convenience, quality guarantees, or complementary services such as parking and payment by credit or debit card.

21. The consumer benefits flowing from the existence of multiple formats are explained in the *Guía para comprar Bien* ("Guide to Buying Well") published by the Government of Mexico City<sup>3</sup>. This is a consumer guidance document "for selecting the best trade and distribution channel". It describes how best to take advantage of available offers, and provides the following advice:

*"Basically there are two types of purchasing format depending on needs. The first is the purchase of products of daily use: bread, tortillas, fresh milk. The second is the purchase of all those goods that can wait for some time before being replaced, such as fruits and vegetables, meat, soup*

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<sup>3</sup> Secretaria de Desarrollo Económico, Dirección General de Abasto, Comercio y Distribución

*noodles or condiments of all kinds. In the first case, it is obviously **best to buy in small grocery stores that are close to home**, not only because of the convenience of immediate availability but also because, generally, their prices are fair and quite affordable. In the second case, **it is better to go to markets** where you can find a wide variety of products at good prices and where the quality is guaranteed to be optimal because there are no long periods of warehousing. Nevertheless, as a nearby market is not available everywhere, the only option may be to turn to the big self-service chains, which have the advantage of offering price discounts and a wide range of products and brands." (Emphasis in the original).*

22. In this way, the absence of certain marketing formats implies a loss of options and the generation of additional "search costs" for consumers. These costs include greater travel times and expenses and efforts to find the desired product or products. The lack of competition obliges users to do without the products they want, to pay higher prices, to travel greater distances, to visit various businesses, to buy in businesses with an inadequate range of goods and, potentially, to accept products of uncertain quality because of the absence of reliable brands.

23. The relationship between the variety of goods offered and the welfare of consumers resulting from greater ease of access to various distribution channels can also be observed in the *Guía para comprar Bien* cited earlier. That consumers' guide lists the advantages and drawbacks of buying in different types of establishment:

#### *"BUYING IN [SMALL] GROCERY STORES*

##### *Advantages:*

- *Personalised attention.*
- *Frequent renewal of stocks.*
- *Fairer and more affordable prices.*
- *Ease of access because close to home.*
- *In some places you can buy on credit.*
- *In some stores you can pay with vouchers.*
- *Home delivery may be available.*

##### *Drawbacks*

- *Less variety in terms of goods and brands.*
- *No possibility of special sales or discounts.*
- *Some articles may cost more than in a market or a self-service store.*
- *Products are not always of the highest quality.*

#### *BUYING IN SELF-SERVICE STORES*

##### *Advantages*

- *The premises are generally very hygienic.*
- *There is an enormous variety of goods and brands.*
- *You can choose your merchandise yourself.*
- *There are often promotional sales and discounts.*
- *You can pay in cash, with a credit card, or with a voucher.*
- *Home delivery is available.*

##### *Drawbacks*

- *There is no personalised attention.*
- *Inventories are renewed less frequently and products may have been in storage for long periods.*
- *Some items may be more expensive than in [small] grocery stores or markets.*
- *There may be long line-ups at the cash and some parts of the store may be crowded.*

*BUYING IN [PUBLIC/OPEN-AIR] MARKETS**Advantages*

- *Personalised attention.*
- *Frequent renewal of stocks.*
- *Fairer and more affordable prices, with the possibility of bargaining with the vendor.*
- *You can choose the merchandise yourself.*

*Drawbacks*

- *Some items may be more expensive than in grocery stores or self-service stores.*
- *There may be significant price differences from one stall to the next, and you will have to look for the cheapest price.*
- *Products are not always of the highest quality.*
- *The place may not be very hygienic."*

24. The regulatory ban on innovative forms of marketing (whether self-service, "mini-super" stores or other types) constitutes an interference with markets which eliminates forms of distribution that are convenient and efficient from the consumers' viewpoint. This is particularly serious when the ban affects formats for product display and sale that have been innovative and successful around the world, including in Mexico, and that have shown themselves to be attractive to a large segment of the consuming public because of their convenience and their prices.

25. In a market where free competition prevails the decision on the best form of offering goods and services is left to the consumer and to market dynamics. Retailers decide on the size and location of their establishments and the services or complementary infrastructure that will be available. For their part, consumers decide which offering to accept and under what circumstances. In this way, the freedom to establish marketing formats increases consumer choice and welfare and, conversely, to restrict that freedom diminishes consumer welfare. Free competition, regardless of size or sales strategy, allows access to more forms of distribution and encourages supply to adapt flexibly to consumers' tastes and circumstances.

26. In short, the ban on certain marketing formats, together with restrictions on location, reduces the competitive pressure between establishments, raising prices and denying consumers the goods and services they want at the conditions they prefer.

#### **4. Empirical analysis of market prices and conditions**

27. An analysis of retail prices for various products in commercial establishments in Mexico City suggests that, in all likelihood, the impact of the *Norma* will be negative. This is particularly true for the poor segment of the population that must spend the bulk of its income on food, in particular the "basic basket".

28. This conclusion emerges from the "Comparative analysis of prices for products and articles of the basic basket" published by the Economic Development Department of Mexico City between 2002 and 2007<sup>4</sup>. That comparison was published in order to shed light on minimum and maximum prices and the establishments where products were available at those prices. The basic basket consisted of 10 groups of products: oils and fats; personal care and hygiene products; household cleaning articles and accessories; sugar, coffee and beverages; poultry, pork and beef; fruits and vegetables; dairy products and eggs; bread, tortillas and cereals; fish and seafood and delicatessen goods. In total, more than 900 products were rated.

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<sup>4</sup> A simplified version continued to be published after November 2007, but it reported prices only for four supermarket chains.

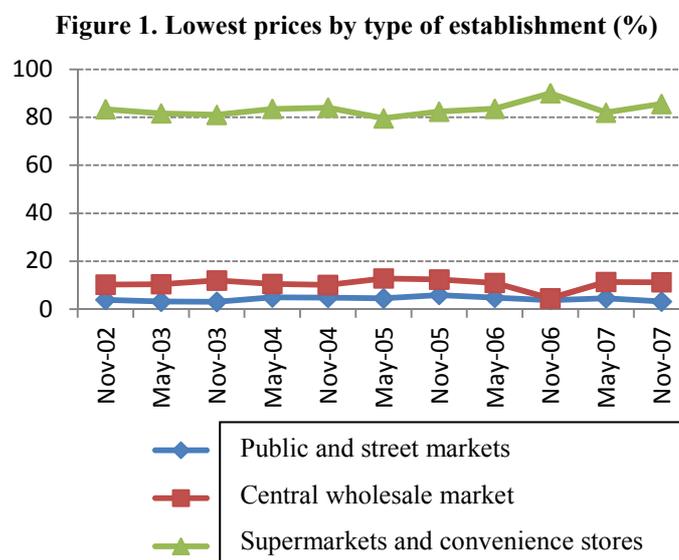
**Table 1. Establishments offering the lowest price (November 2007)**

Number of products	994
Supermarkets and convenience stores	85.5%
Central wholesale market	11.3%
Public and street markets	3.2%

Source: D.F, Sedeco. (2007). Comparativo de Precios de Productos y Artículos de la Canasta Básica. Available at: <http://www.sedeco.df.gob.mx/indicadores/abasto/cbasica/index2007.html> (15/08/2011).

29. An initial analysis of the data shows that, in November 2007 (last report published), 85.5% of products listed were offered at a lower price in supermarkets or self-service stores, while the lowest price was to be found at the central wholesale market (*Central de Abastos*)<sup>5</sup> for only 11.3% of those products. Public markets and street vendors offer the lowest price for only 3.2% of products on the list. Those percentages are only a crude indicator of the relationship between minimum prices in different formats: the sample from which the Government of Mexico City took the prices was apparently not sufficiently balanced to be representative of the weighting of each channel. Nevertheless, the source data presented below show similar results.

30. The following figure illustrates the long-term trend in the percentage of minimum prices reported by the Government of Mexico City by type of establishment. The formats prohibited or restricted by the *Norma* correspond to the top line, "supermarkets and convenience stores" (i.e., where the lowest prices were found for more than 80% of the products listed).



31. The foregoing indicates that self-service stores tend to have lower prices than do other forms of distribution. It would be a mistake, then, to attribute a lower price to goods simply on the basis of the type of establishment in which they are sold, or to assume that eliminating certain marketing formats will produce an improvement in the "conditions of equity and competitiveness for public supply", as suggested by the title of the decree adopting *Norma 029*.

<sup>5</sup> The *Central de Abastos* is the most important wholesale food distribution centre in Mexico City.

32. As noted earlier, price determinants bear a complex relationship to the characteristics of service, variety, occasion and infrastructure, among others. On this point, the Mexico City Government's *Guía para Comprar Mejor* recognises that each type of store has advantages in terms of low prices for certain products. For example, it recommends buying bread, tortillas and milk in shops close to home, while meat, fruits and vegetables should be purchased in public markets, and still other products in supermarkets, where price mark-downs and a wide range of goods and brands are available. In other words, the Guide recognises that there is no one format better than the others in terms of product price, quality or availability, but rather that consumers have complementary ways of shopping.

33. We analysed the information supplied by the Banco de México (Banxico) on prices in Mexico City establishments. That information was originally used by the Bank to calculate the Consumer Price Index (CPI), and so it can be considered a representative sample of prices in Mexico City. The data analysed consisted of 1,873 observations of product prices in various types of establishments in the first half of 2011. Supermarket prices were compared with those of all other businesses taken together (public markets, street vendors, grocery stores and specialised businesses).

34. The results show that supermarkets are the lowest-price option for consumers in the case of nearly half the products investigated, as shown in the following table:

**Table 2. Percentage of lowest prices in supermarkets versus other stores**

January	48%
February	48%
March	47%
April	51%
May	50%
June	50%

35. Moreover, when we analysed the data by type of business, we found that the supermarket format offers the lowest prices in approximately half of the products surveyed.

**Table 3. Percentage of lowest prices observed in supermarkets versus each type of store (2011 data)**

	Public market	Street markets ( <i>Tianguis</i> )	Specialty shops
January	49%	54%	48%
February	47%	61%	47%
March	45%	48%	51%
April	49%	43%	49%
May	48%	49%	51%
June	48%	55%	51%

36. On the other hand, grocery and convenience stores (Banxico groups traditional corner stores and their modern chain equivalents together under the heading "convenience stores") offer a limited variety of products. In the Banxico survey there are 32 products that are sold both in supermarkets and in convenience stores. In particular, the supermarkets have lower prices for around half the products classified as "groceries" (*abarrotes*), while the convenience stores have lower prices for fruits and vegetables.

**Table 4. Frequency of lowest prices in supermarkets versus convenience stores**

	Fruits and vegetables	Grocery products
January	5%	45%
February	14%	45%
March	14%	55%
April	13%	55%
May	20%	64%
June	20%	58%

37. Table 4 shows that grocery and convenience stores have lower prices for fruits and vegetables than do the supermarkets, if the analysis is confined to products available in the first type of stores. For example, a 5% rating means that supermarkets have 5% of the lowest prices for fruits and vegetables, while 95% of the lowest prices are offered by grocery and convenience stores. This shows that, for the fruits and vegetables in which grocery and convenience stores specialise, their prices are lower, while for grocery products prices are similar to those in supermarkets.

38. For a significant percentage of staple products, supermarkets offer relatively lower prices compared to other types of establishment. This not only increases the variety of supply but contributes as well to disciplining and containing prices across all markets. We drew up a list of the 20 products that account for the greatest expenditure by the 10% of households with the lowest incomes<sup>6</sup>. Those products account for 26% of these households' budgets and include goods and services that are sold in shops and supermarkets.

39. The following table compares household expenditure on each of these products and the prices charged for them in supermarkets and other types of store:

**Table 5. Impact on low-income consumers (lowest prices shaded)**

Item	Household budget	Price in supermarkets	Price in other stores	Difference (%)*
Corn tortillas	3.80%	7.43	8.98	-17.3%
Soft drinks	2.45%	11.96	12.36	-3.2%
Cow's milk, liquid, pasteurised	1.99%	12.4	13	-4.6%
Tomatoes	1.88%	17.4	18.53	-6.1%
Beans	1.87%	20.38	22.48	-9.3%
Poultry eggs	1.74%	18.64	18.3	1.9%
Chicken, whole or in pieces (except legs)	1.64%	39.11	36.04	8.5%
Detergents (powder, liquid, paste, gel)	1.62%	20.99	20.52	2.3%
Pan dulce ("sweet bread")	1.41%	4.05	3.93	3.1%
Beefsteak	1.23%	82.21	79.82	3.0%
Poultry legs, thighs and breasts, etc.	0.97%	39.11	36.04	8.5%
Vegetable oil: canola, sunflower etc.	0.82%	28.19	26.19	7.6%
Fresh cheese	0.67%	97	71.13	36.4%
Potatoes	0.66%	18.17	15.91	14.2%
Toilet soap	0.66%	48.75	52.78	-7.6%
Bottled spring water	0.65%	3.87	4.88	-20.7%
Rice	0.53%	12.98	14.25	-8.9%
White bread	0.48%	1.11	1.44	-22.9%
Soup noodles	0.48%	24	30	-20.0%
Onions	0.45%	18.04	13.23	36.4%

\*The supermarket price is taken as the benchmark for the percentages

<sup>6</sup> The set of products and the percentage of expenditure were determined from the National Household Income and Expenditure Survey (ENIGH) of 2004, and prices are from Banxico 2007. In this case inter-year differences pose no problem, as the set of the most heavily consumed goods and their percentage weighting can be expected to remain stable over long periods of time.

40. As will be appreciated, in half the cases the lowest price for the product considered is to be found in the supermarket. In other words, products that have the greatest weighting in poor households' budgets are in half the cases cheaper in supermarkets than in any other type of establishment.

## 5. Empirical evidence at the international level on market entry and competition

41. The entry of new establishments within a given geographic region has a positive impact on consumer welfare, as it normally helps to reduce prices and offer more options. This effect is particularly strong when the new entrant employs an innovative form of distribution.

42. Competition intensifies because, with the new entrant in place, customers will have more options and prices will fall, as rival establishments monitor and adjust their prices continuously to respond to their competitors. Especially in the case of products of everyday use, such as foodstuffs, clothing, personal care and household cleaning articles, competition will intensify because these are products that are frequently purchased, and they are often the subject of promotional discounts, "anchor" product campaigns, and other marketing techniques. International studies show that products of common use generate a great portion of revenues and help to increase the pro-competitive behaviour of supermarkets<sup>7</sup>.

43. Econometric studies show that the entry of new retail marketing models is associated with lower prices and increased consumer welfare. Hausman (2007)<sup>8</sup>, for example, found that the entry of innovative "supercenters" in a geographic area resulted in price decreases of 15 to 25% for many important products, and an increase in consumer welfare equivalent to 25% of their food expenditure. This effect was more pronounced among low-income population groups, who tend to do more of their shopping in these new establishments. For example, for families with annual incomes of less than \$10,000<sup>9</sup> the welfare boost was equivalent to 29% of their food budget. This occurred through three types of effects: the new entrant offered lower prices compared to its rivals; the rivals then reduced their prices in response; and low-income consumers took greater advantage of the low prices.

44. Finally, a study (Urzúa, 2006)<sup>10</sup> based on the 2006 ENIGH showed that in Mexico 30% of the household budget was spent on 14 products and services for which markets could suffer from too little competition. The study also showed that in those markets, the exercise of monopolistic or oligopolistic power could impose an additional cost to consumers of around 40% with respect to their current expenditure. This situation is worse for the poorest population groups, as their outlays on the product considered are proportionately greater: up to 40% of their total budget in the case of the lowest income decile. Some products offered in establishments that sell items of the basic basket, such as tortillas, processed meat, sugar, chicken, eggs, milk, soft drinks, juices and water, figure among the 14 products indicated in that study, and consequently *Norma 029* would exacerbate the loss of welfare occasioned by the lack of competition that can exist in markets for those products, especially for the poorest population.

## 6. Conclusions

45. From the foregoing it may be concluded that the provisions of *Norma 029* are harmful to competition and, consequently, are contrary to the public interest and to consumer welfare. The *Norma* generates exclusive advantages for establishments that sell products of the basic basket, as well as creating barriers to new entrants, all at the cost of consumer welfare.

<sup>7</sup> Competition Commission (2000) "Supermarkets. A Report on the Supply of Groceries from Multiple Stores in the United Kingdom".

<sup>8</sup> Hausman & Leibtag (2007). "Consumer benefits from increased competition in shopping outlets: Measuring the effect of Wal-Mart," *Journal of Applied Econometrics*, John Wiley & Sons, Ltd., vol. 22(7), pages 1157-77.

<sup>9</sup> These households fall below the poverty line sent by the United States government. A family of four was considered poor into the zone 11 if it's annual income was less than \$22,350.

<sup>10</sup> Urzúa, C. (2008) "Evaluación de los efectos distributivos y espaciales de las empresas con poder de mercado en México". Working paper, OECD and CFC.