

# 9<sup>th</sup>. CONFERENCE ON COMPETITION AND OWNERSHIP IN LAND TRANSPORT.

## BUS TRANSPORT IN BUENOS AIRES. PARADOXICAL EXPERIENCES AFTER 10 YEARS OF REVISION.

*Andrea Gutiérrez.*

*Department and Institute of Geography*

*University of Buenos Aires, Argentine.*

### 1. INTRODUCTION.

Buenos Aires offers a very particular combination of situations that describe it as an interesting case to capture evidence.

Bus public transport in Buenos Aires reknown abroad for its high level of service, coverage and efficiency under indirect operational conditions in a situation of multiple ownership and lack of subsidy. It also offered the experience of enterprise maturity built from associations of single operators.

As in other parts of the world, in the 90's it was subject to a regulatory revision. It was not carried out within the usual framework as the majority of international cases, because at the moment of its implementation the service had a good performance without requiring subsidies. Basically it focuses to encourage technical improvements in the operation with the introduction of minor alterations to the existing regulations, supporting a strong level of intervention (franshising).

The results after ten years show two interesting situations. On one hand, although subsidies are not the cause of the revision, it takes place after it, introducing a new element to the history of the trade, after 7 years of steady fare increases. On the other hand, though the regulation does not suffer substantial reforms, after it an enterprise structure different to the traditional one appears, showing results in common with other national and international experiences of different orientation.

The regulatory revision (similar to the one carried away with interurban bus transport) also covers free offer or alternative services, already existing at the moment of its implementation and coming out after it with a different profile to the previous one. The overall process can be described as of conservative maturity.

Considering empirical data on the evolution of the case, this paper aims at capturing theoretical elements to be used to interpret which situations take place in the displacement of objectives and results of the policies.

For this purpose, an integrated analysis of both types of service in carried away (public or conventional service, regulated by franchising; and free offer or alternative service, without price regulation or operational conditions), and comparative with other national and international experiences by selecting specific topics (relationship between demand and fare and quantity of participants, between size of participants and innovation capacity, among them).

It is applied to the characterization of the behaviour in theoretical terms of the multi scale and multi dimensional analysis.

## 2. BRIEF ACCOUNT ABOUT PUBLIC TRANSPORT IN BUENOS AIRES.

The Metropolitan Region of Buenos Aires (MRBA) is the most important city in Argentina with a population of 13 million inhabitants and a surface of 8000 square kilometres. It is formed by a core city (Ciudad Autónoma de Buenos Aires - CBA) and a total of 43 districts grouped in the Buenos Aires Province area. In this area there are 22 million daily trips, more than half of them are commuting in public transport (railway, buses and subway). The core area of CBA is the main spot producing and attracting trips, being commuting to work (59,7%) and study (14,9%) the principal reasons (Argentina-GCBA, 2003).

Bus transport is the main public transport in the region. It transports 2000 million passengers a day with a fleet of 15500 vehicles. It is operated by 200 private enterprises subject to public regulations. The services heading to CBA transport 71% of the passengers by means of 132 lines operated by half of the enterprises and occupying 57% of the vehicles.

Buenos Aires is the outstanding city within latinamerican cities because of the early development of its public transport network, and also for its important density. The first line of railways was built in 1857, and in 1913, the first subway line was already running. In both cases ran by private management. Currently, the network in operation has 840 kilometres of urban and suburban railways, and 49 kilometers of subways concentrated in the core area of CBA.

Buenos Aires, together with the great brazilian metropolis, is at the same time a prototype case of evolution of the urban passenger transport towards more evolved stages of maturity as an enterprise, and permits the observation of the process during almost one century of private operation maintained without interruptions since the start of the activity.

Urban buses start to be operated by private operators in 1922, and are soon regulated because of their competition with tranways, also in charge of private enterprises with a significant level of concentration. By 1930 the "taxi-bus" appear, they are "illegal" competitors offering their services in the main routes, operated by individual taxi drivers associated in order to operate in established routes in a regular way.

The "*colectivos*" (buses: popular word naming this service) finally push their competitors out. Low requirements of capital investment to start the activity define a

market structure strongly atomized and amateur management of the service. Each group of owner-drivers organize themselves by means of agreements replacing absent public regulations. These associations permitted them at the same time face the control of the state over the service enforced in Ciudad de Buenos Aires in 1936, encouraging its expansion towards the suburbs.

The suburbs of Buenos Aires starts forming in the 40's, at this moment the network of railways and subways starts to be run by the state and a long stagnant period starts (not only in relation to modernization and expansion investments but also maintenance), thus the expansion of the *colectivos* network backs up its growth towards the outskirts. This situation produced its progressive legalization, until 1961 when private management of the service is "formalized" and a franchising system is enforced.

The regulation encourages the creation of enterprises and, the partnership comes out as the typical figure for the association of individual operators. The definition of a regulation based on monopolic operation rights subject to a strong intervention, helps to consolidate enterprises protected from competition, permitting the coexistence of numerous small servers.

In this way, this associative experience of the operators capitalizes as a step forward towards the maturity of enterprises in the activity. This kind of experience also settles down corporate actions facing the authorities through enterprise chambers, resulting in strong regulations but of weak implementation.

In spite of their atomization, bus enterprises share an operational model. They ran a unique route or line, with an average of 50 vehicles, and with similar technological features, not only the model but also the capacity of each vehicle. Although the service shows some quality differentials and lack of offer towards the outskirts, in general terms coverage and frequency are satisfactory and bears an ample range of access every inhabitant.

In this way bus transport in Buenos Aires are reknown abroad even today, due to the level of service and its range of coverage for a metropolitan region provided by many small and medium non-subsidized private operators, internally organized by associative forms.

Until the 70's the *colectivos* are in expansion, sustaining the suburbanization of the population with low and medium range income. But as from the 80's it remains without mayor alterations, the same happened with the railway services (on surface and underground), which remain subject to the disinvestment of the state enterprise. By those days changes in the location of the industry in the outskirts start, and new services appear hired by enterprises for their employees, called *charter*.

This is the situation of passengers transport in MRBA until the 90's, but currently it is not. In 2005 none of the passenger transport services is run by public enterprises (either surface railways or subways or automotive). In bus transport still exists small and medium size enterprises, partnerships, but big, limited or group enterprises dominate the market with a size bigger than 200 vehicles. In the same way, public services (conventional ones) coexist with free offer services (alternative), under diverse forms of organization and technology. Below we introduce the situations leading to this change.

### 3. BUS REGULATORY REVISION AND OBJECTIVES.

This section presents the regulatory revision of bus transport in MRBA attempting to follow the framework developed by the Thredbo 8 (Hensher, 2005) to analyze contractual regimens, that is to say, privately operated services under public regulation (Strategic, Tactical and Operational framework -STO-, mentioned in section 5 ). Thus trying to lead subsequent analysis based on a comparison between objectives and results.

In the 90's Argentina applies a nationwide state reform that included urban public transport service. In this way, accompanying the privatization of railways and subways between 1992 and 1995, in 1994 a renewal of the regulation for metropolitan buses is established.

Marking a difference with other services, the situation of metropolitan buses is considered acceptable, this is why the final objective of the revision focuses on making the regulation adequate in order to promote improvements, but not a transformation. This is why their objectives are associated to the idea of stability, meaning, keeping the essence of the preceding situation without substantial alterations.

One of the strategic objectives of Decree 656/94 points to promote a *more efficient* public service *preserving stability and efficacy* of a system considered acceptable in terms of the service *performance* and the absence of state funding. In order to encourage modernization and efficiency of the service, it proposes to enhance the value of the experience of existing enterprises, and to avoid the uncertainty coming from contractual relationship with the Public Authority. This last mentioned aspect refers to the operation with precarious or due permits because of accumulated undue terms (fiscal debts, judicial disqualifications, non complied penalties, etc), as a result of a weak enforcement of the precedent regulation.

Keeping this objective in mind, at the tactical level the revision focuses on maintaining in force the franchising and renewing the permits of the existing enterprises without tendering, checking beforehand that it fulfills the requisites for the permission. Exclusive right to provide services for individual routes are assigned for a period of 10 years, automatically extended. The permits are subject to several conditions, patrimonial, fiscal, social security, equipment and type of enterprise (partnerships, incorporated, or cooperative) there is no economic dispute. Every operational parameter (headquarters, routes, frequency, timetables, fleet size and age, fare, etc.), are established by the Application Authority. There was not any modification to the route, nor rules to control the composition or transfer of the share capital.

Other strategic objective is to promote a *diversification of the services* turning them adequately to the requirements of the demand and assuring an adequate competition. In order to encourage modernization, at a tactical level it is authorized to have several types of regulated public services through franchising (PS) and free offer services (FOS) without price regulation or operational conditions, in the same way as for urban traffic passenger transport. Public service enterprises are authorized to operate quick

services (less stops ) and differential (best confort), in the same way as those of free offer.

As it is mentioned before, during the 80's there are already *charter* services for employees. Between 1991 and 1992, as the result of a long lasting railway strike previous to the privatization of the state owned enterprise Ferrocarriles Argentinos, the service accepts single passengers, former public transport commuters.

This *charter* services arise in the outskirts with a population earning low or medium range income, offering shuttle services to the core area in CBA. They operate big and old or shuttered old vehicles, and run along the railway lines or the same routes of public buses, using the same bus stops filling the vehicles with passengers up to full capacity. Then the trip carries on non stop up to final destiny, where there are a minimum number of stops. In both cases, the price is slightly more expensive but there are no transfers during the trip (there are no surcharges per extra segment).

This kind of service is not included, this is why it operates "illegally". So, this is why in 1994 Decree 656 tries to order the existing situation and authorizes a group of services called of free offer. All these are excluded from the public service duties, so there is no control on their operational requirements (frequency, timetable nor fares), but they do have a control on their conditions to start and operate in the trade. They follow the guidelines applied on the PS, such as: formally established as an enterprise, compulsory period of operation, financial and credit capacity (assets and guarantees), registration in the operators registry, vehicles and drivers license. Authorizations are due in one year but can be extended.

There are 5 different kinds of FOS: contract services (transport passengers by contract for an enterprise), airport or seaport area services (transport passengers to airport or seaports), racetrack services, sports and cultural events (transport passengers to racetracks or shows), school transport services and, special urban services or charters (by transporting the same passengers count on a regular basis from a limited number of departure points and final stops with a previously arranged free price).

As from its enforcement, the evolution of the regulation is different for each type (PS and FOS). In PS type the evolution goes towards a relative flexibilization ("green light" measures), and in FOS it goes towards a progressive restricted regulation ("red light" measures). The regulatory framework is of a mixed kind, not only from the "fixed" point of view (by means of its red and green lights configuration), but also from a "dynamic" point of view.

For the PS, the dates for the renewal of the permits are extended at the same time that some requisities decrease or are more flexible, such as guarantees, penalties, fleet age, number of units adapted for disabled people, surface of premises, etc. Afterwards, in 1999 there is an authorization for public services of provisional companies with the objective of improving the efficiency with the cooperation, merger or take over of enterprises. By the end of the decade all permits are in order.

For FOS, there are restrictions that progressively appear including operational aspects of *charter* like services, such as maximum daily trips and stops per trip, minimum distance in between stops and exclusion zone in relation to public transport, usage of

highways and the maximum capacity per vehicle (small buses for up to 24 seats) and confort guidelines, passengers count, limit of seats and frequency offered in each route in relation to buses, among others. In 1998 the authorization of new operators was put off temporarily and as from 2002 permanently until the regulatory revision, allowing only the renewal of the existing permits, with no modifications in the fleet nor in the kind of service.

This situation goes together with an increase in services with no authorization or illegal ones. The Comisión Nacional de Regulación del Transporte (CNRT) estimates that 50% of current FOS in MRBA are not authorized services. In 2004 the registered fleet was of 579 vehicles, 218 of which are licensed for *charter* services.

Summarizing, the regulatory revision applied to metropolitan buses basically consists in granting permits for existing enterprises of PS maintaining the same level of intervention as that enforced in 1961, and, authorizing and regulating existing services of free offer (without establishing frequencies, timetables or fares, but controlling the introduction, permanence and leaving the market).

A comparative analysis establishes the experience in Buenos Aires as paradoxical in relation to international tendencies of urban transport reform, and opposing the reform of the state in Argentina. On one hand, it is not based on the usual arguments either at a national or international level, for at the moment of application PS have an acceptable *performance* without subsidy. On the other hand, instead of decreasing state intervention and expanding competence, a regulatory framework of strong state control is observed pointing at preserving the existent operators and to order those services that form substitution risk. Nevertheless, it aims at strategic objectives in common as efficiency.

Up to this point there are some paradoxes of the regulatory framework applied to this case, in terms of strategic objectives and tactical guidelines. In terms of results, there are other paradoxes that are described herein.

#### 4. OBJECTIVES AND RESULTS OF THE REGULATORY REVISION.

Buenos Aires, apart from being a latinamerican city with an important and early development of public transport network, and showing the evolution of private bus enterprises throughout almost a century, offers at the same time a combination of different situations depicting it as an interesting case to collect evidence of the recent evolution of buses. This is sustained on three points:

- although the regulatory revision introduces minor changes y mostly formal, afterwards the SP and the SOL come up with different profiles,
- although services come up from the regulatory revision with different profiles, the results differ from the previously set objectives,
- although the regulatory revision of the SP supports a strong level of intervention and the same franchising, it shows common results with other national and international experiences of different orientation.

As from here the analysis considers both the situation of SP and SOL. Before that, some of the key moments in the recent evolution of passenger transport in MRBA. A previous instance to the 1994 revision can be pointed out, marking year 1992 as the point where the tendencies of the 80's break away. Another moment is between 1994 and 2000, this is the period needed to put in order the permits as per Decree 656. And, another period as from 2001, the peak moment of the macroeconomic crisis ending with the 2002 monetary devaluation.

#### **4.1 Efficiency with stability.**

The strategic objective of efficiency applied to SP is associated to stability, for it is not supported in the creation of new situations (incoming of new operators) but on the adequacy of existing ones (permanence of operators). The objective of efficiency with stability show differential results. Satisfactory in terms of stability and unsatisfactory in terms of efficiency.

Putting in order the permits of existing enterprises, as a tactical guideline to comply with the objective of a more efficient management with stability, comes true and results in the renewal of the 86% of the lines and granting the 14% remaining ones to existing enterprises through a public bid.

Renewal of the permits takes place between 1994 and 2000, keeping a stable level of coverage and service. The network does not suffer changes in its configuration nor a significant cancellation of routes. The offer index remain at the same level (both fleet and seat-kilometer) (Table 1)

The continuity of the existing operators and the coverage and level of service satisfies the stability objective, but not that of improving the efficiency. There are two types of tendencies: increasing ones (costs, offer, fares and profitability) and decreasing ones (demand).

Between 1992 and 2000 the cost per kilometer increases 54% in a stable macroeconomic context. This raise is translated into an increase of 118% in fares. At the same time demand drops 37% and profitability per vehicle and per kilometers in pesos increases 60% and 40%, respectively (table 2, chart 1) (Gutiérrez, 2004).

The support of the offer (fleet, seats per vehicle and seats-kilometers) pushes the cost and the fare, with direct influence on the demand. It defines a tendency of a surplus of offer that even in year 2000 cannot be changed.

There is no influence on the activity by the macroeconomic stability of the 90's, but it does by the price increase due to the 2002 devaluation. So, after seven years of steady fare increases, in 2001 the PS start to receive direct grants for the first time in its history. First, through the price of gas oil, and as from 2002 also direct operational grants. Since then fares remain the same.

The enterprises receive gas oil at a special price of \$0.85 versus \$1.3 market price. The difference is imbued from the state to the distributor companies.

The operational grant is received from a trust fund made up from a tax applied to gas oil (originally 0,05\$ per litre, and now of 18.5% of its price after taxes), and look for balance the fare due to the impact of devaluation on costs. The grant is distributed taking into consideration a rate that considers beneficiary's participation over total income, number of passengers and kilometers run. Share over income represents 50% of the rate, share over passengers and kilometers represent 25% each. Thus, benefit increases for those enterprises with the best routes. In March 2005 the operational grant for the metropolitan buses was of \$16 millions (or €4 millions).

Neither the increase in fares nor the grants are consistent with the behaviour of the demand. The first one takes place in a context of loss of passengers and the second one by recovering them. The buses loses 48% of the demand in 10 years and reaches in 2002 (when granting process starts) the lowest value within 30 years (Chart 2).

We can also observe the recent tendency of correcting the offer using a reduction of the coverage in the amount of lines and reducing the fleet size and age but not their capacity. Between 1994 and 2001, with the loss in demand, the network decreases a 3% and the fleet a 6% in 7 years. Between 2002 and 2004, when the demand increases again, the network decreases 5% and the fleet 8% in a 2 year period (Table 1).

Summarizing, stability of permits and services is achieved, but this does not lead to efficiency.

#### **4.4 Diversification with stability.**

The strategic objective of diversification is also associated with one of stability, because it is not supported by the creation of new situations but by organizing the already existing ones. It is also connected to the stability of its functioning by the control of the competitors.

The strategic objective of a diversification via the authorization (and regulation) of different services implies other objectives defined at an operational level, through the established conditions for the renewal of permits (PS) or receiving authorizations (FOS). In the case of Buenos Aires these are associated to the organization of enterprises (forming part of formal economy), and a profile subject to economical capacity (guaranties and assets) and fleet (type and age). These requisites implies a "modernization" objective, as an idea associated to the service and the renewal of the vehicles, instead of the management of the enterprises.

The diversification objective (and modernization) with stability also presents differential results. More satisfactory in terms of stability than modernization, and in terms of FOS than PS.

Concerning FOS, a different service is actually achieved, although producing a change in its profile.

The FOS consolidate and differentiate themselves from PS, providing services with improvements compared to the situation previous to revision. Although the regulation does not take part in the operational conditions, the profile of the service changes notably after it. As it was said, in the early 90's the *charter* service transport passengers

whose income are medium and low replacing public transport. After the regulation it transports passengers of higher income replacing private cars.

The *charter* service consolidates for direct trips (without transfers) from the outskirts towards the core area in CBA through motorways or highways, offering a personalized treatment to the passenger. They mainly operate with telephone reservations and set timetables for fixed routes, but places to getting up or down the bus can be modified by the passenger. The fare varies from \$3 and 7 (or €0.75 and 1.75), and can be booked beforehand having different payment possibilities (one way trip, paying in advance for a ticket book or special packs). It is interesting to observe these changes, for they show the commercial trends in a free operation stance, being the latter the only referee for this case (present and past).

Regarding PS, the diversification of the service is marginal and decreasing. After the revision, the PS enterprises consolidate the offer of ordinary services. They are clearly the majority (98% of the vehicles and of the passengers in 2004, aprox.). Existing differential services steadily decrease (not only in number of vehicles as also number of passengers), and the quick services have a scarce increase until 2002, and important ever since (passengers). Neither does the offer diversify towards FOS (only one PS enterprise has two free offer services) (Tables 1 and 3).

Apart from the service, it is achieved to diversify and modernize the fleet, being this one of the principal results of the revision. The technical requisites for the renewal of the permits for the PS, and for the authorization of the FOS, encourage an important renewal of the fleet (not only type but also age), made easy in the 90's because of the exchange rate, the economical stability and the easy access to credits.

As the current decade goes the age of the fleet is reduced, as an average 4 years nearing its end, for both PS and FOS. After 2001 crisis this achievement is lost. There is very little renewal and vehicles quickly become old as from 2002, as a consequence of devaluation. For the FOS average age is 7 years in 2004, and for PS it takes longer than before the revision (8 years). This is a widespread situation, in spite of dual effects of inflation. On one side, the price of vehicle and spare parts increase, and on the other side, debt in pesos due to the renewal of the fleet is liquidated (Table 1, chart 3).

The renewal of the fleet goes together at the same time with a change in the size of the vehicles. The FOS add smaller vehicles. Before the revision, the *charter* operate big vehicles, in general old ones and in a bad shape. After it, smaller vehicles operate, generally recent editions and in good condition. In 2004 the 77% of the *charter* fleet are vehicles with 10 to 24 seats (half of them are minibuses, of 16 to 24 seats). For the PS bigger vehicles are added, increasing its capacity to 10% as from 1994 (26,8 to 29.6 seats), and also vehicles for disabled people. Adding minibuses is a marginal and late stance, by the end of the 90's (in 2004 they total 2% of the fleet) (Tables 1 and 4, charter 3).

The diversification of the offer in service and fleet, have a poor effect on the modernization of management, slightly higher for FOS than PS.

As it was already said, the FOS focus their management towards interesting passengers introducing technological or product innovations (vehicles with a medium size

capacity), and management or process (orientated towards a personalized service activity rather than a transportation service, prioritizing passenger service). Those enterprises that during the 90's were able to overcome regulatory restrictions and then those of each crisis, are ready to adapt to changes in their operational conditions and are ready to accept modernization and enterprise management rules. Here we can see that management organization rules have been enforced, such as taking up legal, accounting and information services advice (although not for the traffic management) (Gutiérrez and Kralich, 2005).

The modernization of the PS management can be defined as starting and incomplete process. As the most widespread aspect there is an improvement in professionalization of drivers. Then, introducing managing information services, hiring of professionals, a change in labour relations which are existing features but are not well known.

Developing an enterprise management is still very poorly known among big enterprises (it can only be seen to a certain extent in the most important enterprise groups nowadays). They accept the leaders commands and keep a family like internal organization, although it is already no longer put into practise completely. There is no strategic planning and situational matters are the priority of the moment. Management endures itself as a empirical know how, which provides *expertise* and at the same time set conditions. There is a tender to keep politics that had worked in other times, as the expansion policy to face the decrease in demand (extend routes, increase the fleet, run permanently) and a renewal policy restricted to the vehicle (Gutiérrez, 2005).

Regarding the objective of stabilizing the competition, the evolution of the regulation towards a progressive "red light" for the FOS (simultaneous to "green light" for the PS), show the achievement of unsatisfactory results.

In spite of the operational and economical restrictions to start and operate the FOS, the expansion of the activity throughout the 90's continues, and there is a clear differentiation because of the fare, related to the legal status of the service. Out of regulation there is an increase of economical *charters* or "for the poor". The last mentioned start using highways or motorways and work with smaller vehicles, but they operate older ones and/or in worst conditions, within the same fare range of the PS (about \$2.5 or €0.63 for a trip without transfers) and offering a similar service, though direct. There are no telephone bookings but queueing up at bus stops, tickets are payable only on board and passengers who can only get in at established places and travel with no seats.

Let us point out that the spacial distribution of economical *charters* is not even. They are concentrated in two corridors in the south of the MRBA (La Matanza district in the southwest, and Florencio Varela in the southeast), characterized for the lack of direct public services to CBA and by a low income population.

It can be said, then, that after the regulation the FOS stabilize and the offer of services is diversified, especially for those passengers with greater options, given that the economical *charter* continue offering a service very similar to the regular PS, just quicker and more direct.

It can be said also, that the macroeconomic crisis turns to be more effective than the regulation to control competence, because it affects FOS in a negative way and filters the activity. On one side, the increase in the materials (especially fuel, vehicles and spare parts) and the freezing of the PS fare because of the state grant (operational and fuel), reduce utility. On the other side, the Registry was closed down so this does not permit the modification of the authorizations in order to make them adequate to reduce credit and mobility due to the economic recession.

In general terms it can be stated that for the FOS, the regulatory framework as well as the regulatory context present a dynamic of "red light" environment., and for the PS both represent a dynamic of "green light" environment. Despite that, the attitude of operators is more flexible and innovative in the FOS than the PS, overcoming restrictions so they consolidate.

Summing up, the diversification of the services with stability is achieved, but leads to unplanned results, such as a change of the profile of the service. The PS consolidates itself as ordinary services and the FOS as special services, not only for the commuters of a private car but also for those of public transport. In the same way, the regulatory revision produced other unexpected results, as a change in the enterprise profile. In this last case, the change is more outstanding in the PS than in the FOS.

#### **4.3 Appearance of a new enterprise structure.**

The objectives of efficiency and diversification with stability, imply a reorganization of the existing enterprises. As it was said, the PS as the FOS as well, operate before 1994, in a non formalized or illegal situation. Consequently, the renewal of the permits of the PS and the authorization for FOS, require the fulfillment of every requisites and putting in order and formalizing the enterprises.

The implicit objective of ordering existing non compliances, takes place in fact, improving the existing situation of both PS and FOS. Their achievements, though, suffer with the crisis.

The revision has an implicit objective attempting to adequate the operators, but not to transform the enterprises. Nevertheless, this happens after it takes place (Gutiérrez, 2000, 2000<sup>a</sup>, 2005).

Although the ordering of the PS permits of the PS develops without new operators, as a consequence the traditional enterprise structure is being altered and a new or modern one comes out characterized by:

- the operation through networks, with a range of size in fleet and number of lines greater than historical,
- creation of groups of enterprises,
- uprising of leading positions,
- existing enterprises takeover leading positions, but not by those with a preferred existing situation.

The conditions to renew the permits (specially fleet type and age), encourage a high level of debt in a context of financial and exchange rate stability. Thus, an increase of idle capacity, renewal of vehicles for bigger ones in a context of loss of passengers.

Both aspects induce bankruptcy, merger and/or takeover enterprises with the worst economic *performance*.

When finishing the renewal, the number of enterprises is reduced a 48% and its average size concerning the amount of vehicles increases 89% in relation to 1992. In 2000 61% of the enterprises operate a network (between 2 and 15 lines) with an average size of 210 vehicles. They control 83% of the total fleet and service 80% of the demand. They share the market with small and medium size enterprises of the traditional type (operation of single line associated with only one registered company), although the media average size companies grow at 80 vehicles, aprox. (Gutiérrez, 2000, 2000<sup>a</sup>, 2005).

In the year 2000 the enterprises of up to 50 vehicles (traditional medium size) represent the 8% of the total and cover the 2% of the fleet. **The chart line moves upwards showing the size, describing the size of the system.** Small enterprises disappear, **instead the medium size ones settle down.** Medium size enterprises are replaced by big ones, and a new range of enterprise size appears, notably superior than the existing one. 8% of the biggest enterprises include 30% of the fleet of 9915 vehicles (Gutiérrez, 2005).

In the same way, the enterprises operating network (or modern type ones) are organized under one or several registered company names, creating an enterprise group as a new organizational form, different from the traditional partner. 52 lines result grouped in this way, meaning, 37% of the network.

Observation shows at the same time, a relationship between the size and type of enterprise. The enterprises of traditional type (or *monolines*) are the smallest in the trade (they run less than 100 vehicles). The operators of networks under one registered company name (or *multilines*) stand in the medium range position, with fleets of about 100 and 250 vehicles. The enterprise groups cover a diverse range including medium and big size enterprises, with fleets of 100 and 1300 vehicles, aprox. There is, then, a limit in size in the operation of lines or networks (100 vehicles).

The main operators are neither the same as before. In 2000 the biggest enterprise group includes a fleet of 1300 vehicles (13% of the total), followed by another with a fleet of 478 vehicles, with a leading position regarding the rest with 300 vehicles. Both have their origins in existing enterprises, with a size previous to revision of not more than 50 vehicles.

This is a substantial change in the *type* of enterprise, but it is not enough to be considered in official statistics, because they continue to identify enterprises with registered company names and not considering their capital assets. Taking into account their capital assets the bus enterprises are 40% less and 68% bigger, considering number of lines and number of vehicles compared with official statistics in year 2000.

Summarizing, before the revision metropolitan buses are atomized, with a majority of small and medium size enterprises organized as partners. After the revision there turns up a market with a majority of medium and big size enterprises, organized as enterprise groups, among them dominant positions settle down in the market.

It is possible that this change in profile of the bus enterprises start before the regulatory revision, that is to say, in preparation of its expansion towards railway and subway services. In 1991, two societies formed by small and medium bus enterprises of the MRBA are settled. They obtain in 1992 in advance six of the seven groups of service licensed, forming part of holdings with national economic groups and foreign technical operators. Taking over them takes place between 1994 and 1995, simultaneously with the regulatory revision (Gutiérrez, 2000).

In the year 2000 the 61 % of the bus enterprises with final destiny CBA participate in the railway consortium. They control 75% of the lines and 70% of de demand. The two enterprise groups that are leading the market are railway franchisee. During the 90's then, the associative experience of the bus companies capitalized again, now by creating a new scale of business, that can be defined as metropolitan or cross modal.

It is wise to explain that current grants to the bus has also as a precedent those of railway, because their concession includes an operative grant (investments continue to be in charge of the state). In 2004 the operative subsidy to suburban railways reaches 228 million pesos, apart from 18,6 million pesos in gas oil at a special price. As from 2002 both services (railway and bus services) received an extention for fleet age and an authorization to reduce frequency.

The share of the *colectivos* in the railways concession of the same metropolitan market, brings to this case a new distinction abroad, that is, forming private passenger transport enterprises as cross modal assets in markets of important volumes (in the case of Buenos Aires, almost 2000 million trips annually). It is important to say that forming cross modal assets does not lead to a cross modal service management.

In relation to the FOS operators, statistics of the CNRT show too a growth in size. Although 84% of the operators have between 1 or 2 vehicles, in 2004 there are medium size operators with 3 to 8 vehicles, and big ones of 8 to 48 vehicles. These are few (13 and 3% of the total respectively), but they have 56% of the fleet (28% in each group) (Table 5).

Nevertheless, official data reflect reality in a biased way, because there were freezed authorizations and modifications (be it for the operators, service or fleet). Research in the field based on interviews to operators, legal representatives, technicians and authorities show at the same time a tender to evolve towards partner forms of enterprise organizations, at some extent similar to the experience of the original maturity process of the *colectivos*.

The economic capacity required to start and operate in the activity, make the small operators work under some kind of organization, being it as subcontractors of bigger enterprises (*charter* or tourism), or grouped together with other small operators sharing a contract service of traffic management (reception and distribution telephone booking of trips). Illegal companies are protected by mob like organizations.

These forms of organization can group up to 60 vehicles. The application of group management is followed by specialized work (drivers, administration and maintenance personnel). Although owners of vehicles act occupying an important share in the

activity, there is a progressive dedication to administration rather than to the operation in itself, hiring employees to driving.

We can also see at the same time that *charter* tend to diversify their activities providing simultaneously services to tourism (transport to airport, excursions, etc.), contract services for employees or clients or for trips during the night or the weekend.

The cooperative organization also tells about the creation of enterprise chambers orientated to improve the negotiation power when facing suppliers or regulators.

In general terms, it can be said that there is an enterprise maturity, not only for the FOS but also for the PS, that was unexpected as strategic objective.

Summing up, the strategic objectives are fulfilled reaching differential *levels of satisfaction*. The objective of efficiency with stability show satisfactory results in terms of stability and unsatisfactory ones in terms of efficiency. The objective of diversification (and modernization) with stability show more satisfactory results in terms of the FOS than the PS, and in terms of fleet and services than in terms of management. Moreover, then come altogether with not planned results, such as a change in the profile of the service and providers.

## 5. OBJECTIVES AND RESULTS OF THE REGULATORY REVISION: PRACTICAL LESSONS ABOUT THE PARADOXES.

Taking into account the above mentioned material, there are some overall lesson to point out:

- Stability of the service should not be confused with stability of the enterprises or the regulation.
- Stability (contractual) of the enterprises of PS do not lead to efficiency
- There is no direct link between the size of the enterprises and efficiency. Concentration of existing enterprises do not encourage efficiency.
- There is inverse parallelism between size of the enterprises and fare range.
- The introduction of technical or economical arrangement aiming at improving the quality of the service in contractual regimes, could need the evaluation of benefits in the same way as potential risks of a modernization (renewal of the fleet, minimum capital assets, etc.).
- There is no direct relation between size of the enterprise and innovation. Smaller enterprises are more innovative and flexible than bigger ones.
- The concentration of existing enterprises do not encourage modernization. The knowledge accumulated, not only at the operative but also at relationship level, contributes with *expertise* at the same time that introduces a condition to modernization.
- There is a relationship between enterprise maturity and regulation. The regulation shows efficacy to provide stability to the service and enterprise maturity.

- In FOS there are more changes in the service and management than in enterprise structure, and in PS changes in the enterprise structure are more noticeable than in service and management.
- Regulation promotes a conservative maturity. It absorbs the new requirements from the demand by means of an active attitude, but there is no positive contribution of innovative aspects, either from FOS towards PS, or directed inside the FOS in an even manner.
- The regulation of the FOS stresses the unequal service conditions. The offer is more diversified and of major quality, but for the higher income population. The opportunity of improving the service is lost for those passengers with less options of mobility.
- Stability does not improve regulatory capacity. Ordering of enterprises is followed by the same weak implementation of regulation (recurrent noncompliance of PS or FOS requirements appear again, illegal FOS continue to exist, inefficiency of PS receive the prize of subsidies).
- In contractual regimes *performance* of the regulator must be taken into account at the same level as the operator.

Summarizing, PS enterprises grow in size but show inefficiency, poor innovation capacity and reactive behaviour, not flexible enough to adapt themselves to new situations. During the 90's they are not capable of acting to lower fares and correct surplus offer. This lack of capacity is not due to lack of *expertise*. Regulation is not able to identify innovative elements of the services of free offer and add them to the PS. The potential of innovation of the service is lost with the regulation. The result can be described as a conservative maturity and an excluding modernization.

So then, which is the range of action of these lessons?

The difficulty in interpreting results is how to use them to propose future guidelines. In reference to this, the main point that this paper aims at, is that in 2004 the same problems that occurred in 1994 still exist. There appear again, unfulfilled rules, illegal situations and a ageing fleet. But the scenario is not the same. The market is concentrated, with leading positions that could be considered oligopolic at a metropolitan or cross modal scale, with grants, and with a more segmented offer by fare and quality. Finally, the more durable result from this revision is the least expected of all: the creation of a new business scale and a new profile of service.

The problems continue at the same time that new and unexpected situations appear. So, this makes us think about the sense of the revision, and to draw the attention to the fact that proposing guidelines need to be careful. Then, before thinking what we must do now, it is convenient to revise what was the revision worth for. And, for this purpose it will be very useful to get into schemes of analysis, with an overall coverage and oriented to include a quantity each time greater, more diverse and complex of variables. This is the spirit of the next section.

## 6. OBJECTIVES AND RESULTS OF THE REGULATORY REVISION: THEORETICAL ANALYSIS OF THE PARADOXES.

Up to this moment this paper presents a number of paradoxes and a number of lessons based on a comparison of objectives and results of the revision, but there is nothing else to link them. In order to learn from today's situations it is necessary to write down about experiences, but also find a link with a theory so as to enlighten the interpretation. Given the characteristics of our subject of study, the field generally juxtaposed theories from others, leaving the construction of its own theory at a basic level. This is why when dealing with such a complex subject as transport, there are still many "paradoxes" that cannot be understood.

The fact that paradoxes are presented could be explained taking into consideration that reality "makes a mistake" or it cannot be understood. In this last case, its existence suggests that there is a poor analytical methodology capable of producing theory to interpret them. The most recent international regulatory reform presents to the field an important quantity of paradoxes, and its interpretation challenges it to improve its analytical methods.

In order to produce theory, it is necessary to build analytical methods able to create a matrix or a regularity. This is why this paper aims at writing down an experience, and based on it to establish the elements that will permit us to characterize a behaviour in theoretical terms.

The STO framework is an achievement in this sense (Hensher, 2005; Pruijboom et al., 2005). It has as a motivation to achieve the fulfillment of government objectives (or strategic) in regimes of private operations of services under public regulation, that is to say, avoid the paradox of the displacement between objectives and results. The case of Buenos Aires introduces empirical evidence on this matter. So, there is an intention to provide though, taking the achieved results of the discussion and applying it to organize the empirical evidence.

The STO framework starts by considering the interconnection between objectives from different functional levels of a contractual regime (strategic, tactical and operational levels) and organizes a vertical analysis. This one recognizes a hierarchy between levels (and objectives), by which higher levels (strategic) contain or subordinate lower levels (operational).

Given that the sense of the framework is to analyze the satisfaction of the objectives in contractual regimes, it could be useful to take these results into account and attempt a joint observation. A second column of results organize a horizontal analysis helping to show the displacement between objectives and results.

### **6.1 Application of STO framework to organize the case: isolate analysis, divergent paradoxes.**

The inclusion of the results show a displacement of the objectives in terms of the levels of satisfaction. At the strategic level, more satisfactory in terms of stability than efficiency and diversification. At the tactical level, more satisfactory in terms of the FOS than the PS. At the operational level, more satisfactory in terms of fleet and services than management.

It shows at the same time, different levels of satisfaction by level. Higher level of satisfaction of the objectives at the tactical and operational level (ordering and formalizing enterprises) than at the strategic level (efficiency and modernization).

Undermined to the horizontal analysis there is a linear relationship between objectives and results (operational objectives lead to operational results). Nevertheless, this case shows that fulfilling the operational objectives with a high degree of satisfaction (economic and technical requirements to get a permit or authorization, for example) produces results of strategic degree (change of service and enterprise profile). There are transversal relationships between levels.

In the same way, the degree of changes that were produced are not proportional with the degree of changes that were introduced.. At the tactical level changes are minor and mostly formal (the existing situation receives order keeping the same contractual regime), but changes in the FOS profile and the PS enterprise structure are big and substantial.

Introducing the results permit the observation that there are not only the displacements with objectives in terms to their satisfaction levels (higher or lower fulfillment , in linear terms of cause-effect), but also in terms of the level of convergence (coherence or correspondence) with the expected results. There is better fulfillment (and presence) of the not expected results (change in the profile of the managers and of the service) than the expected ones (as efficiency).

This case show a interdependence between objectives, also, of results. The interdependence between objectives and results show that it is not a relationship of subordination in the hierarchy of the vertical analysis (between levels), nor a relationship of a linear or proportional cause-effect in the horizontal analysis (at the same level).

The joint observation of objectives and results applied to an isolated analysis of the case, will enable to go ahead with the organization of the displacement between objectives and results (or divergent paradoxes), but its understanding still remains out of reach.

## **6.2 Application of the STO framework to organize the case: comparative analysis, convergent paradoxes.**

The application of the framework to the comparative analysis, allows the detection of the results that appear as divergent (or unexpected) in the isolated analysis, become convergent or coincide when compared with other cases.

This case shares strategic objectives with other international reforms, as is the case of efficiency. But not tactical objectives (it maintains a strong level of intervention, shuts down and controls competition). Nevertheless, it shares some results. Among them, enterprise concentration and fare increases (Preston, 1999; Henry et al. 2000; Alexandersson et al, 2003; Gutiérrez, 2004; Van de Velde, 2005; Wallis, 2005, among others). The expansion of alternative transport is also a shared result and independent from the tactical level (more restrictive or flexible regulatory frameworks). Likewise,

recent studies about the brazilian case show an raise in the profile of the service (Santos et al., 2005).

In this way, although the STO framework concentrates in organizing a discussion on the most appropriate contract forms (advantages or disadvantages of the Competitive Tendering -CT- and the Negotiated Contract -NC-). An international comparison show that different contractual regimes lead to equal results. Using Macario's classification (2005), there are cases of differential growth of enterprises and raise in fares under different reforms orientated to keep a market closed, open it or control it.

This defines another type of paradox: convergent results and objectives between different regulatory frameworks. Up to this point, the application of the framework to an isolated and comparative analysis of the case permits the organization of two groups of paradoxes: one because the divergence between objectives and results (divergent paradoxes) and the other for its convergence (convergence paradoxes).

The identification of convergent paradoxes shows a regularity, being a first step towards its comprehension. A second step is finding out which is that regularity. Regarding this point, another contribution of the method is to identify that the regulatory framework is not the relevant issue in terms of the explanation, because objectives and results are divergent under the same regulatory framework, and convergent under different regulatory frameworks.

Summing up, there is a regularity that could bring light to the paradoxes between objectives and results and, in order to capture it it is necessary to go beyond the *form* of the contractual regime. The proposal, then, is to continue the analysis distinguishing forms from contents.

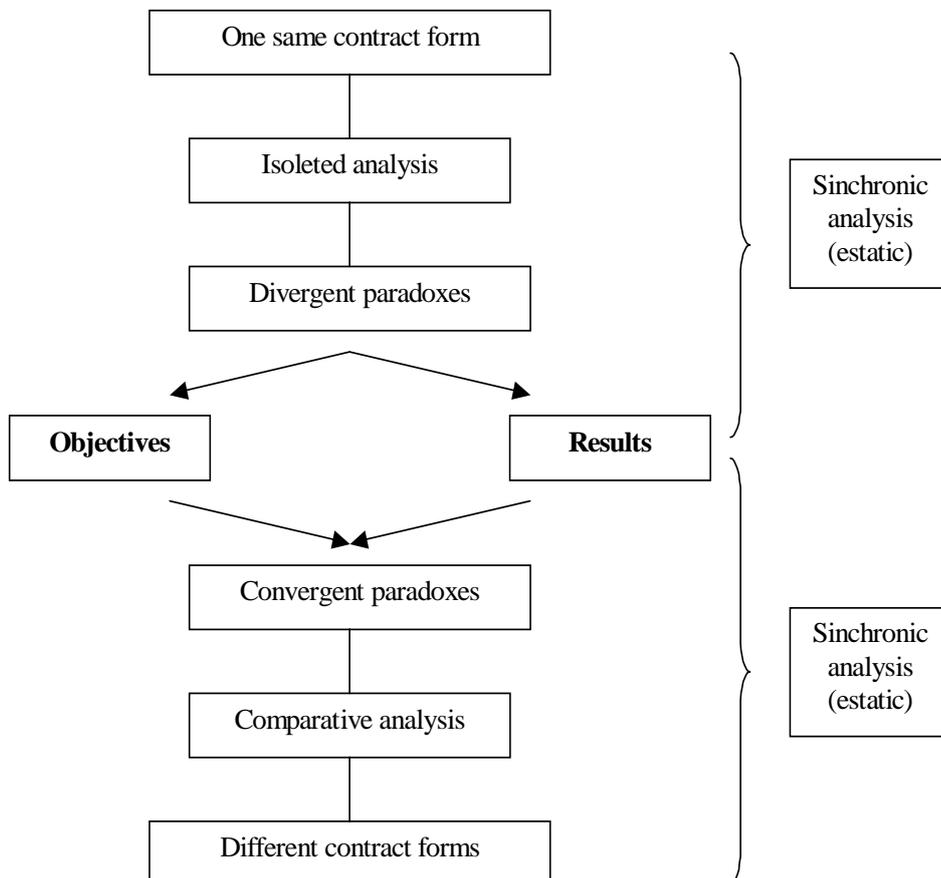


Figure 1. Analytical scheme for the paradoxes of the case.

### **6.3 Methodological contribution to figure out paradoxes: form and content.**

A contractual regime is above all a relationship. The content of that relationship refers not only to the task (regulation, planning, control, etc.). The content refers to the interests in common that produce the bond. Then, the *form* and the *content* in a contractual regime can be distinguished. *Form* means regulatory framework. *Content* means *regulatory relationship*. The relationship works around the interests that are agreed by it. As a result, it create interests in common (Gutiérrez, 2002; 2005).

In Buenos Aires bus operators do not know how to operate (their inefficiency grows), but they do not look out for a change and do not want to go out. How could we explain this paradox? It is difficult to find any interest in changing a job or a business if it is *stable, well paid* and demand *little effort*. This is a content in common to the regulatory relationship that involves all its different participants (authorities, operators, workers, including professionals, advisors, technicians) and generates an association of interests around the no innovation position: inefficiency followed by subsidies contains those interests that it settles (it benefits enterprises, authorities and workers).

In Buenos Aires, a change of authorities produces preoccupation or uncertainty which eases down when they know the name of the new authority, and a struggle or personal disputes among operators or between an operator and an authority could cause more harm than changing the incentives in a contract. The group of participants (businessmen, authorities, workers, professionals) envisage the changes as a problem and not as an opportunity.

The content (or interests in common created by the regulation) could remain under different forms. Its form could be changed without changing its content. There could be a change of authorities and contract tools without producing changes in the relationships and interests that support them. In Buenos Aires negotiated contracts for PS achieved the same results as tendering (closed markets)

This change of forms could be small (adequate the same form) or radical (transformation or change of form), as it shows in the privatization experience in Argentina and other parts of the world, which offer vast examples of how the particular interests between enterprises former suppliers of the state and authorities, interfere with the contract tools.

*When there is an intention to provide flexibilization to a contractual regime, it is useful to distinguish between forms (regulatory framework) and contents (regulatory relationship). Flexibilizing or changing forms assuming simultaneous changes in the contents is a mistake. Flexibilizing or changing forms assuming linear changes of the contents is a mistake. Flexibilizing or changing forms assuming proportional changes in the contents is a mistake.*

Moreover, the change of forms could be a requirement for the continuity of a content. Modifications could be introduced permitting to make the situation adequate to *changes*

*in the regulatory context*, in a way that it will keep things working as they are, that is to say, "change to continue" (as the case of Buenos Aires, shows, for example)

Interests in common of the regulatory relationship could change or continue. A group of interests could change for another one or positions could change within the same group of interests. The regulation is innovative when the group of interests or its positions change. It is conservative when the same group of interests or positions remain the same.

This could provide light to the decrease in achieved benefits after reforms, as it shows in cases of CT after several rounds of tendering, specially those cases preceded by public monopolies (Hensher, 2005).

The displacement of objectives and results (by level of satisfaction or divergence) could result in changes of form with continuity of contents. *The change in forms masking the continuity of contents shows the displacement between objectives and results as a paradox.*

Then, a first step to make results satisfy objectives is a good diagnosis of the contents. A good diagnosis of interests in common that will define the regulatory relationship, will enable a good diagnosis of objectives and a good level of satisfaction and convergence in the results.

Is efficiency a good strategic objective in cases where the same group of interests organized around the no innovation stance remains unchanged?

Distinguishing form and contents of a contractual regime includes a *relational space* to the subject of study, and thus, requires to adequate the methodology in order to face its knowledge. Regarding this, the paper proposes two possibilities: one based on the scales and the other on the analytical dimensions.

#### **6.4 Methodological contributions to figure out paradoxes: analytical scales.**

The diagnosis of the interests in common of the *regulatory relationship* needs to capture a *relational space or bond network*. This implies an observation of the types of interactions (personal, commercial, labour, political bonds), intensity or quantity of interactions, continuity or presence of them, attitudes (active, passive, etc.), behaviour (conservative, innovative, etc), acquired practices, etc. The relational aspects are easily identified via the "micro" analysis, or the scales lower than sectorial ones (Gutiérrez, 2002).

But the fact that relational aspects are better observed at a micro scale, it does not mean that its "nature" are. The construction of a relational space is centrifugal and centripetal. This is, the regulatory relationship is built in its relation with the "inside" and "outside". In a world that works at a global scale, the outside of the regulatory relationship is of global scale. A diagnosis of the regulatory relationship requires, then, to incorporate the "macro" analysis, or the scale higher than the sectorial ones.

This applies not only to cultural aspects, but also economical or political as well, which take part in the relational space. The privatization experience in Argentina describes

"local" features of the political culture (corruption, for example), that also involve private partners, most of them foreign.

This means, that a regulatory relationship, involves processes *of the* activity and *within* the activity, that require a look at local features in the global stance and global features in the local stance. For example, the literature on the speciality puts in paper the international expansion of assets in the european buses market (Alexandersson, 2003; Wallis, 2005; Hensher, 2005, among others). Considering that the scale of business and partnership forms associated to financial assets involve transnational relational spaces, will help to improve the diagnosis of the regulatory relationship applied to the design and monitoring of national tenders.

Then, in order to capture the factors that take part in the displacement of the objectives and results of a contractual regime, it is convenient to distinguish forms and contents. But, interests in common in the regulatory relationship (or contents) are not enough to be understood by sector analysis.

The regulatory relationship is build in a context that is not only one but multiple, that is why to capture it will improve with methods that combine different analytical scales. The mentioned method is applicable for organizing the analysis of contractual regimes, at a strategic level and tactical or operational level as well.

### **6.5 Methodological contributions to figure out paradoxes: analytical dimensions.**

In the same way as it is possible to consider the interdependence between different *levels* of analysis of a contractual regime (STO), it is also possible to consider a interdependence between analytical *dimensions*. The economical objectives of a contractual regime lead to economic results, and also to political and sociospatial results, among others, that neither are necessarily convergent.

The analysis of contractual regimes focusing on forms or regulatory frameworks (be it at level S, T, O), transmit a sense of progress in the problem solving of mobility, by economical or political arrangement. Nevertheless, the results of a contractual regime not necessarily are translated into conflicts subject to identification by economic or political analysis.

For example, producing a public transport for rich people and other for poor people, could not be translated into economical or political conflict for the regulation, for both could satisfy the levels of quality required by the travellers of societies with very different quality of life, where "acceptable" quality of transport also are.

Introducing mobility as a *foundation* analytical dimension of the regulatory analysis in terms of passenger transport, help *to reveal* the regulatory relationship. Mobility *makes* (comes true) as contradictory items or conflicts interests that were not solved or agreed upon by the regulatory framework. Presented in this way, the sociospatial dimension evidences easily the interests agreed by a contractual regime (an offer of services more or less unequal, for example) (Gutiérrez, 2005).

So, in order to capture the factors taking part in the displacement of the objectives and results of a contractual regime, it is convenient to distinguish forms and contents. But

interests in common of a regulatory relationship (or contents) is not enough to be understood by the "bidimensional" analysis (economical and political-institutional), where the inclusion of mobility as an analytical dimension is marginal or indirect.

The regulatory relationship is built in a context that is not only one but multiple, so its capture improves with methods that combine different analytical dimensions. In passenger transport, the context where the regulatory relationship is built, is three-dimensional: *it includes the political, economical and sociospatial dimension of the regulation.*

## 7 THEORETICAL (NON)CONCLUSIONS ABOUT THE PARADOXES OF THIS CASE.

As it was already said, this paper aims at improving the lessons of an experience from this case, taking into consideration practical aspects (section 4) and theoretical (this section). That is why the presentation is built up on paradoxes. They are used as tools for the theoretical and methodological construction based on empirical evidence of the case. Figuring them out, then, is out of reach for this paper. So, it is more appropriate to speak about (non)conclusions, than of conclusions. Anyway, it is advisable to finish picking up some possible contributions in the organization of the discussion on contractual regimes.

A **first item** is that paradoxes evidence the importance of providing complexity to the methodology in order to improve the theoretical construction of the speciality. In a great extent this paper repeats what was said by the literature (introducing improvements, paying attention to macropolitical, institutional, demographical, locational aspects, at a slow but constant pace, etc.), but the field is not able to combine an explanation with those ideas yet.

A **second item** in relation to the first, is that complementing the isolated and comparative analysis of the case including objectives and results of the contractual regimes, looks useful to identify the range of action and restrictions of the STO framework, it offers some excellent readings about the displacement between objectives and results.

An interesting one applied to the case of Buenos Aires is that, keeping in mind the regulatory framework and without looking after radical changes, strategic results could be obtained through minor changes at an operational level.

In terms of linear analysis of cause and effect, the displacement between objectives and results is bad. Nevertheless, the dependence between objectives and results at different levels, its transversal and non proportional relationship, enables the possibility of obtaining results at different levels acting at different levels (including lower ones) and under the same forms. This will feed the thought of what level it is more convenient to intervene in, where could changes be more effective and where to introduce changes, big or small.

A **third item** is that working on paradoxes evidence on common aspects or regularities, which permit to go ahead in the definition of concepts with a higher level of detail.

The convergence of objectives and results between different contractual regimes, lead to distinguishing forms (or regulatory frameworks) of contents (or regulatory relationships). This presents an interesting interpretation, and it is that forms could mask or reveal contents. Then, bringing it out or making it known the regulatory relationship could help to distinguish ideals of realities and be very useful as changing regulatory frameworks or looking out for new ones. This is applicable to interventions at the strategic, tactical or operational level of a contractual regime.

For example, for the case of Buenos Aires, at a tactical level it could be more revealing (apart from being more direct and economical) a NC than a CT. At a strategic level, it could be more revealing a change of authorities than of operators. At an operational level, it could be more revealing to introduce information technologies to management of traffic (and collections) than controlling costs. A change in the bonds between participants change the position of the existing ones. In this sense, facing third parties (contract) could be more useful than working on its own, without taking into account possible costs or economic benefits.

A **forth item** is that including in the method a set of scales and dimensions will enable and improve the analysis.

In order to gain coherence between objectives and results, a regulatory framework needs to diagnose the regulatory relationship. To fulfill the latter a network of relationships must be captured, built in relation to a regulatory context that is not only one but multiple. This improves with methods that work on different analytical scales and dimensions. Mobility and microanalysis are particularly useful to reveal or put in evidence interests in common or agreed upon the regulatory relationship.

A **fifth item** is that distinguishing forms, contents and regulatory contexts established queries that could organize future lines of investigation.

For example, are there any ways to induce changes in the regulatory relationship without creating an open conflict of interests generating conservative reactions and finally stop them? Which is the content of contractual regimes that will concur in objectives and results under different regulatory frameworks?

In relation to this last query, paradoxes permit to go ahead identifying an aspect in common or regularity in the results achieved by different contractual regimes: regulation contributes to enterprise maturity.

The case of Buenos Aires show that in the regulatory context of the 60's regulation contributes to enterprise maturity, and this brings stability and sociospatial integration. In the regulatory context of the 90's it also contributes to enterprise maturity, and this produces stability and sociospatial differentiation. There is a tendency to increase the scale of the business with fare increases and segmentation of services through prices, convergent with macroeconomic tendencies.

Then, in today's regulatory context, regulating could be good to produce a transport that multiplies differences instead of making them equal. If in 2005 the discussion on contractual regimes turns about regulatory frameworks without making progress

towards a diagnosis of the interests agreed upon by the regulatory relationship, there is a risk that regulation turns into a conservative one and promote an excluding modernization.

Then, What does looking for quality in a contract mean? Requirements for quality change and also the quantity of people that could have access to it. Regulating by quality today could turn it into a type of transport for the rich and another for the poor. The discussion about contractual regimes improves if the regulatory context and the regulatory relationship (contents) are taken into account apart from the regulatory framework (form).

A complex subject of study, as transport, requires an analytical or segmented approach, but without losing an overall point of view. Segmented points of view, be it in terms of dimensions (either economic, or political or social regulation), scales (either the sector, or macro or micro), or analytical duration (either a situation, or the process), they show limitations to build the theory in and for this field of study.

## 8 BIBLIOGRAPHY.

- Alexandersson, G. and S. Hultén (2003). The problem of predatory bidding in competitive tenders – a Swedish case study. In: *Thredbo papers* 8, 24 pp. International Conference on Competition and Ownership in Land Passenger Transport, Río de Janeiro. [http://www.its.usyd.edu.au/conferences/thredbo/thredbo\\_about.as](http://www.its.usyd.edu.au/conferences/thredbo/thredbo_about.as)
- Alexandersson, G. And R. Pyddoke (2003). Bus deregulation in Sweden revisited: experiences from 15 years of competitive tendering. In: *Thredbo papers* 8, 15 pp. International Conference on Competition and Ownership in Land Passenger Transport, Río de Janeiro. [http://www.its.usyd.edu.au/conferences/thredbo/thredbo\\_about.as](http://www.its.usyd.edu.au/conferences/thredbo/thredbo_about.as)
- Argentina – Gobierno de la Ciudad de Buenos Aires – Secretaría de Hacienda y Finanzas. (2003). *Plan Integral de Desarrollo del Subterráneo de Bs. As.* Buenos Aires.
- Argentina – Comisión Nacional de Regulación del Transporte (2004). *Boletín Estadístico – Año 2004.* Buenos Aires.
- Gutiérrez, A. (2000). La producción del transporte público en la metrópolis de Buenos Aires. Cambios recientes y tendencias futuras. *EURE*, 77, 109–136.
- Gutiérrez, A. (2000a). Competição, regulamentação e concentração empresarial no transporte público metropolitano de Buenos Aires. In: *Transporte em tempos de reforma* (Aragao, J. and E. Santos eds.), pp. 433–456. L.G.E. Editora, Brasília.
- Gutiérrez, A. (2001). Transporte alternativo: algo más que una cuestión de tamaño. In: *Las oportunidades y desafíos del S. XXI para la Geografía Latinoamericana* (Rosemary Vieira, ed.), pp. 129–139. University of Chile—FAU, Sgo. de Chile.
- Gutiérrez, A. (2002). La dimensión escalar en el análisis de la reglamentación. In: *II Conferência sobre Regulamentação e Competição no Transporte*, 20 pp. ANPET-RESET-CREA, Río de Janeiro.
- Gutiérrez, A. (2004). Concentración empresarial y eficiencia en el autotransporte urbano de Buenos Aires. *EURE*, 91, 97-110.
- Gutiérrez, A. (2005) *Política de transporte público en la ciudad de los '90. Reglamentación y concentración empresarial en el auto transporte metropolitano de Buenos Aires.* Doctoral thesis, University of Buenos Aires, Buenos Aires.
- Gutiérrez, A. (2005a). Where does demand for public transport stand?. In: *Competition and Ownership in Land Passenger Transport* (David Hensher, ed.), Elsevier Ltd., United Kindom.
- Gutiérrez, A. and S. Kralich (2005) Transporte alternativo en la Región Metropolitana de Buenos Aires. Un análisis de su evolución entre 1993 – 2003. In: *Por uma Geografia Latino-Americana. Do laberinto da solidao ao espaço da solidariedade* (Tarik Rezende de Acevedo, ed.), pp. 6759-6773. University of Sao Paulo, Sao Paulo.
- Henry, E. and A. Brasileiro & TURMA (2000). *Viação ilimitada. Ônibus das cidades brasileiras.* Cultura, Sao Paulo.

- Hensher, D. (2005). Performance Based Contracts: Theme A. In: *Competition and Ownership in Land Passenger Transport* (David Hensher, ed.), Elsevier Ltd., United Kindom.
- Macario, R. (2005). Institutional frameworks, regulatory agencies and the land passenger transport industry: reflections on recent evolution. In: *Competition and Ownership in Land Passenger Transport* (David Hensher, ed.), Elsevier Ltd., United Kindom.
- Preston, J. (1999). An overview of public transport in the United Kingdom and forecasts for the new millennium. In: *Thredbo Papers 6*, 21 pp. International Conference on Competition and Ownership in Land Passenger Transport, Cape Town. [http://www.its.usyd.edu.au/conferences/thredbo/thredbo\\_about.as](http://www.its.usyd.edu.au/conferences/thredbo/thredbo_about.as).
- Pruijmboom, E. and D. Van de Velde (2005). First experiences with Tendering at the Tactical Level (Service Desing). In: *Competition and Ownership in Land Passenger Transport* (David Hensher, ed.), Elsevier Ltd., United Kindom.
- Santos, E., K. Fabiana and R. Orrico Fo. (2005). Competition or Complementarity: regulatory option for urban road transit in Brazilian Cities. In: *Competition and Ownership in Land Passenger Transport* (David Hensher, ed.), Elsevier Ltd., United Kindom.
- Van de Velde, D. (2005) The evolution of organisational forms in european public transport during the last 15 years. In: *Competition and Ownership in Land Passenger Transport* (David Hensher, ed.), Elsevier Ltd., United Kindom.
- Wallis, I. (2005). Regulatory policy developments in the Australasian urban public transport sector. In: *Competition and Ownership in Land Passenger Transport* (David Hensher, ed.), Elsevier Ltd., United Kindom.

## 9 INTERVIEWS.

- Secretario de Transporte del Ministerio de Infraestructura y Vivienda de la Nación.
- Director Nacional de Transporte Automotor de la Subsecretaría de Transporte de la Nación.
- Director de Servicios de Oferta de la Comisión Nacional de Regulación del Transporte.
- Gerente de la Cámara de Empresas de Autotransporte de Pasajeros (PS).
- Gerente de la Cámara Empresaria del Transporte Urbano de Buenos Aires (PS),
- Gerente de la Cámara de Empresas de Transporte Automotor de Pasajeros (PS).
- Presidente de la Cámara de Empresarios de Turismo y Transporte de Oferta Libre (FOS),
- FOS Legal Representative - Consultora del Autotransporte Público de Pasajeros,
- FOS Legal Representative - Asistencia Integral al Transportista,
- FOS operators (Ernesto Gonzalez, Sergio Badía, Alejandra Garri).

Table 1. Buenos Aires metropolitan bus transport offer index.

Year	Lines	Passengers (millions)	Kilometres (millions)	Vehicles	Seats (units)	Average age (years)	Seats-Kilometre (millions)	Passengers/Kilometre
1987	147	2173	770	9587	24,0	6,1	18482	2,82
1988	148	2115	803	9658	24,0	6,1	19267	2,63
1989	146	1989	787	9730	24,0	6,4	18883	2,53
1990	144	2102	810	9803	24,0	6,5	19447	2,59
1991	143	2089	818	9877	25,0	6,9	20460	2,55
1992	143	2141	838	9877	26,7	6,9	22375	2,55
1993	144	2036	810	10125	27,1	6,5	21956	2,51
1994	144	1865	798	10435	26,8	6,5	21386	2,34
1995	145	1727	808	9988	28,1	5,4	22716	2,14
1996	145	1685	790	9709	28,5	5,3	22507	2,13
1997	141	1589	769	9362	29,0	4,9	22338	2,07
1998	141	1486	781	9747	29,4	4,3	22983	1,90
1999	140	1402	756	9859	29,6	4,4	22395	1,85
2000	140	1328	737	9926	29,6	5,1	21814	1,80
2001	139	1199	700	9761	29,6	5,7	20740	1,71
2002	139	1123	661	9682	29,5	6,6	19572	1,70
2003	136	1296	689	9342	29,7	7,3	20371	1,88

2004	132	1432	737	8884	29,4	8,0	21668	1,94
------	-----	------	-----	------	------	-----	-------	------

Source: Argentina – CNRT, 2004.

Table 2. Buenos Aires metropolitan bus transport economic index

Year	Passengers transported (millions)	Collection (millions)	Income / kilometre (\$/kilometre)	Income/vehicle (\$/vehicle)
1992	2021	763	0.91	77250
1993	1955	850.5	1.05	84000
1994	1785	983	1.14	94202
1995	1654	1083	1.19	108430
1996	1614	1085	1.22	111752
1997	1590	1131	1.47	120808
1998	1453	1208	1.55	123936
1999	1369	1136	1.51	117611
2000	1328	1068	1.45	107596
2001	1199	1022	1.46	104702
2002	1123	977	1,48	100909
2003	1296	1137	1,65	121708
2004	1432	1274	1,73	143404

Source: Argentina – CNRT, 2004.

Table 3. Evolution of differential and standard shuttle public services.

Year	Shuttle		Differential	
	Passengers (millions)	Kilometres (millions)	Passengers (millions)	Kilometres (millions)
1992	6,27	2,93	22.03	24.92
1993	14,15	7,60	21.53	30.96
1994	16,06	10,46	20.05	29.85
1995	18,27	20,49	14.79	25.63
1996	23,37	21,84	12.59	21.54
1997	20,11	16,76	9.52	14.97
1998	19,09	17,04	9.92	13.39
1999	17,55	15,03	8.65	11.54
2000	17,45	14,68	7.12	10.02
2001	16,29	15,21	6.25	8.29
2002	15,85	14,77	5.33*	6.89*
2003	24.47	17.72	5.55	6.50

Source: Argentina – CNRT, 2004.

Table 4. Public bus service mini bus fleet (standard and differential services)

Year	Vehicles	Average seats
1998	52	21,8
1999	97	22,4
2000	128	22,2
2001	232	21,3
2002	239	21,2
2003	242	21,1
2004	186	20,6

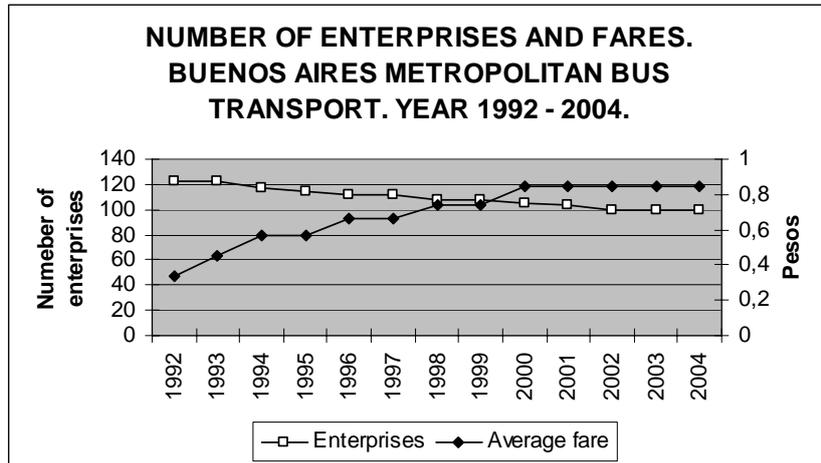
Source: Argentina – CNRT, 2004.

Table 5. Size of the free offer service enterprises, per fleet. Year 2004

Fleet/enterprise	Nbr. Enterprises	%	Fleet	%
1 to 2	212	84	258	44
3 to 8	34	13	162	28
9 to 48	7	3	161	28
Total	253	100	581	100

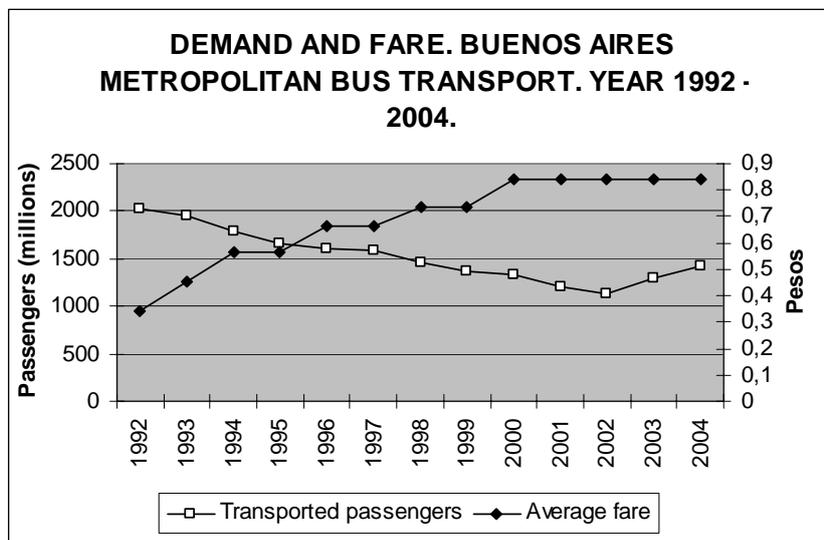
Source: Argentina – CNRT, 2004.

Chart 1.



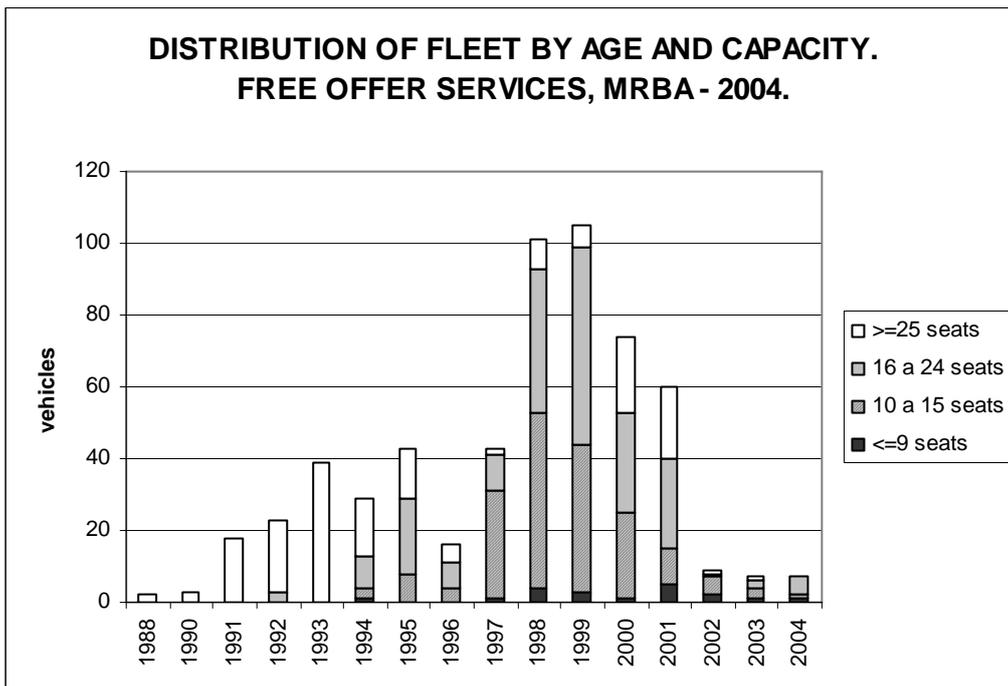
Source: Argentina – CNRT, 2004.

Chart 2.



Source: Argentina – CNRT, 2004.

Chart 3.



Source: Argentina – CNRT, 2004.