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SECOND LATIN AMERICAN MEETING OF BODIES RESPONSIBLE FOR THE SUPERVISION, CONTROL AND REGULATION OF LAND TRANSPORT

This edition of the Bulletin presents a summary of topics examined and discussed during the Second Latin American Meeting of Bodies Responsible for the Supervision, Control and Regulation of Land Transport, held at ECLAC Headquarters, Santiago, Chile, from 10 to 12 August 1999.

The rapporteur of the meeting was Mr. Humberto Valdés Ríos, Sub-Director, *Asociación de Investigación y Producción del Transporte*, Cuba. Full Spanish language versions of the papers presented at the meeting are available at: <http://www.eclac.cl/espanol/investigacion/unitrans.htm>

Inaugural act. Initial words of welcome were offered by Mr. Axel Dourojeanni, Director of the Natural Resources and Infrastructure Division, ECLAC. This was followed by an inaugural address by Mr. José Antonio Ocampo, Executive Secretary of ECLAC, who observed that in recent years Latin America and Caribbean countries have been moving steadily from a regime of almost total state control of transport activities to what is as yet an incomplete system of regulation. He argued that it was essential for the regulatory framework to guarantee competition in the transport market and in the provision of services; it should also address problems arising from the lack of information available to the consumer, and the need to reduce environmental pollution. He stressed that fiscal aspects included the problem of channeling subsidies, practices of lack of payment capacity, and situations where the State has to subsidize infrastructure development. Lastly, he stressed the special importance that should be given to equity in the provision of services and to safeguarding the rights of the consumers and users of transport services.

Twenty-five years of change in Latin American and Caribbean transport, 1975-1999: from control to regulation. “*Un Cuarto de Siglo de Cambios en el Transporte en América Latina y el Caribe, 1975-1999: De la Reglamentación a la Regulación*”: Mr. Ian Thomson, officer-in-charge Transport Unit, ECLAC, referred essentially to the changes that have taken place over the last 25

years, in which most Latin American governments have suppressed many of the pre-existing controls and have transferred to the private sector the management of transport services that had previously been operated by the State. He claimed that the prices of transport services had dropped in real terms over this period, while consumption had increased; however, it was not yet possible to be certain about the underlying causes of this positive trend. He discussed the meaning of the Spanish language terms “*reglamentación*” and “*regulación*”, both of which translate into English as “regulation” and mentioned the greater confidence that governments now have in the market mechanism.

He argued that this process required a new form of government regulation, which needed to be consistent with the government’s economic and social development goals, whilst accepting the validity of transport market services. The regulatory framework should protect users from anti-competitive tendencies, so that an improvement in services would not necessarily mean higher charges. It should also be able to apply the types of control and other supervisory procedures deemed to be necessary. Several participants felt that this new approach had a number of problems that had not yet been fully resolved, although in general some successes have been achieved.

The problems of public road transport in relation to the frameworks of control and regulation of transport modes in Buenos Aires. “*La problemática del sector autotransporte público relacionada con los marcos de regulación y control de los modos de transporte de Buenos Aires*”. Ms. Patricia Brennan, a consultant from Argentina, discussed the experience of Buenos Aires in regulating transport services. The agency responsible for applying the current rules and controlling the operational aspects of transport services is the National Commission for Transport Regulation (CNRT). This autonomous body, set up in 1996 as a dependency of the Under-Secretariat for Land Transport, is responsible for motor vehicles and railway passenger and freight transport. She explained that the regulatory body does not set transport policies, but confines itself to implementing and strictly enforcing the regulatory guidelines that are handed down by the executive authority (Autoridad de Aplicación).

Several participants acknowledged that, despite certain limitations, the experience of Buenos Aires shows that with a stable regulatory framework with agencies responsible for regulation and control that are endowed with sufficient human and material resources to carry out their functions, it is possible to gain the benefits of private enterprise and at the same time safeguard the public interest.

The debate brought to the fore certain regulatory issues arising from the use of Euro II diesel motors in buses, instead of running them on less polluting natural gas. The need to make transport regulations compatible with traffic regulations was also raised, with a view to giving preference to buses on the street.

Design of regulatory institutions. “*Diseño de Instituciones de Regulación*”. Mr. Gustavo Nombela, a professor at the University of Las Palmas de Gran Canaria, Spain, argued that the regulation of privatized transport services needed to involve more than just the law and contracts for concessions: investment obligations were particularly important. Regulatory institutions therefore needed to be designed carefully and, as far as possible, from the outset of the transport privatization process. He explained that regulation consisted of striking a balance between users’ welfare, the financial viability of the respective firms and the need for investment in equipment and infrastructure. Simple, transparent and predictable decision-taking rules should be used for this purpose.

A number of participants argued that the make-up of regulatory bodies depended on the specific conditions in each country, but in every case they needed to have the necessary human and material resources. Although it was true that political interference was sometimes not desirable, specialists had the task of showing politicians the economic cost of their political decisions.

The regulation of inter-urban transport in Peru during the past decade. “*La regulación del transporte interurbano de Perú en la última década*”. Mr. Juan Tapia Grillo, Director, Advisory Centre for Land Transport and Research and Documentation (CIDATT), Peru, explained the regulatory framework approved by Congress in Peru, and the functions assigned to the Ministry of Transport, Communications, Housing and Construction for establishing national regulations, and for developing, expanding and improving highway and traffic infrastructure, among other things. He referred to the municipal and provincial functions and described other aspects including the requirements for granting concessions, types of service, authorized vehicle types, and the supervision of services and control of infractions. Certain weaknesses in the current system were acknowledged, and short-term prospects were discussed -especially the promulgation of a new general law on land transport and traffic.

Freight transport in Cuba. Regulation and deregulation. “*El transporte de carga en Cuba. Regulación and desregulación*”. Mr. Manuel Alepuz Llansana, Director General, Transport Institute, Cuba, spoke about the stages through which the regulation and control of freight transport in Cuba have passed, the problems they currently face, and their short-term prospects. He stressed that Cuba was moving towards a comprehensive and broadly based national transport policy, and argued that the development of transport modes should not respond to short-run situations or to opportunities or restrictions, but to a conceptual integration of the role that each transport mode and its corresponding infrastructure should play. In this context, he stressed that work was being carried out on the management of freight transport, and on regulatory proposals. Pricing policy for State-owned transport companies would be sufficiently flexible in the new approach as regards their management capacity, for them to be able to agree prices with their customers, make profits in accordance with capital invested, reduce costs, and steadily increase service quality in accordance with market requirements. The policy projection is to continue giving special priority and facilities to help railroads to increase their share of freight transport.

Airport development in Latin America: challenges and opportunities. “*Desarrollo Aeroportuario en América Latina: Desafíos y Oportunidades*”. Mr. Ellis J. Juan, of the New York branch of Banco Santander, examined the current state of privatization in the airport sector, looking both at emerging market models and the European model of private-sector participation. He also discussed the financial and economic viability of airport projects and the commercial and non-commercial risks associated with them, together with possibilities for risk mitigation. He mentioned the steady disappearance of the concept of the “flag carrier” and to the development of “airline families”. He raised the concept of airport-airline integration, and the need for global (technical and economic) regulation. He listed the ongoing programs of airport privatization in Latin America and stressed that experiences in that region were still at a developmental stage, and their effectiveness was still being tested. These were not comparable to the European case, which have already proven their efficiency.

The railroad privatization process in Latin America compared to the situation of railways in the European Community. “*El proceso privatizador de los ferrocarriles en América Latina en*

contraste con la situación de los ferrocarriles en la Europa Comunitaria". Mr. Gonzalo Martín Baranda, representative of the Spanish National Railways Network (RENFE) in the Latin American Railways Association (ALAF), presented an analysis of the railway privatization process in Europe, and the corresponding regulations. He also discussed the regulatory framework in the European Union, covering the initial regulations in Sweden, to the most recent regulations introduced by France in 1997. The United Kingdom was the country that had made the most progress in this field. He went on to analyse trends in Latin America, where Argentina had been the first country to privatize its railroads. He argued that the consequences of privatization could not be separated from the issues of service quality and train safety, or from economic problems. Accordingly, he recommended that regulatory bodies should have sufficient authority, strength and flexibility to be able to find solutions to such problems.

Ports and maritime transport. Regulation versus competition. *"Puertos and Transporte Marítimo. Regulación versus competencia"*. Mr. Jan Hoffmann, Economic Affairs Officer, Transport Unit, ECLAC, stressed the existence of a "Latin-American model" of port privatization, giving abundant examples including case studies of Chile, Buenos Aires, Havana, Callao, Montevideo and Guayaquil. He argued that the fear of private monopolies was exaggerated, since experience to date had shown that it is possible for competition to exist between services inside ports, terminals, potential ports, port zones, shipping lines, complementary modes of transport and in the products to be transported. He analysed the experience of competition between ports in Mercosur, as well as the regulations for preventing the concentration in maritime transport.

In general, participants considered that there were no standards that were generally applicable to all ports and all countries; in each situation had to be dealt with on a case-by-case basis in response to the specific setting and characteristics. Nonetheless, the market principle could function with economic and quality regulations. The problem was not a matter of the sector to which the operator belonged (public or private), but there were variations: when state ownership was appropriately combined with efficient and effective firms, good results could be obtained, as shown in the case of the Port of Havana.

Port regulation in island States. *"Regulación de Puertos en Islas"*. Ms. Beatriz Tovar de la Fé, professor at the University of Las Palmas de Gran Canaria, Spain, analysed aspects of competition and regulation in island ports, island port systems and other issues. She then examined in greater detail the case of islands with a single port, port services, infrastructure supply services and cargo-handling. She analysed three concession contract scenarios and the thresholds proposed to determine the type of competition existing in container terminals, comparing the ports of La Luz de Las Palmas, Arrecife and Rosario. She argued that the existence of a single island port did not have to imply monopolistic prices or service standards if the circumstances made it possible to create competition inside the port. It was desirable for infrastructure to remain publicly owned, but prices needed to be regulated if management was transferred to the private sector. The regulation of prices and service quality should be inversely related to the level of competition existing in service provision.

Participants considered the advisability of clearly limiting the functions of regulatory agencies and port authorities, so as to avoid the chances of port authorities being captured by the operating companies.

The regulatory regime and its effect on the development of transport services in Central America. *"El régimen regulatorio y su efecto en el desarrollo de los servicios de transporte en*

Centroamérica". Mr. Raúl Leclair, Advisor, Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA), gave an analysis of transport sector trends in Central America over the last 20 years. These have been marked by sharp contrasts, but on balance the results for the region have been positive, and the provision of transport services is now an activity entirely in private-sector hands. He argued that, to meet future challenges, transport services needed to adopt a new entrepreneurial outlook, which necessarily must include a critical review of regulations that were currently standing in the way of change. He went on to say that there was a consensus that subsidies had to disappear and be replaced by direct support for the user groups that really needed them, as and when State policy in each specific case justified it.

Participants warned of the need to bring regulations up to date so as to make it possible to control the axle weight of vehicles on Central American highways, and thereby avoid the destruction of road surfaces.

Panel Challenges for Latin American transport regulation in the new millennium "*Los desafíos de la regulación el transporte en Latinoamérica para el nuevo milenio*". Mr. Humberto Valdés Ríos, Subdirector Científico, Asociación de Investigación y Producción del Transporte, Cuba, gave a rapid review of the main landmarks in the development of public passenger transport in Cuba, from carriage regulation (Regulación de Carruajes) in 1886 to operating permits (Licencia de Operación) of 1996. He outlined the aims of the regulations he expects to be applied in Cuba at the start of the third millennium, as regards evaluating investments, giving priority to mass public transport, cost reductions, tariff integration, restrictions on automobiles in inner city areas, and a reduction in journey times. Other aims to be included relate to highway safety, especially for pedestrians and cyclists, minimizing the environmental impact of transport, improving access to public transport systems (including access for disabled people), and applying policies in the field of energy economics. In the Cuba of the twenty-first century, public transport should promote social equity, without basic differences between public transport users and people who have private means of transport, use bicycles or walk. Special emphasis should be given to facilitating the home-work trips, and improving access for the entire population to education, health, cultural and recreation centres.

Mr. Jaime Salazar, a consultant from Colombia, wondered whether the important issue in regulation was to return to the conceptual base to define the mission and correct misguided approaches. He considered that the regulator, whether this be an individual or a commission, is the appropriate instrument for ensuring that the control of prices and commercial management of private firms take account of the public interest. He made clear that regulation was not the same as legislation or control. He argued that regulation was intended to increase efficiency and adjust the market, but it did not exist to protect, promote or give special privileges to individual firms. Regulation was carried out to guarantee supervised entry to an activity, to define quality and conditions of service, and to establish equity between prices and rates. He argued that regulation is a substitute for the market in establishing economic and political equilibrium between providers, users and regulators, and for safeguarding the technologies-capital-quality-prices relation. He concluded by stating the regulator's Golden Rule: shake off the arrogance that comes from repeating the same, generally administrative, tasks year after year, and call it experience.

Mr. Rogerio Belda, vice-president of the National Public Transport Association (ANTP), Brazil, argued that the State could not disassociate itself from public transport services, in terms of valuing

externalities, congestion, and other aspects within its brief. He stated that as public transport is not exactly a tangible market good or service, a regulatory body was needed to maintain conditions similar to those of the market for competition to exist and to avoid monopoly. This body should be separate from the institution responsible for the service, and it should also take into account consumer protection. He considered that, for public transport services to survive, the strategic challenges for the new millennium included combining transport and traffic policy in the same body, guaranteeing quality and achieving simple subsidy mechanisms. In this context, he considered three scenarios, the Argentine, with small-scale firms which turn professional, the Brazilian case of professional firms which become specialized and/or form mergers, and the Chilean model, in principle deregulated but later regulated by route.

Mr. Jaime Aliaga, Superintendent of Transport in Bolivia, described the transfer of public State services to private firms, that had begun with telephones and was then followed by hydrocarbons, electricity, water and finally transport. He argued that Bolivia had been able to design a synergetic intermodal regulatory system, working in a framework of administrative law. He stated that the State airline had been 50% taken over by VASP Brazil, and 50% of railway companies shares had been transferred to private hands. The three most profitable ports had been privatized and sold to a United States firm. Afterwards he stated that the Bolivian regulatory body had jurisdiction on river transport systems, in the Paraguay-Paraná Waterway and in the Amazon basin.

Mr. Vicente Pardo, Chief, Standards and Control Division, Undersecretariat for Transport, Ministry of Transport and Telecommunications, Chile, suggested that before thinking of the new millennium, the immediate future should be secured. As a trend, socioeconomic change will introduce new concepts in public transport. An increase in the number of journeys might not be an expression of development. It would be technological development that sets the new path. People will try to stop using buses if they can gain access to a car. He saw the following as challenges: unleashing the capacities of the system through prices and the level and quality and services; stimulating competition, supplying better quality products, and infrastructure provision; internalizing costs with real prices that include all inputs and externalities. The citizen needed protection and, as long as the captive traveller existed, State intervention would be necessary. In addition, there were many differences between markets, as well as between transport modes.

In the discussion, mention was made of the need to bear in mind low contamination caused by public transport, together with reduced use of land and energy savings. A Colombian transport operator commented that operators were subject to many laws and provisions. One participant reflected that if everything worked satisfactorily, regulation would not be necessary. Mention was made of the Central American example, where highway transport is not regulated, but still works, although there are quality problems. Ways needed to be found to interest the private sector in financing infrastructure. A Chilean transport operator argued that there would soon be so many regulations that vehicles would not be able to go out on to the street. There was debate on the possibilities of buses running on alcohol or gas and using a new type of engine. Another participant mentioned mega-trends in transport and the potential influence of regulation. The automobile industry was seeking solutions such as cheap cars that would be within the reach of the masses. The fight against poverty would generate actions. In Lima, Buenos Aires and Santiago, Chile, public transport use is decreasing, and this is not because motorization rates have increased.

The Inspection Department: a tool for controlling transport in Santiago, Chile. *“El*

Departamento de Fiscalización: una herramienta de control del transporte en Santiago de Chile". Mr. Silvio Albarrán Albán, Director, Inspection Department, Ministry of Transport and Telecommunications, Chile, described the new features of his organization and its main functions and organic structures. He discussed Chile's concrete achievements in controlling vehicle emissions and the steps that were being taken for the development of new tasks and guidelines.

Citizen participation in improving transport services: the 'Fonoacción' system. "*Participación ciudadana en el mejoramiento de los servicios de transporte: Sistema Fonoacción*": Ms. Mirelle Caldichoury Ojeda, Director, FonoAcción, Chile, referred to the work being carried out in the community through publicity campaigns to promote citizen participation. The FonoAcción service answers queries and complaints from the population relating to highly polluting vehicles, the quality of public transport services and service quality at technical inspection centres, and it provides replies after verifying the complaints wherever feasible.

A number of participants stressed the advantages of including as working aims, attention to drivers and vehicles themselves, with rewards for those who do not commit infractions. This would provide a motivation to better performance by these professional transport workers. It was also suggested that interaction could be established with citizens, with a view to improving the existing regulations and/or standards in transport services.

The privatization of railways and airports in Mexico "*La privatización de los ferrocarriles y aeropuertos en Mexico*". Mr. Marco Antonio Gutiérrez Suárez, Director of Economic Regulation, Secretariat for Communications and Transport, Mexico, referred to the main programs currently running in Mexico: the Plan Nacional de Desarrollo and the Programa de Desarrollo del Sector Comunicaciones y Transporte. He stressed the aims of the Sectoral Program, which were based on conserving, modernizing and expanding transport and communications infrastructure; supporting healthy and sustained economic growth; boosting regional integration; improving the quality, access and coverage of transport and other services, including the coordination of different transport modes, as an integral part of a logistic chain. This Program had given way to the execution of an ambitious program of restructuring in the transport sector, whose aim has been to attract resources and open up the sector to private investment with a view to obtaining adequate modern and efficient infrastructure. On this basis, the Mexican railway system had been restructured, in a process involving opening up to private-sector participation, which could not be carried out without reform of the legal framework. He proceeded to describe in detail the reforms adopted, the scheme selected, progress made and results obtained, as well as the main characteristics of railway concessions. He also referred to restructuring of the Mexican airport system, and argued that as a result of the actions undertaken, airport and railway systems have been modernized. He emphasized that as a result of openness to private investment, the country now had modern services that were safe, efficient, profitable and competitive; this would broaden the country's growth horizons.
