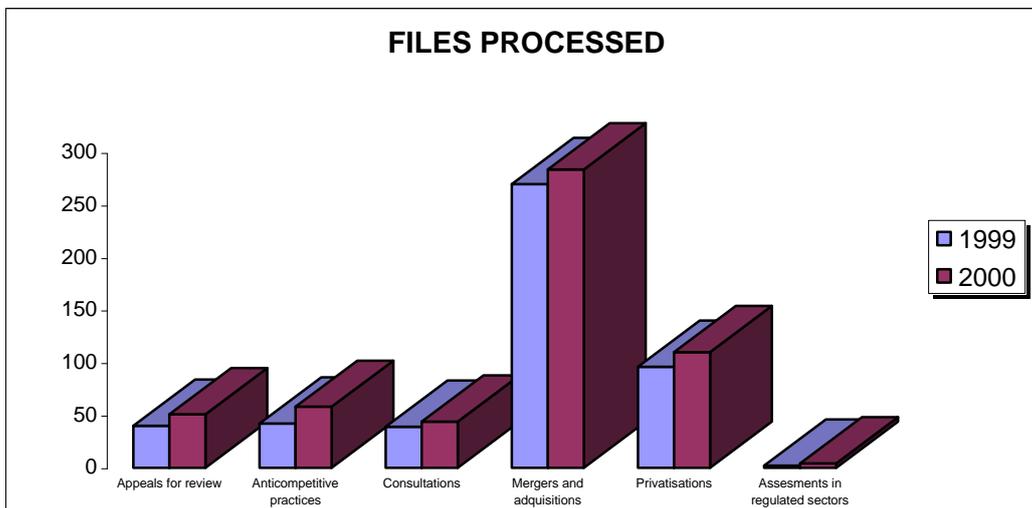


MEXICO

(2000)

**Executive Summary**

1. In 2000, the Federal Competition Commission (FCC) studied 551 files, representing an increase of 13 percent compared to 1999. Of these, 284 correspond to mergers and acquisitions, 110 deal with privatisation processes and concessions or permits for providing public services, 58 comprise anticompetitive practices and inter-state trade restrictions, 51 are appeals for review, 44 represent consultations by economic agents and four are assessments about competition conditions in specific regulated sectors. The number of cases concluded in 2000 were 531, meaning a 11.5 percent increase compared to the previous year.



2. As to the sector incidence of cases attended by the CFC, financial services account for the major share, followed by transportation and storage services, telecommunications, machinery and equipment, and chemical and oil by-products.

3. Mergers and acquisitions with international effects represented 49 percent of the total number of mergers and acquisitions analysed during 2000.

4. The majority of the anticompetitive practices investigated and concluded were about refusal to deal, boycott, horizontal price fixing agreements, exclusive dealing, market segmentation agreements and barriers to interstate trade.

5. Opinions issued in order to reinforce competition aspects of sector specific legislation include the review of the Civil Aviation Regulations and the FCC's participation in the drafting of Rules for Pay TV and Audio Services. Advocacy efforts undertaken also include the telecommunications sector regarding Telmex' specific regulation as a dominant carrier and the review of certain discount plans Telmex intended to implement.

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6. Other efforts were carried out with respect to the commercialisation of petrochemical products, and boarding services in Mexico City's airport. In the first case the determination of the existence of effective competition led to the deregulation of some petrochemical products. In contrast, the lack of competition urged for regulatory measures in airport services. Finally, the review of applicants in auctions called for privatisations and allocation of concession rights and of permits requests concentrated in port services and facilities, telecommunications, hotels, and natural and LP gas.

### **I. Changes to competition laws and policies, proposed or adopted**

#### ***1. Summary of new legal provisions of competition law and related legislation***

7. No changes or new provisions concerning competition law or related legislation have been proposed.

#### ***2. Other relevant measures, including new guidelines.***

#### *International antitrust cooperation developments*

8. In July 2000, Mexico subscribed a free trade agreement with the European Union. Annex XV of the agreement relates to competition and was designed to increase cooperation and coordination among competition authorities of both Parties.

9. Negotiations with the European Free Trade Association (EFTA) countries concluded in November 2000, in order to subscribe a free trade agreement. Chapter IV describes the main measures about competition to be implemented. The aim is to prevent anticompetitive practices as well as to increase cooperation between both Parties.

10. During July 2000, the FCC subscribed with the US competition authorities an agreement regarding the application of their competition laws. Its main purpose is to enhance cooperation and coordination in the enforcement of competition laws as well as the prevention of anticompetitive activities in both jurisdictions.

#### ***Certification under ISO 9002***

11. In August 2000, the FCC certified under ISO 9002 its procedures related to notification of mergers and acquisitions, participation in public tenders, appeal for review, attention to complaints, investigations and consultations, as confirmed by the audit conducted by LGAI (Laboratori General d'Assaigs I Investigacions) and ANCE (Asociación Nacional de Certificación del Sector Eléctrico). Both certification bureaux established that the Total Quality System of the FCC complies with the requirements established by the International Standardisation Organisation ISO 9002:1994.

12. The scope of the system is the promotion and protection of the process of competition and free concurrence. The FCC's policy is to maintain or expand its activities regarding prevention and elimination of anticompetitive practices and mergers. To this end, the FCC applies procedures subject to specific time periods in the investigation of monopolistic practices and mergers and in the evaluation of participants in public tenders. The Total Quality System of the FCC provides the conditions to comply with the quality policy.

13. The Total Quality System of the FCC is acknowledged and accepted at national and international level, strengthening its presence among the selected group of certified institutions.

14. The continuous commitment of the FCC to offer quality services, enhances the confidence of economic agents and attests the commitment of its President to consolidate this institution as a modern and impartial organisation.

## II. Enforcement of competition laws and policies

### 1. *Action against anticompetitive practices, including agreements and abuses of dominant positions*

#### a) *Summary of activities of competition authorities*

15. In 2000, 58 files were opened and 63 concluded (including 5 from the year before). These figures account for an increase of 38 and 53 percent compared to 1999. (See Annex 1 for details).

#### b) *Description of significant cases, including those with international implications*

##### i) Anticompetitive practices

#### Collusion in public auctions

##### Grupo Sutinmex vs Internacional Farmacéutica and others

16. The Federal Competition Commission (FCC) initiated an investigation regarding collusion in public auctions of medical equipment. The companies involved were *Grupo Sutinmex, Internacional Farmacéutica, Serral, Le Mare Internacional de México and Matur*. During the investigation the public auctions summoned by The General Hospital of Mexico and the Institute for Social Security for State Workers were analysed. In both cases, a behaviour pattern among the bidders could be set.

17. One of the most important pieces of evidence considered in the investigation, was the tight difference among the bids, which differed in all cases only by few pesos. During the investigation, the companies involved confessed to the existence of collusive practices. Therefore, the FCC decided to impose a fine to each of the implicated companies and to issue a warning to refrain from acting contrary to the FLEC in the future.

#### Price collusion in the beer industry

18. The investigation in the beer industry in the state of Quintana Roo involved an agreement between two beer distributors, *Cervecería Cuauhtémoc Moctezuma de Quintana Roo* and *Cervezas del Caribe*, and several regional associations involved in alcoholic beverages commercialisation: *Unión de Comerciantes de Cervezas, Vinos y Licores de Quintana Roo, Sección Especializada de Venta de*

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*Cervezas, Vinos y Licores de la Canaco Servytur de Cancún* (liquor commerce chamber) and *Sindicato de Proprietarios de Establecimientos Comerciales, Empleados, Transportes y Similares de Quintana Roo*.

19. The agreement established minimum sale prices for different beer presentations, a mechanism for the adjustment of such prices and the commitment not to trespass such limits when offering discounts. The FCC resolved that all the implicated parties were responsible for collusive practices consisting in price fixing, ordered its immediate suspension and imposed fines. The beer distributors pleaded guilty and consented to immediately suspend the practices, thus obtaining reduced sanctions.

ii) Abuse of dominance

Tied sales and other practices

Avantel and Alestra vs Telmex (long distance 800 numbers)

20. Long distance operators, Avantel, S.A. and Alestra S. de R.L., filed complaints against Telmex with alleged practices in breach of the FLEC. As a result of the investigation the FCC found Telmex responsible for anticompetitive practices derived from charging public telephone users \$0.50 per minute for long distance calls when using non geographic 800 numbers and for requiring the use of Telmex's prepaid cards (Ladatel) in order to access those numbers.

21. 800 paid numbers are used to render paid telephone services, whereby the receptor agent absorbs the cost of the call. Traditionally, commercial firms or social service institutions offer 800 paid numbers to provide their customers with a free communication in order to encourage them to use their information services. These numbers may be accessed from private or public telephones. In the latter case, Telmex applied its competitors' clients a \$0.50 per minute access fee, although users calling to 800 numbers offered by Telmex were not subject to such charge.

22. The investigation covered the following lines:

23. Tied sales. The FCC found that the charge imposed by Telmex represented an entry barrier since access to 800 national service through public telephones was only available by using Telmex's prepaid Ladatel card.

24. Refusal to deal. In 1997 Avantel requested Telmex to enter into a contract which would enable it to absorb the \$0.50 charge for 800 number calls originated from public telephones, in order to free its users from this payment. Telmex refused the contract without justification, although it had already subscribed such agreements with foreign providers of 800 numbers.

25. In 1999, following a decision issued by the Federal Telecommunications Commission (Cofetel), Telmex signed contracts with six firms setting technical and operation conditions regarding access to calls originating from public telephones by means of 800 numbers.

26. Discrimination. By denying direct charge to the plaintiffs in the access to its public network, Telmex created exclusive advantages in its own favour since it did offer itself this service to operate its own 800 numbers. Foreign firms offering 800 numbers also operated under a scheme where the final user is not charged for the use of Telmex's public telephone network.

27. Thus, uneven sales conditions were established for agents providing equal services from public telephones.

28. Demand decrease. The object and effect of the behaviour challenged was to offset competition faced by Telmex through its main competitors, Alestra and Avantel. These practices resulted in losses derived from useless advertising and because the plaintiffs were forced to withdraw their prepaid cards from the market, since they would not meet demand given that their acquisition required unavoidably the purchase of Telmex Ladatel card too.

29. The FCC's decision included a sanction amounting to the highest applicable fine for each of the practices incurred in. On deciding this amount, consideration was taken of the harm posed on competition, the international effect on firms and consumers and of Telmex's market share.

### Boycott

30. *Harinera Seis Hermanos* (HSH) filed a complaint charging *Cargill de México* and a civil association of agriculture product suppliers, *Asociación de Proveedores de Productos Agropecuarios* (APPAMEX), with blocking its access to imported wheat supplies.

31. The FCC enquiry provided evidence of a boycott, led by Cargill against HSH which could have the aim or effect of displacing the latter from the market. Following HSH cancellation of a wheat purchase contract, Cargill required the payment of costs incurred, which HSH refused to reimburse. By providing information to APPAMEX's members, regarding HSH's refusal to pay Cargill's cancellation costs, HSH was placed in disadvantage before its providers.

32. The relevant market defined was the commercialisation of hard wheat imported from the US and Canada, including the varieties Hard Red Winter, Hard Red Spring and Canadian Western Red Spring. These varieties differ from Mexican wheat in their high protein content.

33. Although no evidence was found regarding APPAMEX members refusal to sell HSH imported wheat, the FCC considered the intent to displace HSH from the market as an infringement to the FLEC. Pressure was exerted at the request of Cargill through the association, which was found to hold substantial market power, mainly on the basis of its market share. The FCC therefore concluded that both, Cargill and APPAMEX, were responsible for implementing a boycott and imposed fines on them. In addition it ordered APPAMEX to modify its regulations given that they fostered the commission of relative monopolistic practices.

34. The FCC's decision was challenged through the filing of an appeal for review. However the final judgement confirmed the original decision in all its terms.

### iii) Interstate trade barriers

35. *Grupo Industrial Lala* and *Lala Guadalajara* filed a complaint charging the government of the State of Sinaloa with imposing unfair entry restrictions to pasteurised milk. The defendant argued that the restrictions imposed constituted administrative control measures having health and statistical goals.

36. However, the FCC found that this administrative control implicated an authorisation to introduce products into Sinaloa. The enquiry of the legal framework revealed that sanitary standards regarding milk processing, transportation and storage are jurisdiction of the Health Secretary. Any additional state restrictions constitute an over-regulation, violate the Constitution and deter interstate trade.

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37. Based on the above elements, the FCC recommended Sinaloa's government to eliminate the authorisation regime imposed on milk entering the State.

### 2. *Mergers and acquisitions*

#### a) *Statistics*

38. In 2000, 284 files were opened and 278 concluded. These figures account for increases of five percent and 13 percent against 1999.

#### b) *Summary of significant cases*

Nestle México SA de CV / Corporativo Kraft SA de CV/ Kraft Foods de México S de RL de CV / KTL S de RL de CV

39. The parties notified to the FCC the acquisition by Nestle of the assets owned by Corporativo Kraft and KTL which included machines, equipment, formulas, recipes and industrial procedures, as well as related trade marks for the production, elaboration and commercialisation of culinary products (dehydrated soups) identified under the trade marks *Consomate* and *Rosa Blanca*.

40. The parties in the transaction coincide in the market of concentrated chicken soup. However, another company (Bestfoods) has the major participation in the relevant market through the trade mark Knorr. The FCC analysed the concentration indexes after the merger and determined that the dominance index diminished. Therefore, the FCC resolved that the transaction would not cause any problems to competition, and thus, authorised it as proposed.

Inversiones Nextel de México / Telecomunicaciones Móviles de México / Radiocom del Pacífico

41. These companies operate in the trunking market, where the technologic development has been an important element considered in the analysis conducted by the FCC. The merger involved the integration of frequencies of the radio-electric spectrum. *Inversiones Nextel de México*, member company of Nextel Group, acquired three regional concession titles for the 800 mhz band used for the provision of trunking services.

42. The FCC defined two different relevant markets:

- Analogic trunking, in which the operator provides group communications between one transmitter and one or more receptors.
- Digital trunking, which integrates the services of dispatch, paging, data transmission / reception and telephony. This service is offered by Inversiones Nextel and 9 other companies of the Nextel Group, which operate in other regional markets.

43. The merger was authorised, as it would not place *Inversiones Nextel* nor the economic Group it belongs to in a dominant position. The FCC also considered that the merger would generate efficiencies derived from scale and scope economies, which would allow *Inversiones Nextel* to compete with cellular telephony and PCS. Notwithstanding, the merger was conditioned to the modification of a non compete clause, which exceeded the criteria of the FCC, by including relevant markets in which the merger would have no effects.

#### Network Ventures / Baja Celular Mexicana

44. Network Ventures II notified its intention to acquire 50 percent of the stock of *Baja Celular Mexicana, SA de CV (BCM)* in order to increase its share to 92.7 percent. Both firms provide cellular telephony services.

45. Cellular services are rendered through frequency bands named A and B. The former was allocated according to nine regions which cover the entire national territory, while the latter was entirely granted in concession to *Telcel*, subsidiary of the telephone incumbent.

46. This operation reveals Motorola's (Network Venture's holding) strategy aimed at consolidating its positioning in regional cellular telephony. Motorola renders its services through subsidiaries in regions 3 and 4 and has a participation in the firm holding the concession of region 8. In turn, BCM holds the concession of region 1 and has indirect control of the concessionaire of region 2. Motorola seeks to face more efficiently its competitor *Telcel*, which is able to offer roaming service given its nation-wide penetration.

47. The FCC approved the merger on the grounds that it strengthened competition faced by the sole nation-wide operator. However, it restricted the two year non compete clause included in the transaction which originally comprised regions 1, 2, 3, 4 and 8, to only regions 1 and 2 because only in the latter it was reasonably broad from the competition point of view.

#### BBVA / Bancomer

48. This transaction created *Grupo Financiero BBVA-Bancomer*, which resulted from the association between *Grupo Financiero BBV-Probursa* and the second biggest financial Group in Mexico, *Grupo Financiero Bancomer*. The analysis of this case required a detailed study, not only because of the dimension of one of the parties involved, but because the transaction would totally integrate both financial groups in all their services, such as banking, insurance and retirement funds.

49. The services evaluated were: immediate demandable deposits, term deposits, bank bonuses, inter-banking loans, saving accounts, commercial credits, loans to financial intermediaries, mortgages credit to consumption, governmental credit, fiduciary services and money exchange.

50. The Herfindhal and Dominance Indexes in each market complied with the thresholds set by the FCC. The results reflected also the presence of important competitors such as *Banamex* and *Santander-Serfin*.

51. Additionally, complementary services markets in which the parties participate were also considered, such as valuable goods transportation, assets payment and compensation, data processing, operations processing for credit cards and automatic cashiers (ATM's) and credit information. In such markets vertical integration of financial companies is common. None of the cases in the notified merger would have an adverse effect in the relevant markets.

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### **III. The role of competition authorities in the formulation and implementation of other policies, e.g. regulatory reform, trade and industrial policies**

#### ***I. Advocacy***

##### *i) Regulatory framework*

#### Civil Aviation Rulings

52. Air transportation in Mexico is highly concentrated and is subject to significant access barriers. In specific routes companies with market power have the ability to carry out anticompetitive activities affecting competition.

53. Although the FLEC prohibits anticompetitive practices and together with the sectors' rulings promotes competition, legal procedures may be extended in time in such a way that the application of necessary remedies to such practices may be delayed with an inevitable damage to competition.

54. In this context, the FCC recommended to include modifications to the Civil Aviation Rulings (CAR), to establish mechanisms that would permit preventive and expedite actions whenever evidence indicates that an agent with market power may be carrying out anticompetitive practices.

55. On October 2000 the following modifications to the CAR were published on the Official Journal:

- The time granted to the Communications and Transport Secretary (SCT) to issue the resolution project through which tariff regulation is applied to an economic agent who presumably carries out predatory practices was reduced from 30 to 20 days. The period granted to particulars for allegations was also reduced from 15 to 10 days.
- The SCT was empowered to apply preventive measures during the procedures, whenever the FCC considers that the inexistence of effective competition may affect the public interest.

#### Rules for Pay (Restricted) TV and Audio Services.

56. From September 1998 to February 2000, the FCC expressed several opinions about the pre-draft Rules for Restricted TV and Audio Services. The pre-draft included since its first version some aspects which would favour the competition process in the different relevant markets, among others:

- Any merger or acquisition which implies the provision of pay TV through competing technologies by one economic agent within a service area, is subject to authorisation of the FCC.
- Accounting separation for the provision of different services, in order to prevent cross-subsidies.

57. Furthermore, the FCC considered necessary to develop recommendations to strengthen the pro-competitive content of the Pre-Draft. Among these recommendations, the following resulted relevant:

- The transmission of concession rights, transferred or transmitted by cession, stock purchase or any other juridical means, was subject to the previous approval of the FCC, as these acts

can generate concentration of the radio-electric spectrum, which is a basic resource for the provision of telecommunication services.

- The FCC recommended the establishment of provisions to enhance and promote access of pay TV distributors to any program, including those transmitted in open (free) TV channels, under equitable and non discriminatory prices, terms and conditions.
- The Pre-Draft contained provisions that could inhibit private investment. Such provisions included the establishment of a predefined calendar for net work installment, specific coverage obligations and the implementation of a permanent and continuous assistance system.

58. Those kind of commitments should be taken by the economic agents according to the conditions and development of the market. It was also appointed, that the existence of a competitive market tends to create the incentives to introduce coverage and quality elements in the service.

59. On February 29, the Rules for Restricted TV and Audio Services were published on the Official Journal, which included the recommendations given by the FCC to transmission, transference and cession of rights, and those related to programming access.

## ii) Assessment of competition conditions

### Telmex's dominance

60. In 1997 the FCC determined that Telmex had substantial power in five relevant markets: local telephony, national long distance, international long distance, resale and interconnection (access). In accordance to the Federal Telecommunications Law, such a resolution empowers Cofetel to apply specific regulation to Telmex on tariffs, information and service quality.

61. Telmex appealed the FCC's decision, which still remains sub-judice. On June 1999, the court decided to suspend the sentence until a final decision is issued regarding Telmex's substantial market power. Notwithstanding, according to the judgement, this suspension may become void if the regulatory authorities establish specific obligations aimed at protecting social interest, the State or third parties.

62. On the basis of this decision, the FCC took active participation since mid 1999 and until autumn 2000 along with Cofetel in the design and implementation of a specific regulatory framework for Telmex.

63. On September 2000, specific obligations regarding tariffs, service quality and information were published in the Official Journal. These contain provisions to promote competition in the five relevant telephony markets where Telmex is endowed with market power, including:

- the introduction of tariffs that reduce the operation margin of services rendered in competition is proscribed, unless it constitutes a defensive action to face previous actions undertaken by its competitors;
- implementation of a tariff authorisation process;
- cost-based tariffs for switches, co-location and local transit. The same criteria also applies to billing, emergency, operator and prepaid services services, among other. In addition, these tariffs must be equal to those it charges itself or its subsidiaries;

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- homogeneous installation and leasing tariffs for links and dedicated circuits throughout the country until 2003 and increases equivalent to or below the consumer inflation index;
- proscription to apply plans that compulsorily bundle local and long distance services;
- elimination of contracts comprising tariff schemes for over three months or which impede the election of another company;
- quality standards and indexes for services rendered to other operators;
- attention of requests on the basis of the “first to arrive, first to be attended” principle and under the same deadlines and conditions applied to itself;
- unbundled access to services, facilities and network functions;
- resale of overcapacity;
- real time access to service requests from operators and pre-subscription data bases.

64. FCC recommendations to Cofetel that were not incorporated include:

- application of homogeneous criteria to estimate the costs of all services<sup>1</sup>;
- separation, within the price cap system, of competitive services from non-competitive services;
- regulation of access on the same terms applied to other related components such as port provision, co-location and local transit;
- lack of a mechanism to determine resale price.

Telmex Proposal of: “Discount plan for digital lada-links”, (The Plan), and “Contract promotion in digital trunking packages”, (The Promotion).

65. The Plan included discounts up to 100 percent in installation expenses of digital links, with the condition for the clients to remain with Telmex (the incumbent company) 5-years periods; or alternatively, discounts up to 50 percent with the condition to remain 3 years with the company. The prior cancellation of the contract obligated the user to refund the total discounts granted.

66. The Promotion considered discounts according to the volume of the rented lines and the terms agreed in the contract, which covered minimum periods of three years and 120 line contracts.

67. The FCC defined the following relevant markets: local services; national long distance services; international long distance services and resale. It was determined that Telmex had substantial power in these markets.

68. The FCC considered that the Plan would preserve the market structure in the aforementioned markets, by tying clients for up to 3 or 5 year periods This would impose strong access barriers and reduce the demand faced by new operators, preventing them to access those markets or consolidate their position.

69. In particular, the fine imposed for the prior cancellation of the contract reflects the severe and anticompetitive effects of the Plan.

70. As regards to the Promotion, the FCC considered that it would also introduce a total stiffness in the market. In this case, a discount program as proposed by Telmex, displaces other providers and creates access barriers for new local companies.

71. After the analysis of these and other elements, the FCC concluded that the application of the Plan and the Promotion would violate the FLEC.

## **2. *Privatisations, licences and permits granted by the Federal Government in regulated sectors***

### *Natural gas distribution permit auction in Guadalajara*

72. The FCC reviewed the participation of three applicants to the auction called by the Energy Regulatory Commission (CRE) to award a natural gas distribution permit for the Guadalajara region, namely Gas Natural de México, SA de CV (GNM), Tractebel SA (Tractebel) and the group conformed by DGF International and Mexique Investissements, SA (GDFI Group). The permit granted twelve years exclusivity in distribution activities<sup>2</sup> and a total thirty year renewable validity.

73. The relevant market includes natural gas distribution defined as the reception, conduction, delivery and commercialisation of natural gas by means of pipelines within the geographical area.

74. The FCC determined that natural gas currently faces competition from LP gas, for domestic use, and fuel oil, for industrial consumption. The world wide trend however, is that these alternative fuels be substituted by natural gas.

75. The approach took also into account the mid term effects of the permit in the consolidation of a nation wide competitive natural gas market. Given that the expiration of exclusive distribution in several regions starts in 2002 and considering that GNM already holds six out of twenty exclusive regional distribution permits<sup>3</sup> the FCC judged that by holding an additional permit GNM would become a dominant agent and thus would be capable of imposing barriers to the entry of new competitors or to limit competitive conditions in the market. It therefore objected GNM's participation in the auction.

76. The other bidders had a reduced penetration in natural gas distribution in other regions and in substitute products within the Guadalajara zone. The FCC therefore decided not to block their participation in the auction.

### *Exploitation of emission and reception rights of band signals associated to foreign satellites.*

77. In 1997 the provision of fixed satellite services through three Mexican satellites was privatised by granting a concession to *SatMex*. The assets were transferred in a package, due to efficiency reasons. Therefore, satellite communications in Mexico were provided basically by this agent and the capacity offered by the international organisms Intelsat and Inmarsat.

78. However, the market was opened up to foreign competition by the issuance in 1996 and 1997 of reciprocity agreements with the USA and the corresponding protocols.

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79. During 2000, the FCC received four opinion requests presented by private companies to obtain from the SCT a concession to exploit rights of emission and reception of frequency band signals associated to US satellites. This opinion requests corresponded to *Telesistema Mexicano*, *Enlaces Satelitales*, *Sistemas Satelitales* and *Cosatmex*.

80. The analysis allowed the FCC to determine that the corresponding operations involved two separate markets: satellite capacity provision and signals conduction, with the exception of *Telesistema Mexicano*, which due to the content of the signals to be transported, was included in the TV programming market, instead of the signal conduction market.

81. The satellite capacity market includes the transponder supply provided by national and international satellite operators, such as Loral, PanAmSat, GEAC and Echostar.

82. The FCC gave favourable opinion to the requests, considering that the granting of the concessions would *de facto* open up the service to foreign competition.

### **IV. Resources of competition authorities**

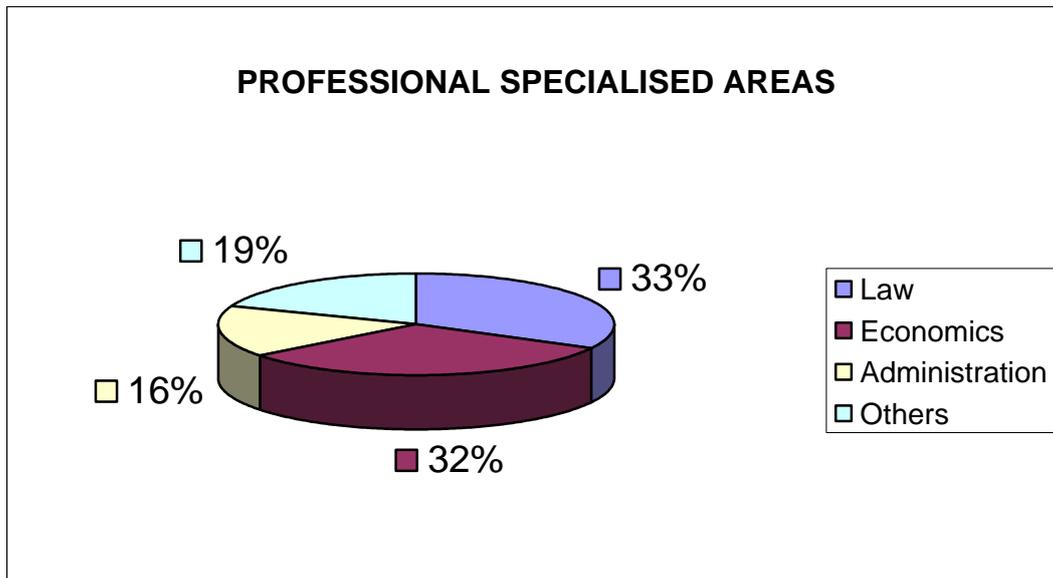
#### **1. Resources overall (current numbers and change over previous year):**

##### *a) Annual budget (in your currency and USD):*

83. The 2000 annual budget amounted to 137.7 million Mexican pesos. This total is equivalent to 14.6 million US dollars<sup>4</sup> and represents a 35.5 percent increase with respect to the previous year.

##### *b) Number of employees (person-years):*

84. The total senior and middle management added up to 152, made up of 50 lawyers, 38 economists, 64 professionals and technicians with degrees in engineering, mathematics, accountancy, computer systems and international affairs. The support staff comprises 48 employees. Thus, the total staff added up to 200 employees.



**2. *Human resources (person-years) applied to:***

*a) Enforcement against anticompetitive practices*

85. This field is attended by the Plenum, integrated by five Commissioners and their advisors, 49 officials of four Operational General Directorates, adding up to 64 officials.

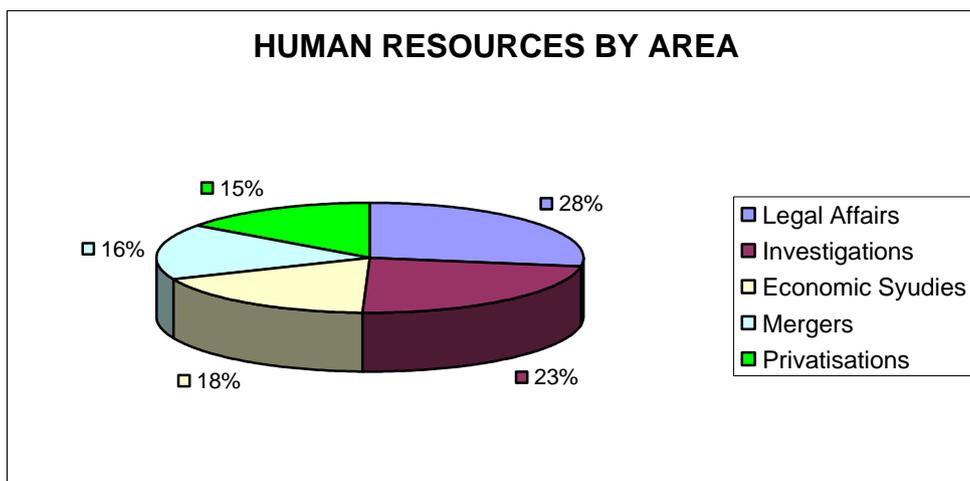
*b) Merger review and enforcement*

86. In addition to the Plenum, nine members from the Mergers Directorate serve the cases.

*c) Advocacy efforts*

87. The Plenum is the body responsible for issuing opinions on competition aspects of laws and actions by government agencies. This activity is supported by:

- Nine officials of the General Directorate for Privatisation and Auction Processes;
- Eleven officials from the General Directorate for Economic Studies;
- Eleven officials from the General Directorate for International Affairs; and
- Three officials from the General Directorate for Regional Co-ordination.



3. *Period covered by the above information: January – December 2000*

**V. Summaries of or references to new reports and studies on competition policy issues**

88. The Annual Economic Competition Report 1999, seventh edition published since the FCC's creation, incorporates a relevant case selection. It complements the information contained in the decisions published in the Economic Competition Gazette and the summaries of concluded cases published in the Official Journal and in the FCC's website, by analysing the decisions in the broader context of competition policy.

**NOTES**

1. In order to ensure competition the price standard chosen as a minimum threshold must be uniformly applied to all services. From the competition approach, the best option would be to suppress capital costs in all cases. A second option would include capital cost in the estimation of costs for all services. The worst situation allows the incorporation of capital costs in the estimation of the minimum threshold for services facing limited competition but excludes this cost for services rendered in competition conditions (basic long distance services). Asymmetric threshold estimation tends to guarantee an operation margin to firms endowed with substantial market power but eliminates that of new entrants.
2. According to the rulings on natural gas, exclusivity does not apply to trading, which is open to competition even from the beginning.
3. GNM has also a share in the economic group that was awarded the permit for Mexico City.
4. Average annual exchange rate for international operations issued by the Central Bank (9.4556 pesos per US dollar).

*Annex 1***FEDERAL COMPETITION COMMISSION****FILES PROCESSED 1999-2000**

	<b>1999</b>	<b>2000</b>
<b>MERGERS</b>		
<i>Cases filed and ex officio investigations initiated</i>	<b>264</b>	<b>284</b>
Notifications	241	252
Ex officio investigations	8	7
Complaints	15	25
Concluded	<b>245</b>	<b>278</b>
No objection	220	183
Conditions imposed	6	20
Opposed	3	3
Affirmativa ficta	0	0
Others <sup>1</sup>	16	72
In process	46	48
<b>PRIVATISATIONS, CONCESSIONS AND PERMITS</b>		
Cases filed	<b>96</b>	<b>110</b>
Concluded	96	99
No objection	90	79
Conditions imposed	1	2
Opposed	3	6
Others <sup>2</sup>	2	12
In process	<b>8</b>	<b>19</b>
<b>MONOPOLISTIC PRACTICES AND OTHER RESTRICTIONS TO COMPETITION</b>		
Cases filed and <i>ex officio</i> investigations initiated	42	58
Ex officio investigations	12	18
Complaints	30	40
Concluded	41	63
Penalty or recommendation	9	11
Concluded in advance, based on Art. 41 of the RLFCE	11	2
Decisions against the plaintiff	10	34
Withdrawals and complaints dismissed	10	12
Others <sup>3</sup>	7	4
In Process	63	57

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Files Processed 1999-2000 (cont'd)

	1999	2000
<b>CONSULTATIONS</b>		
Filed	39	44
Concluded	41	39
In process	9	11
<b>MARKET POWER AND COMPETITION CONDITIONS</b>		
Filed	2	4
Concluded	5	3
<b>APPEALS FOR REVIEW<sup>4</sup></b>		
Cases filed	40	51
Concluded	41	49
In process	5	7
<b>TOTAL</b>		
Cases filed	483	551
Concluded	469	531
In process	132	142

<sup>1</sup> Includes withdrawals, complaints dismissed and *ex officio* investigations where no violations were detected.

<sup>2</sup> Includes withdrawals and complaints dismissed.

<sup>3</sup> Includes cases closed.

<sup>4</sup> This is a new issue included in the annual report.

**INTERNATIONAL TRANSACTIONS**

Transaction	Files	
	Number	%
<i>With structural effects on markets</i>	<b>100</b>	<b>71.4</b>
International transactions with effects in Mexico	53	37.9
Transactions in Mexico with foreign participation	46	32.8
Acquisition of foreign assets	1	0.7
<b>Corporative restructures</b>	<b>25</b>	<b>17.9</b>
<b>Increase of capital shares</b>	<b>15</b>	<b>10.7</b>
<b>Total</b>	<b>140</b>	<b>100.0</b>