

**PUBLIC TRANSPORT BY VANS:
FACTS, MEANING AND PERSPECTIVES OF ITS PRESENCE IN BRAZILIAN CITIES**

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ABSTRACT

Until five years ago the scene of public transport in Brazilian cities was dominated by privately operated buses under local protective regulation. From 1996 on, however, this scene begun to change by the emergence of vans operators who challenged bus cartels and the barriers to entry imposed by public authorities. In this paper, a general overview of the presence of vans in Brazilian local public transport is provided. Quantitative, regulatory and political facts are presented and analyzed. Furthermore, present trends related to regulatory policies concerning vans are assessed and possible developments regarding its presence in passenger transport markets are discussed.

INTRODUCTION

Until mid-90s, and with very few exceptions, the scene of public transport in Brazilian cities was dominated by the massive presence of privately operated buses under local protective regulation. The general anticompetitive character of regulatory framework of local bus industry in Brazil has been defined elsewhere (Santos and Brasileiro, 1996; Aragão and Santos, 1999). From 1996 on, however, this scene begun to change by the emergence of vans operators who challenged at the same time the economic and political power of bus cartels and the barriers to entry imposed by public authorities.

In general, vans operators were largely supported by the general public, especially captive bus users who were interested in more service provision coming from new suppliers. Although there may be found some opposition to vans between users, mainly due to informal character of activity and to frequent unacceptable high-speed driving, public support to vans could be politically felt. This support was really the main responsible for the political recognizing of van public transport significance and, lately, for the incorporation of vans operation in the regulatory framework concerning transport in many Brazilian cities. Other local Administrations have chosen to be until now in a position of accepting the presence of vans without regulating the service at all. In other ones, however, vans were deterred or banned from the streets.

In this paper, a general overview of the presence of vans in Brazilian local public transport is provided. Firstly, a brief historical introduction to the problem ends with a schematic description of institutional framework of urban public transportation in Brazil. Following this, facts concerning the growth of signification of vans in Brazilian cities after mid-90s are presented in a way that links that growth with socioeconomic, demographic and technical aspects. Then, comments on different reactions of local transport authorities, bus operators and users, as well as vans operators' behaviors, are done and their interactions are briefly explored. Finally, a general conception of the phenomenon is formulated and present trends related to regulatory policies concerning vans are assessed. Conclusions are developed having these trends in mind in such way that possible developments regarding vans presence in passenger transport markets are discussed.

HISTORICAL BRIEFING AND THE INSTITUTIONAL FRAMEWORK IN MID-90s

Informal urban transport has a large tradition in Brazil, with its roots in the accelerated urbanization following the Second World War. Before those years of growing industrialization, Brazilian cities' transportation needs were generally fulfilled by electric tramways and, in some cases, suburban railways. Although railways were then passing to public operators, monopolistic private concessionaires controlled urban tramways with exclusive rights. Beginning in the 40s, new transport demands raised that could not be answered by rail modes due to difficulties in importing components and in raising sufficient funds for new investments: extension of urbanized area with a first wave of suburban sprawling required the building of new rail routes and growth of rolling stock in order to achieve reasonable levels of service.

In this market vacuum, independent road carriers — usually individual or familiar firms — begun to offer transport services in peripheral urban settlements. Also, in cities like Rio de Janeiro, selective road services were offered in consolidated routes, directly competing against trams. In the absence of operational modernization, trams and trains loosed progressively their market shares in the same rhythm that competitive road carriers improved their organization in the direction of a more concentrated business. With or without state acquisition or incorporation of tram and railway companies, rail modes were almost completely banned from urban markets around 1960. It should be remarked here that public authorities could use competitive presence of informal road carriers as a political arm in their conflicts with monopolistic concessionaires regarding fare revisions or service cuts.

Those independent road carriers were the matrix of today bus enterprise in Brazil. From the 60s on, bus business in Brazilian urban agglomerations has been growing and growing as population raised

and cities became more complex and expanded territorially. It is important to say that all over the period public regulation of urban bus industry in Brazil restricted internal competition between the incumbents and protected them from new entrants in the market on the basis of periodically renewed concession contracts without significant requirements regarding operational improvement or productivity gains. Singular exceptions may be mentioned although with residual significance: the case of irregular buses — the *piratas* in Rio and São Paulo —, operated by informal producers using old and badly conserved vehicles, normally in metropolitan medium distance routes; the illegal *kombis* in the periphery of Metropolitan Recife; the use of taxis as collective vehicles — the morning and evening *lotadas* as they are known in Rio.

In this context, public authorities became, with rare exceptions, accommodated in a position of services monitoring, frequently busied with fare and system's deficit administration. Without financial conditions to improve urban road infrastructure for public transport, with very limited possibilities of implementing mass transit network projects — more than exceptions, Metros in Rio and São Paulo may be highlighted as examples of low public capacity in develop and really implement mass transit options —, authorities saw their effective power being diminished as faced to political and economic power of bus enterprises.

Economically concentrated, very often behaving as local cartels, bus enterprises were prone to turn into a nationally amalgamated business with fusion, acquisition and merging processes being the rule in the eighties and first nineties. In this process, local authorities were becoming more and more fragile, both politically and technically. Again, a few exceptions may be pointed out that states the general rule: Curitiba and Recife remained with their transport system well managed by strong authorities, local one in the former case, metropolitan authority in the latter.

All these factors have been understood as the *rationale* for explaining why an initially competitive and dynamic industry followed the way to become a non-reacting, inertial one, without being able to perceive new market demands and users' needs. And, in fact, the early 90s were the years when urban public transport markets in Brazil consolidated too many rapid changes. These can be summarized as follows:

- Motorization rates were growing under national policy on "popular cars"
- As a consequence, captive demand for public transport was diminishing
- Spatial hierarchy policies for retailing, public health and education were being implemented and resulting in reduction of motorized traveling
- Urban structures became more complex what implied in a relative loss of importance of traditional transit corridors
- New desire lines emerged that did not present sufficient demand for mid-sized or big buses:

- Street congestion resulted in less vehicular productivity associated with greater users' costs in travel time and discomfort
- Lastly, relatively expensive fares practiced by bus operation opened up attractive spaces for the supply of alternative services.

As they had lost capacity for perceiving and comprehending new market orientations, bus cartels were not able to understand the market signs, except for some examples of selective services as practiced in greater cities as Rio and São Paulo (*frescões*, condominium services and so on): real mass transit by bus remained a poor service used by no more than those without any option. New entrants in the market could then approach demand with a segmented supply, except for financial, technological and regulatory barriers to entry.

CONTESTING BARRIERS TO NEW ENTRANTS: THE "VANS" EMERGENCE

Once the demand-side conditions for deep changes in public transport market were already given around 1995, those barriers stood due to supply-side limitations. But new macroeconomic policies changes laid down financial and technological barriers. These changes can be classified as follows:

- New automotive regimes gave rise to easiness of vehicular importation, specially vans with a reasonable degree of adjustment to their use in collective transport
- Exchange rates were favorable to importation and imported vans were relatively cheap
- Global expansion of greatest car manufacturers results in the installation of all relevant ones in Brazil or in Mercosur (Argentina mainly)
- Privatization of state enterprises was accompanied by a “qualified unemployment”, graduated professionals — with financial capacity due to demission or early retirement pecuniary compensation — interested in establishing their own business
- Growth of informal economy resulting in the existence of people interested in trying new forms of working and obtaining income
- Better credit conditions with longer amortization periods and lower effective interest rates.

After the concretion of above conditions just one kind of barrier was not laid down: the regulatory one. But, in general, with some few exceptions, transport authorities and institutions had become fragile faced to the economic and political power of bus operators. And regulatory barriers may always be contested in practice if perceived benefits may supersede real costs and perceived risks.

As a general rule, vans were introduced in very singular niches of public transport market: first entrance is addressed to intermunicipal routes between peripheral communities and city centers. There

are some reasons for this choice: market regulation in Brazil is such that intermunicipal, although metropolitan, bus transport has much higher fares than intramunicipal ones; tutelage of intermunicipal public transport belongs to regional — e.g., State — authorities (exception for Metropolitan Recife, Vitória and Goiânia where all metropolitan transport system is under the control of a Metropolitan authority) that are not well fitted to monitoring and controlling urban transport; peripheral urban populations has grown more quickly than more central ones and former neighborhoods are not so well served by urban services as latter ones; longer the routes, more advantages in travel time, headways and geographical coverage are exhibited by faster and more comfortable vans (if just seated passengers are admitted).

Usually, unless police is used — remember the fragility of public transport authorities and think about its available personal for controlling irregular operation —, first new entrants are well succeeded. Short-term profitability of pioneers attracts new vans operators until singularly good market niches are saturated. If conditions for entrance remain then, “second-best” niches are targeted and so on, until more structured routes with reasonable bus services are attacked. So, beginning with entrance situations in which competitive pressure put by vans is not significant from a systemic point of view, they can spread their operations over metropolitan space since when local or regional authorities are not able to rapidly deter entrance. In these cases, a short-term contestable market is built because regulation as practiced permits almost totally free entrance. Furthermore, if incumbents also react slowly and remain for a long time arguing for police intervention a successful significant entry is observed.

Of course, process does not develop quietly and without reactions. In some moment, incumbent operators and/or public authorities react more or less vigorously. The timing and intensity of reactions, as well the degree of success achieved by them, depend upon local conditions: prevalent quality of bus services, public confidence regarding transport authorities, organization and power of bus business, and (very important) political relationships between local Governments, and between them — mainly that of core municipality — and State authorities. Some cases may be mentioned for illustration:

- In Natal, the irruption and growth of vans in 1996 was largely eased by the proximity of local elections — State authorities did not intervene because they were interested in operators support to their candidates to municipal Governments
- In Curitiba, the presence of vans is not too significant until today largely due to the quality of bus operation and the public support to municipal transportation agency
- In Rio and São Paulo, the boom of vans is largely explained by the absence of a real public power controlling operations, what can be the reason for the fact — frequently cited by vans antagonists — that vans market is under the control of *mafias*.

REACTIONS TO VANS: FROM DETERRENCE TO ACCOMODATION

It is worthy to note that above mentioned conditions do not apply uniformly in Brazilian cities. So, the dynamics of reacting and counter reacting process — a matter of political analysis — is strongly defined by very local characteristics and conjunctures. Nevertheless, systematization may be useful regarding the overview nature of this document.

Regarding to public authorities, it is possible to define a typology of behaviors. Three different types of reaction may be identified, although a local authority may have mixed behavior or assume sequentially two different types. They are:

- Transport authority makes a strong decision in pro of preserving *status quo*;
- Transport authority deters vans entrance without too much emphasis and proceeds in order to a formal regularization of some quantity of entrants;
- Transport authority remains apathetic and does not define precisely its position.

In the first possibility, where it is possible to see Recife's, Curitiba's or Belo Horizonte's initial reaction, police and officials of transport controlling are distributed in streets to virtually ban the vans. Some authorities in this case are interested in maintaining their power over the complete public transport system and vans intrusion disturbs what is understood as a well-functioning public service. But, in other cases, this reaction may be seen as a defense of incumbents' interests, not public ones: a bad-functioning system should not be preserved but transformed and vans emergence could aid this public purpose. Maceió and Teresina have shown this kind of behavior to defend an operationally inefficient bus service.

Of course, this kind of public authority position is strongly proposed and supported by NTU, the National Association of Urban Transport Enterprises, and ANTP, the National Association for Public Transport. A slightly distinct solution that is being adopted somewhere (Vitória, for example) is to emulate the well-known 20-years old experience of Porto Alegre with the *lotações*. The decision in these cases is to use *quasi-buses* (20-26 seats) largely operated by incumbents themselves or by new actors in order to fulfill market niches opened to vans. This practice uses to be performed as an answer to public questioning about "why not alternative transport". It is noticeable that the use of mini and minibuses by incumbents has been registered in many cities other than those with this first position.

The second possibility, where we may find Brasília, Natal, Fortaleza, Campinas, as pioneers, Belo Horizonte (today), Rio de Janeiro, São Paulo and many other cities, police power is used not to ban all vans from the streets but to try to contain the cumulative process of entrance. The main idea behind this kind of behavior seems to be exploiting the private informal initiative in improving transport supply and in putting an effective competitive pressure on bus operators. Sometimes, however, this

behavior is not decided *just-in-time* and decision is taken under political pressure when the problem is no more under authorities' control. This is the case of São Paulo and, partially, of Rio. Another problem with this positioning regards the *quantity* of regularization: if low, more possibilities that excluded operators come back again irregularly; if high, poor vans services will be achieved in the medium term due to market saturation and low profitability. Finally, another problem with this decision is that of political integration of authorities in a Metropolitan Area: if local and regional authorities disagree about the timing and nature of regularization, or one of them does not implement any solution, then the problem shall remain. This is the case of Natal, where the lack of a State real decision on regularization is causing problems to locally regulated vans operators due to the entrance of non-regulated ones in the routes awarded through competitive tendering processes. Brasília has a similar problem now-a-days and is opening other niches for new entrants: the neighborhood transport, some thing like the condominium transport of Barra da Tijuca, Rio de Janeiro, but operated by vans.

The third possibility, where we may mention São Paulo and Rio initial position and also the great majority of State authorities, is generally an intermediate position. Under political pressure put by bus and vans operators, or by users, or by politicians, the authority in this case tends to approach one of the precedent possibilities. The worst in this case is that, in general, this decision is out of time and the size of problem is then more difficult to handle with. To mention a case: nine thousand operators answered the calling of Rio de Janeiro Municipality in order to register as candidates to regularization. Tendering for vans routes in São Paulo would have regularized four thousand operators while around ten thousand others would remain illegal.

It is important to remark that public authorities reveal in their decision taking the result of political pressures, e.g. the political relative weights of bus operators, vans operators and users, as well the political conflicts internal to the political game orients and forms public decisions with more strength than technical opinions.

Examining now the bus operators, it is possible to conclude that their positions in the conflict have followed a national orientation. This is possible because now-a-days NTU represents significant quantity of relevant operators. Local associations reflect this position. The bus operators' reaction may be summarized in four axes:

- Organized pressure upon public authorities requiring more police action in order to ban vans from the streets, combined with attempts to develop some form of partnership with public authorities regarding monitoring emergence or presence of vans
- Once public decision is partial regularization of vans, political pressure in order to model regulation in the sense of controlling vans expansion in the market (the permission to individual operators, limitations of vehicular technology and so on)

- Changes in their own operation in order to better compete with vans attraction to users (microbuses just-seated, fleet expansion, operations management better fitted to user needs, like express buses, air-conditioning)
- Media campaigns dedicated to break the public image of vans (said to be *irresponsible*, *predator*, *tax defrauder* and so on) and to better their own image (as *responsible*, *tax payers*).

Users, in their turn, have generally assumed very segmented positions, as it could be waited. As the vans represented, in any way, an additional supply of transport, the first reaction of user is to be in favor of vans. But this position is not permanent. Tastes and opinions are formed in the use, and part of the users does not accept some characteristics of van operation, mainly speed and lack of traffic security relatively to the buses. Other kind of users remarks the speed and the short travel time, also relative to buses, as the main criteria orienting their choice in pro of vans. In some cities, more comfortable vans like MB-Sprinters have attracted female passengers in a greater proportion than male ones.

Public opinion obtained by interviews in São Paulo, Rio, Natal e Recife, nevertheless the distinctive features of vans operations in these urban areas, converge to highlight greater operational speed, e.g. lower travel time, as the most important criteria for evaluating the service. But users disclaim the very differences between vehicular models in vans, a failure they do not observe in buses. Politically, it seems that users tend to assume a positive opinion respect vans because they perceive the operator as an equal, while the bus enterprise don't try to understand their needs. Qualitative research on the theme performed in São Paulo, Natal and Rio seems to support this statement, a very normal reaction of those who have been a long period under monopolistic practices and abuses.

Faced to these positions of authorities, competitors and users, vans operators have been reacting in many ways. Where the service is regulated, some conflicts emerge from the disparity between the informality they are used to and the requirements imposed on the service by authorities. In Natal and Fortaleza, for example, many drivers do not respect route definition or does not intend to operate full period. The associations and unions are not as representative as necessary to guide general operator behavior. So, it is possible to talk about many levels of quality in vans operation, including in the same urban area. There are routes in which operators are extremely careful with the relationship with users, with car maintenance and cleaning, with security in driving and so on. In other routes, there are not these conditions. Another problem with vans operators' reactions is the trend to become violent in defending their market spaces. The case of São Paulo, where the problem seems to be out of public control and where connections between vans business and criminal activities have been appointed, is a serious advertising regarding the need that public authorities have to act promptly in order to maintain the possibilities of using vans as an instrument for improving general public transport.

Positive results emerging from the irruption of vans in urban transport market in Brazil are sufficient as to state that public benefits may be obtained if public authorities are able to recognize that vans have a place in the supply of transport services. This place may be thought of in two dimensions: coordination and competition. In the following item, it is presented briefly a conception of vans presence in urban public transit networks that is fitted to these dimensions.

VANS: THEIR ROLE IN A NEW PERSPECTIVE FOR URBAN PUBLIC TRANSPORT

Urban public transport in Brazil is now in a deep crisis. Although too many causes may be appointed for this, regarding the objectives of this paper it is sufficient an interpretation of the current crisis as the reflection of caducity of a certain regulatory framework developed and adopted in the sector over the period 1960-1990. The most distinguished factors of this framework are: restricted competition for and in the market, uniformity of technical solutions (in the vehicular sense as well as in the organizational and operational one), lack of permanent incentive for innovation and quality/productivity rises.

The emergence of vans brought to intellectual and technical debate around the future of Brazilian urban transport at least two reflections: the possibilities of a competitive cohabitation of distinct vehicular technologies, distinct operational solutions and different organizational arrangements. Vans in Brazil are not as just as small sized vehicles. In Goiânia, for example, former vans operators were so able to organize their presence in local market that today they are all running microbuses (19 to 25 seats). Here, the important feature is no more the vehicle but the kind of cooperative arrangement between individual operators. So, alternative operators running vans or microbuses also represent a more flexible operation and a more dynamic organization. The answers of some public authorities, as in Natal, Fortaleza, Campinas and others, to the emergence of vans were able to show that it is possible to develop a integrated regulatory framework where each combination of mode, vehicle size, operations and management organization can proportionate a solution for special market needs.

This systemic regulatory approach will not be constructed in a day (Aragão e Santos, 1999). But it is promising in the sense that it may offer a solution for the present crisis. In the transition phase, conflicts will remain intense and new problems will be appointed. But structural changes in regulation are the only correct answer to structural changes in the market. The nature of urban transport markets permits to think about a regulatory portfolio governing a supply based on diversified technology and promoting an equally diversified type of property, from large firms to familiar ones.

In this context, vans or microbuses could be operated in various forms:

- Feeder circuits to structural rail, water or bus main routes (intermodal coordination and better conditions for public transport to face the private automobile growth)
- Competitive transport supply in links where demand is too low for a bus line with reasonable headways (enhancing the qualitative and quantitative presence of public transport in the general transport market of urban agglomerations)
- Competitive supply over bus routes, especially those with high daily demand variation (thus, putting effective competitive pressure on bus industry)
- Special night services, school transport and transport related with events
- Neighborhood transport

These possibilities are not entirely present in regulatory trends for urban public transport in Brazilian cities. But they can be seen partially in many regularization procedures adopted to accommodate vans operators in the transport system. On the other side, vans operators initiatives are also recognizing some of these market niches. In Rio, for instance, the concessionaire of suburban railway is negotiating with a cooperative of vans operators a collective contract regarding feeder services connecting communities that shall loose their train station, closed due to low demand. In Brasilia, neighborhood transport permissions are being considered to be operated with vans. In many cities, by-night and events-related transport is a real option, as well as special services to colleges and schools. In Natal and Fortaleza, local vans were regulated with a limited but real purpose of putting competitive pressure on bus incumbents.

Being able to recognize market signs and to explore competitive advantages of vans may help local regulators to improve regulatory framework in a direction of better fulfilling the public interest.

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