

## The 1999 Buenos Aires Blackout – Corporate and Public Crisis Management in Argentina

**Typically the capital city of Argentina is quite a lively place filled with bustling crowds and traffic. Yet this was all turned upside down when a cable failure and a fire in one of the city's electricity substations caused a power outage in the early hours of February 15, 1999. The social and economic landscape of the city was suddenly transformed into an urban desert. February is mid-summer in the Southern Hemisphere and Buenos Aires was experiencing some of the summer's peak temperatures at that time with temperatures surpassing 35°C. Important parts of the city were without electricity, creating infrastructural and social chaos for the 600,000 affected Buenos Aires inhabitants. The power outage lasted for 11 days and although there were no fatalities, the social and economic consequences were significant.**

This was a highly technical problem but it was twisted into a two month long corporate and public crisis with clear social and political implications. CRiSMART analyst Susann Ullberg has written a report on how the corporate and governmental actors managed this crisis.

### The Crisis Managers

This infrastructural incident involved the participation of many different actors, as identified in Ullberg's report. The privatisation of the Argentine electricity sector in 1991-92 resulted in the division of the former SEGBA Company into three private electric companies and the electricity supply network for the city of Buenos Aires was also divided into three regions. EDESUR is one of these private electric companies. It is a share holding company on the Argentine stock market, the

main shareholders being national and Chilean (the latter being in the majority). EDESUR supplies more than 2 million customers in a 3000 km<sup>2</sup> area. When the power outage occurred, EDESUR was just about to inaugurate a 45 million dollar investment in building a new substation (Azopardo Nueva) aimed at increasing the power capacity in the area. Ironically this was the substation where the cable failure occurred on February 15.

During the deregulation process of the electricity sector, public service companies were sold in order to reduce state expenses and to improve service and capacity. Up until the 1990's, there had been a severe lack of investment and maintenance in infrastructure in Argentina largely due to the severe economic problems experienced during the military regime (1976-83) and the years following. Shorter power cuts were recurrent and many large electricity consumers had invested in their own electric equipment. Within the privatisation framework, the state created supervisory agencies (so-called regulatory bodies [ENRE]), which were to monitor the quality of service provided by the electric companies. Their routine procedure was to evaluate the companies' performance twice a year and, in the case of irregularities and/or failures, financially sanction them. These routines were significantly altered during the EDESUR power outage.

The city of Buenos Aires, situated on the banks of the La Plata River, is chronically exposed to social contingencies (mainly natural disasters), which are aggravated by the infrastructural deficiencies. Heavy rains and seasonably strong winds (called "sudestada") often up to more than 35 km/hour from the southeast cause tremendous flooding in large areas of the city. When such disasters occur, it is the Civil Defence of the City of Buenos Aires which organises disaster mitigation. Formally, the Mayor of Buenos Aires is admi-



nistratively responsible for this. The Buenos Aires Civil Defence Agency was created by federal law in 1981, but the concept of civil defence (as opposed to military defence) dates back to the late 1960's. When the blackout occurred in 1999 in Buenos Aires, the city's civil defence agency took charge of the operative crisis management and through this agency the Buenos Aires city government actively participated in the crisis management.

At the national level the Buenos Aires power outage, as a local contingency, was formally and administratively beyond the scope of the federal government and the National Congress. However, the federal government ended up getting involved because of the cultural and political context surrounding the crisis. What started out as a local technical problem in fact developed into a social and political crisis at the transnational level.

## Important Decisions

Crisis management is, in essence, about decision-making. New problems and dilemmas arise and crisis managers must decide "What to do now?" very quickly. Ullberg has identified several occasions during the power outage in Buenos Aires when the crisis managers were faced with this dilemma.

The first issue that arose after the cable failure at the Azopardo Nueva substation was how to restore the electricity as quick as possible. EDESUR had to decide whether to: 1. Repair the damaged cables, establish new connections and reconnect the network at the Azopardo Nueva substation. 2. Establish a so-called 'by pass' connecting the substation Azopardo Original with the substations Pozos, Once and Independencia, thus, totally excluding the problematic Azopardo Nueva substation. 3. Create transitory connections with other types of cables (dry and oil cables) by using new and rather unfamiliar techniques which had not been commonly used before in Argentina.

Each of the three alternatives demanded various amounts of time, and time was the deciding factor. The technicians claimed that the third alternative was risky, since this technology was unfamiliar in Argentina. The EDESUR Board of Directors opted for the quickest solution (option

one) as suggested by the technicians. It was also decided to temporarily connect existing medium tension networks and to install provisory medium tension cables in order to reduce the number of clients affected by the blackout. EDESUR had made public announcements in the media stating that the problem would soon be resolved. The company declared that electricity would be restored within 48 hours.

The repair work on the faulty cable was concluded on Wednesday, February 17, and the system was immediately re-energised. However after 15 minutes of power, a new failure in the same cable occurred. The unthinkable had happened! EDESUR decided to implement the same solution again with the same type of cable. The number of affected inhabitants had been reduced to 220,000, but the population became more and more outraged. The company had promised that the electric supply would be restored within the next 24 hours, but the suffocating summer temperatures had made the situation even worse. There was a lack of drinking water. Air conditioners, refrigerators, elevators, and lights were unusable. Toilets and sewage services were out of order. Angry demonstrations arose and the streets were blockaded.

On Thursday morning, February 18, EDESUR issued a press release that the restoration of electricity would be delayed another 24 hours due to the second cable failure. At this point, even EDESUR was bewildered by the repeated failures. The initial options for restoring electricity were reconsidered and it was finally decided to apply the so-called 'by pass' solution. A third attempt was made to reconnect the failed cable, but again a third failure occurred. On Friday morning EDESUR issued a press release stating that another technical solution was being implemented and that a new deadline had been set for the total restoration of electricity: Wednesday, February 24. In light of EDESUR's recurring failures to restore the electric supply and pressure from the public, from the mass media and from the Federal Secretary of Mining and Energy, the Electric Regulatory Agency (ENRE) had mandated several resolutions in order to increase the pressure on EDESUR. Resolution 291/99 mandated that EDESUR was to re-establish service within 24

hours and Resolution 292/99 held EDESUR responsible for financially compensating the affected customers for the period they had been without electricity.

While the number of affected inhabitants was reduced day by day (with just 8,000 remaining on Wednesday, February 24, when the electricity supply was totally restored), social, political and economic conflicts further aggravated the situation and intensified the crisis (so-called “up-scaling”). EDESUR’s performance was harshly criticised, both for the delays in solving the power outage and for sending contradictory messages to the public (promising the restoration of electricity one moment and then taking it back the next).

The problem was framed politically and ideologically largely due to the fact that EDESUR was a private company selling a public service. Days after the blackout was resolved, EDESUR’s major shareholder (the Chilean electric company Enersis) declared that EDESUR would **not** pay the compensation fees as mandated in Resolution 292/99 arguing that it was illegal since it did not coincide with the concession contract. This outraged the political establishment in Buenos Aires and in Argentina. The large economic losses experienced by the commercial and industrial clients had to be compensated by someone. If EDESUR refused to pay, the federal government feared it would be left footing the bill for all of the affected customers when it was already facing severe financial constraints. Over one hundred million US dollars were at stake. Also at that time the judicial framework of privatised public service was up in the air. The case would inevitably serve as jurisprudence for other private electric companies in Argentina and for all of the privatised public service sectors (gas, water, aviation, rail transport, road transport, post, and others).

This situation prompted the federal government to elaborate upon a presidential emergency decree in order to put additional pressure on EDESUR to pay the compensation fees. The decree, which annulled the EDESUR concession, was prepared and validated in case the company would maintain its stance and refuse to pay. However, this Presidential Decree never needed to be executed.

On Wednesday, April 20, EDESUR notified

the ENRE that the company had decided to renounce its appeals and that it would accept paying all fines, ordinary and extraordinary. This policy change rested largely upon the fact that the majority of shares in Enersis had been bought by the Spanish electric company Endesa. Consequently, the changes at Enersis strongly influenced EDESUR's policy. At this point, the crisis concerning the Buenos Aires blackout was considered terminated.

## Key Lessons

Ullberg analysed this crisis from a cognitive-institutional perspective, which emphasises the significance of psychological and institutional factors. Ullberg identified, among others, these factors:

→ The issue of **problem framing** is of great significance. EDESUR initially framed the situation as a short-term problem with a strictly technical nature (cable failures are not uncommon in Argentina). Likewise the regulatory agency, the Buenos Aires city government and the federal government also framed the situation as a short-term technical problem. This delayed their action. EDESUR dismissed other possible solutions, and by the time the second cable failure occurred the company had already lost valuable time. The operative actors (the Buenos Aires city government and its civil defence unit) decided to wait and see, which considerably delayed the organisation of the emergency measures. Crisis managers must be aware of both the short-term and long-term perspective when defining the problem.

Also the temptation to create a so-called 'rosy scenario' should be avoided. That is, go one step further: What happens if this quick and simple solution does **not** work?

→ **Symbolic values** should not be dismissed in crisis management, not even problems with a strictly infrastructural nature. The public infrastructure is always embedded in the social and political structure. In this case, the privatisation of public services was a very sensitive issue in the Argentine political arena as well as among the citizens. The transnational connections and the idea of foreign ownership raised nationalistic feelings. This cultural and political symbolic context beca-

me part of the problem and did in fact heighten, or “upscale,” the crisis.

→ Related to symbolism is the issue of **credibility**. If the decision-makers do not enjoy public confidence, the decisions they make will be judged more harshly. If their decisions do not genuinely inspire credibility, they can have the opposite effect. It may be tempting for decision-makers to make certain decisions in order to gain credibility, but the wrong decision can easily cause a loss in credibility. EDESUR suffered a significant loss of credibility due to the company's communication policy. As soon as the EDESUR technicians had any news regarding the restoration of electricity, the Communication Department made a public announcement, which clearly created expectations, and these expectations were then transferred to the other crisis managers. When these promises were not fulfilled, it was clear that the company had fallen into a credibility trap.

ENRE also lost credibility, not for making empty promises or overacting, but rather by appearing to be doing very little or nothing at all. What the public and the political establishment perceived as a lack of activity was in fact the nor-

mal bureaucratic procedure. This rendered ENRE with a credibility loss which undermined the agency's effectiveness in the crisis.

→ **Crisis communication** is a vital element in crisis management. For the decision-maker there are several communication constituencies that must be considered: the other participating institutions, the mass media and the ‘victims.’ In this case EDESUR failed to communicate with the affected clients (the ‘victims’) since they undermined the importance of doing so and, among other reasons, due to the occupied telephone lines. In addition EDESUR’s ‘false’ promises, which were published in the news, simply created more communication and credibility problems. Furthermore the electric company lacked a crisis communication strategy and was completely overwhelmed by the mass media and their heavy demands. EDESUR’s Communication Department called in an external consultant after a few days in order to reorganise their effort. A general rule is that cooperating with the mass media is advantageous since publicity can be used to get the organisation’s message out to the public.

This report in its entirety can be obtained by writing to: [crismart@fhs.mil.se](mailto:crismart@fhs.mil.se)

#### Related CRiSMART Reports

Bernhardsdóttir, A. (2001) Learning from Past Experiences: The 1995 Avalanches in Iceland Vol. 16. Stockholm: CRiSMART, Swedish National Defence College (FHS).

Kärde, T. (forthcoming) The 1997 Halland Ridge Tunnel Crisis.

Newlove, L. (forthcoming) Ice Storm in Eastern Canada in 1998.

Newlove, L.; E. Stern and L. Svedin (2000) Auckland Unplugged. Vol. 11. Stockholm: CRiSMART, The Swedish Agency for Civil Emergency Planning (ÖCB).\*\*

Ramberg, B. (forthcoming) The European Commission’s Management of the Earthquakes in Turkey: August and November 1999.\* \*\*

\* There is a summary available of this study in English.

\*\* There is a summary available of this study in Swedish.

# CRiSMART

Crisis Management Research and Training

## Swedish National Defence College

Valhallavägen 117  
P.O. Box 27805  
S-115 93 Stockholm  
Sweden

[crismart@fhs.mil.se](mailto:crismart@fhs.mil.se)  
[www.crismart.org](http://www.crismart.org)

