

The Buenos Aires Blackout: Argentine Crisis  
Management Across the Public-Private Divide

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# 1. Introduction

Buenos Aires is the capital of the Argentine Republic and a megalopolis on the Latin American continent with a population of close to 14 million inhabitants.<sup>1</sup> Famous for its nightlife and home of the tango, Buenos Aires is the center of business and politics at the national level as well as an important international commercial center. This port city is situated at the shores of the Rio de la Plata and is characterized by a humid climate with rainy winters and suffocatingly warm summers. At the time of the blackout in February 1999 (mid-summer in the Southern Hemisphere), temperatures were at an all-time summer high and had surpassed 35°C/95°F.

Crowds of people who live and work in the city as well as rather chaotic traffic conditions characterize the usual state of things in the heart of Buenos Aires. However, this social landscape was suddenly transformed into an urban desert when a power outage occurred in the early hours of February 15 as the result of a cable failure and fire in one of the city's electricity substations. Major sections of the City of Buenos Aires were left without electricity, which created infrastructural chaos. The power outage lasted for 11 days, and although no fatalities occurred, lack of electricity, water, refrigeration, sewage, and air conditioning in the city had important social and economic consequences. More than 600,000 residents in ten areas of the city were affected as well as some 11,000 small shop owners, and economic losses were estimated at US\$ 900,000. Moreover, 240 traffic lights stopped functioning; 1,450 buildings went dark, and 3,000 liters of water, 6,500 bags of ice cubes, and 52,500 packs of candles had to be distributed. What seemed at first to be a strictly technical problem later became a two-month corporate and public crisis—one that revealed the social, economic, and political nature of infrastructural accidents.

## *1.1 Purpose*

This case study constitutes part of the case bank developed at CRISMART (National Center for Crisis Management Research and Training) at the Swedish National Defence College. The overall aim of CRISMART is to conduct research on the complexities of crisis management processes, and with this knowledge, to improve conditions for emergency planning, thereby generating a fruitful nexus between theory and practice. In line with this aim, the objective of the present study is to generate empirical knowledge about the 1999 Buenos Aires power outage and to pose a number of theoretical questions regarding crisis management processes based on the Buenos Aires case.

The power outage in Buenos Aires is an interesting case in several respects. For one thing, studies that focus on crises in the energy and infrastructural sector are undoubtedly of great interest to contemporary policy makers as well as to crisis managers. Modern society's dependence on electricity in general and urban society's dependence in particular means that the negative impact of energy-related accidents is likely to be more pronounced in urban set-

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<sup>1</sup> To be more exact, 13, 827, 203 people in 2001, according to the last census published by the National Institute of Statistics and Censuses of the Argentine Republic (INDEC [Instituto Nacional de Estadísticas y Censos]; downloaded on 2004/06/25).

tings. This, in turn, makes urban settings extremely vulnerable in situations in which the power supply is interrupted, a fact demonstrated in the 1998 Auckland power outage (Newlove, Stern & Svedin, 2000), the power outages that occurred in northwestern Stockholm in March 2001 and again in 2002 (Deverell, 2003; 2004), and the blackouts that occurred in Italy and New York in 2003. As this study shows, this also proved to be the case during the Buenos Aires blackout in 1999. Moreover, severe problems with the provision of energy in various parts of the world are also important indicators of the risks and vulnerabilities facing modern society in general and urban settings in particular. In California, the consumption of electricity has been so high in recent years that production cannot meet demand (Jansson, 2001). In Brazil, too, particularly in the cities of São Paulo and Rio de Janeiro, the 2001 summer droughts drastically affected energy production (Arias, 18 May 2001). In Argentina, the first quarter of 2004 again witnessed an acute shortage of electricity supply, which forced the Argentine government to implement regular power rationing in order to control the situation (Rossi, 2004). Clearly, the systematic rationing of electricity was seen as a necessary measure in all these cases, despite the fact that it resulted in the interruption of all electricity dependent functions (lights, water supply, sewage, etc.) several hours each day and opened up for the possibility of severe social, economic and political consequences later.

The Buenos Aires blackout occurred against a complex backdrop of privatization in Argentina, and the set of actors involved in managing the crisis included a broad range of state agencies and private companies operating at the local, national, and transnational levels. Since the privatization of state-owned companies and the market liberalization of public services continue to be a worldwide trend, the Buenos Aires case is also interesting to study in a comparative context. This study consequently draws a number of parallels between the blackout in Buenos Aires and its “crisis cousin,” the 1998 Auckland power outage in New Zealand.<sup>2</sup> Both occurred in the middle of the summer when temperatures were extremely high, and both occurred within a political-economic context of energy sector deregulation. While the scope of analysis in *Auckland Unplugged* (Newlove et al., 2000) is broader than is the case here, a number of important parallels between the two cases can nevertheless be drawn—parallels that should be of interest both to crisis managers in general and the electricity sector more specifically.

## 1.2 Methodology & Sources

The analytical methodology applied in this case study entails a four-step procedure (Sundelius, Stern & Bynander, 1997:45-54; Stern, 1999:45-56; Newlove et al., 2000:6). First, the crisis case to be analyzed is contextualized, since historical, cultural, and political aspects are the very constituents of every crisis and its management. Once the case has been put into context, the next step involves the meticulous collection of empirical detail in order to accomplish a careful reconstruction of events and the time frame as perceived by the crisis managers. The issue of delimiting a time frame (when does a crisis start and when does it end?) is important for methodological as well as theoretical reasons. In order to answer this question, the analyst must identify the initial impetus that put decision-makers under pressure (Stern, 1999:45; Newlove et al., 2000:12). This may appear simple, since many crises begin as inci-

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<sup>2</sup> Parallels will also be drawn to other CRISMART case studies such as the Kista power outages in 2001 and 2002.

dents, accidents, catastrophes or other kinds of events, for example the earthquake in Iran (2004), the murder of Swedish Prime Minister Olof Palme in 1986 (Hansén, 2000), or the murder of the Swedish Minister of Foreign Affairs, Anna Lindh, in 2003. Also, the closure of a crisis can be clearly defined in many cases, for example the end of the MRTA hostage drama at the Japanese ambassador's residence in Lima, Peru (Ullberg, 1998:181). However, there are many crises that do not follow such a clear-cut pattern, and there may well be elements of escalation and de-escalation that make it difficult to delineate a precise time frame. For instance, so-called *creeping crises* (Rosenthal, Charles & 't Hart, 1989:10) are characterized by the gradual escalation of events that makes it difficult to define the actual starting point of the crisis. The management of the MC wars in Scandinavia is a good example of this kind of creeping crisis (Svedin, 1998:204-239).

Other crises may not have this kind of slow onset, but due to their "invisible" effects, the time frame is blurred. Such was the case, for example, during the BSE crisis in the EU (Grönvall, 2000). As Stern points out (1999:46), so-called technological disasters tend to de-escalate, which in turn makes it difficult to identify their ending point. Such was the case with the Chernobyl crisis in Sweden (Ibid.) as well as the Boliden dam rupture in Spain and the environmental crisis that the rupture of the dam triggered (Ullberg, 2001). Studies of so-called natural disasters also illustrate the social and political turmoil that often takes place in the post-impact phase: the "disaster after the disaster" (see for example Oliver-Smith, 1999). Thus, even if the hurricane has passed and the flooding receded, the crisis for decision-makers and affected communities alike is not yet over. As a means of dealing with this difficulty, this study has adopted an "actor-centered approach" that has allowed the decision-makers themselves to identify the time frame of the crisis. In the Buenos Aires case, those interviewed identified the first cable failure and the resulting fire as the initial impetus behind the crisis—the double-event that required immediate action on the part of decision-makers. In turn, decision-makers identified the electric company's agreement to pay damages to affected customers as the ending point of the crisis.

Qualitative methods have been applied in order to gather the empirical material for this analysis, including formal interviews with decision-makers and informal conversations with people affected in Buenos Aires as well as the study of documents and reports of different kinds on the crisis in question. With the exception, however, of one chapter in the 1999 Annual Report of the National Electricity Regulation Agency (ENRE Annual Report, 1999), which deals with the Buenos Aires blackout, the author of this study was unable to locate any other governmental reports. Instead, the public sources utilized in this study consist of informal notes, resolutions and bills, expert panel reports, transcripts of reconciliation meetings (so-called "audiencias"), and press releases. In terms of sources from the private sector, the availability of published material was also scarce. For example, the electric company, Edesur, dedicated only a few lines to the blackout in their 1999 Annual Report (Edesur, 1999). In addition to these sources, media reports have also been used, although with a critical eye to the subjective and sometimes partial representation of events that the mass media offers (Button, 2002). During a contingency, mass media coverage of events is normally extensive. In this case, too, the crisis occurred in the capital city of Argentina, where a clear majority of Argentine multimedia is located. Buenos Aires is also the site of virtually all federal government institutions and is the country's financial district. The blackout in Buenos Aires thus gained the attention of all of the major mass media in Argentina very quickly. The concentration of the mass media to very specific geographical areas in Argentina (mainly Buenos Aires) em-

phasized in turn the distinctly urban focus of most Argentine information production. Had this power outage occurred in poorer Argentine provinces such as Jujuy, La Rioja, El Chaco or Formosa, or had it occurred not in Buenos Aires City but in another part of the Buenos Aires province or even in the city's marginalized suburbs, the outage would hardly have received the same kind of media attention.

In terms of interview material, this study is based on five formal interviews with decision-makers involved in managing the blackout. Due to changes in government, however, it proved impossible to contact many of those who were also involved in management of the blackout. For instance, Fernando De la Rúa, who was Chief of Government of the City of Buenos Aires at the time of the blackout, was President of the Republic at the time of the fieldwork for this study. In turn, many of his colleagues at the local government level who had been involved in management of the blackout were also working in the national administration, and it proved next to impossible to make contact with them. It also proved difficult to conduct interviews with employees from the Rescue Services Municipality of the City of Buenos Aires, since they were required to respond to any and all emergencies, which meant that interviews had to be cancelled several times at the last minute. In addition to a few formal interviews, the author has thus relied on informal conversations with individuals from various institutions who were involved in responding to the crisis as well as customers affected by the blackout. While some of the interviewees are referred to by name and/or institution in this study, other sources have been cited anonymously in accordance with their wishes.

In terms of the analytical methodology used in this study, once events have been reconstructed, the third step is to map out important decision occasions within the crisis management process. As discussed earlier, these occasions constitute moments of dilemma that the decision-makers face in a crisis and have to act upon. The fourth and final step in this four-step analytical process is to "reassemble the pieces" (i.e. the decision making occasions) in order to analyze the crisis management process. In this study the following aspects of the crisis proved to have consequences for its management: how crisis actors framed the situation, institutional co-operation and conflict, information processing, communication and mass media, crisis symbolics, sequencing and synchronicity, credibility, the role of expertise, and learning processes.

### *1.3 Organization of the Study*

After the introductory chapter, Chapter 2 sketches out the theoretical framework used in this study and should be of particular interest to scholars working in the same field of research. Chapter 3 recounts the social, economic, political, and institutional context within which the Buenos Aires blackout occurred and was framed. Chapter 4 sets the stage for the case study and provides a description of central actors involved in managing the blackout crisis, whereas Chapter 5 offers a brief chronology of events. This chronology is followed by a detailed examination of decision-making occasions in Chapter 6 and a thematic analysis of central phenomena in Chapter 7. Finally, Chapter 8 draws a number of conclusions about the blackout crisis and offers a number of key considerations for crisis managers. Chapter 8 is followed by a set of seven appendixes, which are intended to help illustrate a number points made in the chapter.

## *1.4 Acknowledgements*

Research is always a collective endeavor, and this study is no exception. I am grateful to the Swedish National Defense College and the Swedish Institute of Foreign Affairs for their financial support. I also wish to thank all present and former colleagues at CRISMART, whose constructive criticism and warm support is always, and has also been for this study, invaluable. Particular mention goes to Professor Bengt Sundelius and Director Eric Stern for their never ending patience, Jesper Grönvall for his early comments, Lindy Newlove for her constructive observations, and Dan Hansén for his insightful suggestions. Without the efforts of Deputy Director Anna Fornstedt-Hellberg, as well as those of the Center's Publication Managers, Stephanie Buus and Stephanie Young, this study would not have been what it is today. In Buenos Aires, several helping hands were also stretched out to me. Thanks to Laura Bertone for illustrating the events on video and Hugo Richi for sharing his personal involvement in the crisis with me. Last, but not least, I wish to thank my informants at Edesur, ENRE, and the Buenos Aires Government, all of whom generously shared their time, their experiences, and their knowledge with me. Your generosity has contributed immensely to the substance of this study.



## 2. Analytical Framework

Crisis research, particularly on crisis decision making, has been developed by scholars such as Hermann (1963), Allison (1971), Brecher (1974), George (1980), and Vertzberger (1990), with the aim of understanding individual and collective behavior in international political crises between states. This focus was later extended to include also social and technological disasters (cf. Rosenthal, U., Charles, M. & P. 'tHart, 1989; Rosenthal & 't Hart, 1991). Their broader conceptualization of "crisis" as well as the theoretical framework for analyzing them has been further advanced in later years (Sundelius, Stern & Bynander, 1997; Stern and Sundelius, 1997; Boin et al. forthcoming) and applied in various case studies on the management of epidemics and food crises (Grönvall, 2000), climate related disasters (Newlove, 1998; Svedin, 1999), hostage situations (Hansén, 1998; Löfgren, 1998; Nohrstedt, 2000; Ullberg, 1998), environmental crises (Stern, 1999; Ullberg, 2001), and infrastructural crises (Newlove et al., 2000; Deverell, 2002, 2003), just to name a few.

The analytical framework applied here combines notions from cognitive psychology and neo-institutionalism in the social sciences and has consequently been labeled the "cognitive-institutional approach" (Stern, 1999). The study of human cognition refers to the process of acquiring and making sense of information about the world; that is, how this information is processed and acted upon, for instance by making decisions. A crisis situation, defined in terms of threat, limited time available and uncertainty, often requires quick decisions. Such a situation is likely to generate stress, which will impact cognitive processes (Hermann, 1979; Stern, 1999). The capacity to process information and make decisions under stress is likely to be altered. An overload of information can easily overwhelm a decision-maker, which is why a process of sorting out the most important issues at stake tends to occur, a process which may at best produce accurate decisions at that moment, but one which also risks producing an action with unintended consequences. In the best of cases, stress can produce better performance, but in the worst of cases, stress may produce irritability, apathy and/or confusion. The cognitive approach emphasizes the human representation of phenomena, that is, how a particular actor interprets an event. This focus grants importance to the inherent role of subjectivity in interpreting the world.

However, human subjectivity, based upon beliefs, prior experience and expectations (Stern, 1999:33), is not solely an individual matter. Human behavior, as well as subjective understandings of the world, are culturally enabled as well as constrained. The neo-institutional approach to organizational theory is a post-structuralist approach developed mainly within sociology, political science and economics (Stern, 1999:36). This school of thought conceptualizes (political) institutions as the enabling and constraining milieu wherein politics takes place, and thus, according to Stern, these institutions are a "middle ground between utilitarian rational choice perspectives and structural deterministic approaches to the study of public policy" (1999:36). This approach emphasizes different aspects of institutional dynamics such as the role of rules, norms and roles (March & Olsen, 1989); historical processes and legacies (Lindblom, 1990; Soltan et al., 1998); the politicization of organizations (Stern & Verbeek, 1998) and communication and symbolics ('t Hart, 1993). Stern holds that what political/organizational neo-institutionalism focuses upon are "meso-level social formations such as factions, groups, networks and organizations" (1999:37), which work as arenas and agents at the same time. It is in such organizational settings that ideas, norms, values and ac-

tions are produced, while at the same time, such organizations operate as social actors in a larger social complex. Now, having framed the theories that are applied to understand the decision making process in this crisis, I will now take a closer look at the crisis as a cultural phenomenon.

A crisis situation is defined as one in which central values are at stake, time is limited and actors have a prevailing sense of uncertainty (Sundelius, Stern & Bynander, 1997) – a situation that is socially constituted among a group of people (Ullberg, 2001:9–10). In theoretical terms, the perception and “meaning making” of such events take place in social contexts for which crises must also be conceptualized as cultural phenomena. That is, in order for a crisis to develop, the situation must be culturally constituted, meaning that specific significances or meaning of threat and uncertainty must be ascribed to the situation. This is valid for all kinds of crises: with rapid or slow onset, triggered by natural hazards, technological accidents, or a breakdown of a financial or a financial system. Now, while crises are conceptualized as disruptions of the prevailing social order and extraordinary events, it should be recognized that this is a relative conceptualization that has earned critique (Hewitt, 1983; Blaikie et al., 1994; Wisner et al., 2004). In certain social, economic and political settings, such as in many low-income countries, uncertainty and risk can be a rather permanent state of things, for which the notion of ‘extraordinary’ can be problematized. Furthermore, the effects of a crisis-triggering event can be painstakingly materialized for a lot of people, such as the lack of water and sewage for the people in Buenos Aires in February 1999, or certainly even life threatening and nightmarish such as for those hundreds of thousands victims of the recent earthquake-tsunami disaster in South East Asia in December 2004. In this sense, crises are complex phenomena with multiple interacting social, economic and political dimensions that would need to be taken into account for a full-fledged analysis. In this case though, we concentrate on one dimension: the experience and behavior of the crisis managers in the “acute” phase of the event, that is, in the period of time when the decision makers sense that they do not “have control” over the situation.

Since the length of such a situation can vary from hours to years, and different decision makers experience the situation differently, it can be very difficult to determine the duration of a crisis. Moreover, while a crisis can be seen as a single problem complex for the purposes of analysis, this is rarely the experience of the decision-makers and institutions involved (Stern, 1999:42). Rather, a crisis from the decision maker’s perspective is constituted by sequences of problems that need to be solved and decisions that need to be made. These problems can follow one another in some sort of order or be at stake at the same time (Ibid.). Characterized by time pressures and unpredictability, many thus argue that a crisis situation constitutes an altered state of things. For the purposes of developing better tools for crisis decision making it is thus vital to understand what happens to human cognition and institutional dynamics in such a stressful setting. Douglas (1986:122) argues that “crisis behavior depends on what patterns of justice have been internalized, what institutions have been legitimated”, referring to famine disasters in support of this argument. Although international relief agencies attempt to provide for the equal distribution of food supplies to those who are starving, these attempts are often subverted by local institutions, the result of which is that existent marginalized sectors of society continue to be the least prioritized. Torry, however, observed a famine situation in which foreign relief was not available, which led the community in crisis to switch from a regular set of principles to a regular set of emergency norms rather than suffer the collapse of social norms (1986). Thus, according to Douglas’ and Tor-

ry's observations, crisis does not provoke the rupture of the social organization of institutions. Instead, the social organization of institutions is modified in accordance with the situation the community faces.

While this standpoint may be overly structuralistic and fails to adequately address the role of human agency, it does emphasize the importance of the reproduction of institutions even during times of apparent chaos. Crisis situations in society, in fact, demand decisions (individual as collective decisions alike) and these decisions are essentially produced by and within social and political institutions. Decision-making constitutes the very core of crisis management since these decisions in turn determine human action. While some decision-makers want to, or have to, stand on the frontlines and assume sole responsibility for the decisions made, they neither operate nor are their decisions made in a vacuum. The institution that the decision-maker belongs to constitutes a social field at the meso level and will shape to a large extent the decisions made. This is also true of social fields at the micro level, that is, the smaller decision groups that the decision-maker is a part of (Stern, 1999:57–82). Literature on crisis decision-making indicates that the “small group” (be it a crisis committee, a cabinet, a council or a commission) plays a very important role in the decision-making process (Ibid.). The dynamics in a “small group” and between several “small groups” are therefore likely to “profoundly affect the decision maker's view of their situation, its possibilities, constraints, and imperatives” (Ibid. 58). In line with Alexander George (1997:44–50), this study views “small groups” as constituents of a broader social field, which is why the “small group” and the decisions made by it must be analyzed with reference to the institution/s of which this group is a part. These “small groups” can be found not only at the top levels in an institutional decision-making structure, but also at other levels. A distinction should therefore be made between the different levels at which small groups operate and decisions are made as well as between the operational and strategic levels of decision-making. “Strategic” decisions refer to those decisions typically made at the top-levels by politicians and heads of organizations. “Operational” decisions are those normally made by technicians and mid-level managers (t Hart, Rosenthal & Kouzmin, 1993:25–28).

It is important to note, however, that decisions are not merely the product of institutional setting and group dynamics. They are also the product of an ocean of specificities: specific decision-makers addressing specific problems at a specific point in time. Furthermore, these decision-makers are part of specific institutional settings in which specific ideas and norms shape their actions. Finally, the different institutions are forged within larger social and political complexes such as regions and nation-states with particular cultural and historical features. The question is thus, to what extent is it possible to draw any generalized conclusions given all of these variables? While necessarily recognizing the particularities involved in every case, cross-cultural and cross-case comparisons can nevertheless bring about interesting theoretical insights that can help us to further the understanding of the social dynamics of crises, also in general terms.



## 3. Contextualizing the Buenos Aires Blackout

### *3.1 Locating the Scene of Events*

The Argentine Republic is one of the largest countries on the South American continent, both in geographical area and number of inhabitants. Its territory covers approximately 3 million km<sup>2</sup> from the Antarctic in the south to tropical Chaco up north and from the Atlantic coast in the east to the Andes mountain range in the west, and the country has a population of nearly 37 million people.<sup>3</sup> Sixty-three percent of the population lives in the provinces of Buenos Aires, Córdoba, and Santa Fe, while the mayor concentration of inhabitants, approximately 33.5% of the total population, is found in *Gran Buenos Aires*, that is, the city and suburbs of Buenos Aires (see Appendix I). Urbanization in Argentina reached its peak in the 1970's due to industrialization processes, and although this rate has decreased somewhat in subsequent decades, Argentine cities are still growing. Argentina, with its extensive territory and fertile soil, developed early on an agro export based economy and was once a rather rural nation (see Appendix II). Modern Argentina, however, is predominantly urbanized, due to modern economic and political development. Small farmers as well as cattle ranchers have had increasing difficulty sustaining small-scale enterprises in competition with large economic groups producing and selling agriculture products and beef at far cheaper prices. For many rural dwellers, migration to a major city or its outskirts and the promise of an uncertain economic and social future is the only viable alternative. However, mass urban immigration in Argentina has in its turn placed great strain on an already overburdened infrastructure. As this study shows, the electric network in the City of Buenos Aires was one such infrastructure. Due to insufficient maintenance and lack of technological investment, the city's electric network was deficient in capacity until the 1990's and incapable of serving the electrical needs of a growing number of urban residents.

Buenos Aires is, as its demography indicates, a megalopolis. The area administratively called the Autonomous City of Buenos Aires<sup>4</sup> is the country's capital city and center of national politics and trade. It is also the core part of the city, being directly surrounded by suburbs, whose limits are purely administrative; that is, the different suburbs have grown into each other. Unlike urban centers such as Auckland and Stockholm, where the core parts of these cities are constituted by offices, shops and institutional buildings (Newlove et al., 2000:19–21), the City of Buenos Aires (i.e. the Autonomous City of Buenos Aires) is home to nearly three millions residents distributed over the whole area.<sup>5</sup> This means that even in the commercial and political blocks of the city, there are people living next door and there is, in fact, a quite picturesque *mélange* between different buildings, ways of life and daily activ-

<sup>3</sup> According to the 2001 National Census, the total population in Argentina was 36,260,130 (downloaded 2004/06/25).

<sup>4</sup> *Ciudad Autónoma de Buenos Aires*. This jurisdiction was earlier known as the Capital Federal by virtue of its role as city capital. I will use both names interchangeably in this study.

<sup>5</sup> According to the 2001 National Census the population in Capital Federal was 2,729,469 (downloaded 2004/06/25).

ities. The blackout in 1999 thus implied that an important amount of the affected customers were households.

Argentina has been a federal republic since 1816, when the country formally achieved independence from the Spanish crown. Twenty-four provinces constitute the Republic and these enjoy a relative degree of political and administrative autonomy in relation to the Republic. Earlier, the Federal Capital, or the Autonomous City of Buenos Aires, was a municipality within the Province of Buenos Aires. After to the Federal Constitutional Reform of 1994, however, the Municipality of the City of Buenos Aires was reconstituted as an *Autonomous City*, and as such, it no longer forms part of this province. Instead, the City of Buenos Aires constitutes a proper political and administrative jurisdiction along the lines of a province.

During the 20<sup>th</sup> century in a Latin-American context, Argentina has been characterized as something of an economic and social exception in comparison with other countries in the region. On the one hand, it has been (and is still relatively) an economically prosperous country and one of the world's greatest exporters of grain, meat and wool. As a result primarily of foreign investments, the country has also had a relatively stable and functioning infrastructure. Argentine social policies during the last century have aimed at transforming the country into a welfare state, and statistics on poverty and infant mortality have therefore been low compared with the rest of Latin America. On the other hand, a review (Keen 1996: 305–326) of Argentine economic history in the 20<sup>th</sup> century also recalls periods of stagnation interspersed with periods of depression and runaway inflation. Military coups, social turbulence and brutal repression have been a constant feature of national politics, and the country's last military dictatorship (1976–1983) was one of the most violent. Argentina has been a democracy since 1983, and all political representatives at every level (from the municipal to the national level) are elected every four years.<sup>6</sup> Currently, the President of Argentina (2004) is Néstor Kirchner of the Peronist party, who has to deal with the economic, social and political problems that have been accumulated during the last decades. As we shall see, this social, political and economic context played a crucial role for the crisis management of the power outage in Buenos Aires.

### *3.2 A Closer Look at Argentine Economic & Political History<sup>7</sup>*

Argentina is a multi-faceted country in many ways. Taking into account the country's important natural resources such as oil, mineral, wood, fertile soil, a variety of climates, a high productive coastline, and important export industries like meat, wool, leather, fruit, vegetables, and wine, many Argentines would claim that the country ought to be a prosperous nation, and not among the low income countries. The equation is obviously much more complex than this, but there is a grain of truth in such reasoning. The problem of resource distribution is but one explanation for the current situation in Argentina. There are also historical reasons for this social and economic pattern. The post-war economic boom in Argentina during the

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<sup>6</sup> A reform in 1994, by the sitting president Menem, changed the previous principle of six years mandates, as well as implementing the possibility of re-election.

<sup>7</sup> Keen (1996), if not otherwise stated.

government of Juan Domingo Perón allowed for a turn from a rural based economy to an industrialization process. While both intentions and prospects were good, agriculture was still the base for this development. Insufficient technological development to support the industrialization process reinforced a *latifundio rural economy*<sup>8</sup> and laid the groundwork for Argentina's economic problems. Military governments and chronic economic fluctuations characterized the Cold War period in the country. Periods of rapid economic growth were followed by acute depressions, wiping out any previous gains and generating runaway inflation. Succeeding the nationalist ideology and import substitutions politics of the Perón era, the governments of 1955–1973 opened the doors to foreign investments by removing all restrictions on profit remittances and stimulating industrial denationalization through devaluation. The military junta that assumed power in 1976 applied a free market economic policy, for example by freeing up imports by eliminating import tariffs, which led many of the national corporations in Argentina to go bankrupt. Again, economic growth fluctuated wildly, real wages fell, and by June 1982, the annual inflation rate reached 500 percent. With the last military junta, Argentina's foreign debt grew from US\$8bn in 1975 to US\$45bn in 1983 (Calcagno & Calcagno, 2000). Two central factors in this process are important to emphasize in this context. On the one hand, the OPEC countries and the international financial system at the time were eager to place "surplus" from the 1973 oil crisis, and Argentina was quick to accept the offer without having any realistic chance of being able to pay off such a debt. On the other hand, the economic policy of the military junta resulted in the flight of national capital from Argentina, which meant the reduction of international reserves and an increase in state debt as a consequence. When foreign banks raised interest rates, there were no funds left with which to pay debt amortization, let alone the higher interest rates. In addition, the Argentine State implemented a system of exchange insurance for private companies, the end result of which was that the state was left to assume their debts.

After the failure of the Malvinas (Falklands) War, the junta had to yield power to a civilian government in 1983, which was headed by Raúl Alfonsín from the Radical Party (*Unión Cívica Radical*). While Alfonsín attempted during his mandate to restore a fragile democracy and heal the social and political wounds left by an extremely violent dictatorship, the economic crisis only worsened in Argentina. Inflation soared, reaching 1,500 percent by 1985. The situation was remedied by the so-called Austral plan establishing wage and price controls, changing the currency peso for the austral and reducing public expenses. Although the situation stabilized briefly, the Argentine economy remained in dire straits. The national industry was by then technologically backward and there was a high dependency on primary export markets with low prices. By 1989 the GDP had fallen more than 15 percent since 1981. Upon "counsel" from the IMF, Alfonsín resorted to traditional austerity measures that sought to increase exports, since without such expense cut measures, no new multilateral loans would be available to Argentina. A complete lack of available capital for development in the country, however, contributed to the deterioration of infrastructure, which resulted in energy rationing in the form of long and daily rotating power cuts. A profound recession ac-

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<sup>8</sup> The *latifundio economy*, a historical feature of Latin America in general and as such a legacy of Spanish colonization, is based on the great estates of agriculture and cattle breeding, whereby land ownership is distributed between a few wealthy owners—a kind of land monopoly, as it were. One Argentine *estancia* [ranch] can be as large as several thousands of hectares and the *estanciero* [ranch owner] runs the property with the help of badly paid *peon* labor. For further reading, see for example Keen (1996), Rock (1985) and Diaz (1970).

accompanied by declining production and annual inflation rates of 12,000 percent with prices rising several times a day subsequently resulted in food riots in supermarkets all over the country. In response, the government responded with a nation-wide state of emergency and banned all strikes and demonstrations. In July 1989, five months before his presidency was due to end, Alfonsín decided to hand over control of the government to the then newly elected President, Carlos Menem, previously governor of the province of La Rioja.

### *3.3 Economic Reforms in Argentina – the Menem Era*

Carlos Menem, until then a relatively unknown governor and a member of the Peronist party, won the 1989 elections through a highly populist campaign and vague promises of a productive revolution. While the Peronist party was traditionally allied with the worker class and practically controlled labor unions, Menem implemented, against all expectations, a thoroughgoing neo-liberal economic program, including several conservative ministers in his cabinet of which some represented powerful multinationals and were related to the important Argentine rural oligarchy. A program for privatization of state owned companies was announced; thousands of employees in public administration were dismissed and government spending drastically reduced. The “shock therapy” of the Menem government and the authoritative “executive-decree-politics” on the part of the president managed to divide the labor movement and to weaken the unions. In order to succeed with their goal of stabilizing the economy, Menem’s government fixed the exchange rate of the currency (now peso again) to the US dollar<sup>9</sup> and made additional government budget cuts, including the reduction of health, education, welfare, and pension expenses. This fiscal orthodoxy was rewarded by the IMF with the so-called Brady Plan, which refinanced part of an Argentine foreign debt that had reached almost US\$ 60 billion by 1991, although underemployment and unemployment grew steadily and other social indicators pointed at an increasing poverty rate.

The removal of tariff barriers opened the doors to a flood of cheap import products with which national industry could not compete, thus adding to the further decline of the national manufacturing base. The Argentina agro industry also suffered a crisis, as low international prices, declining markets and the high cost of agricultural credits ruled. Any internal protests against these harsh economic policies were labeled by the Menem government as “acts of subversive agitators,” and the government increased its security forces (and the security budget) in order to “control the activities of disintegrative elements.” Menem accomplished a constitutional reform to permit presidential re-election and was re-elected in 1995. Propaganda issued by the Menem government at this time repeatedly reminded Argentines of the hyperinflation they had experienced during the Alfonsín era, a reminder meant to encourage the people to cherish their new-found stability (and the Menem government responsible for it). Menem’s economic policies continued thanks to the success of this argument, while social costs continued to increase, and along with them, social and political unrest. By the end of the 1990’s, there were no longer any more state companies left to sell. Argentina’s foreign debt had reached the sum of US\$145bn (Calcagno & Calcagno, 2000:4), and the Argentine people felt the full effects of the consequences of Menem politics. Adding to this were the repeat-

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<sup>9</sup> The so-called *Plan de Convertibilidad* (Convertibility Plan). 1 US dollar was equivalent to 1 Argentine peso.

ed corruption scandals that had followed the Menem administration from the beginning and that were becoming increasingly obvious and sensational with every passing day.

When Fernando De la Rúa, representing an alliance of center-right wing parties called *la Alianza*, ran for the 1999 elections, it was these scandals that brought him to power. Collective claims for serious leadership were not enough to keep him in power, however. The economic situation had actually worsened behind the façade of stability during the Menem era, and the gap between rich and poor was on the increase. In December 2001 the government announced that it was in financial collapse, and due to the massive flight of capital in response to the government's announcement, all national as well as international banks were closed. The assets of bank customers were later frozen, something that mainly affected the large Argentine middle class. For those that had been making deposits in US dollars, the financial collapse of the government also meant that the peso was decoupled from the U.S. dollar, which meant that those with savings in dollars saw those savings decrease in value by some 60%. This situation triggered massive protests all over the country, some of which were harshly repressed by the police, including a two-day riot in front of the *Casa Rosada* in Buenos Aires on December 20–21, 2001, which resulted in several casualties. This event put an end to De la Rúa's legitimacy, and he was left with no choice but to renounce his position.

This in turn left a political vacuum to be filled, and the turn now came to the opposition, that is, the Peronist party. The Peronist party had no obvious candidate for the presidency, and a fierce competition for the post ensued. For ten consecutive days, five different interim presidents were designated, ending with the entrance of Senator Eduardo Duhalde, who remained as provisional president for the rest of the presidential period. Elections were then held in April 2003 in which Néstor Kirchner, Governor of the Patagonian province of Santa Cruz, was elected. He assumed the presidency in September of 2003. With Duhalde's and Kirchner's governments, the economic situation has once again stabilized, but it remains nonetheless very strained and ever-rising price levels have harshly affected the large majority of Argentines. Poverty has continued to increase and what was once a large Argentine middle class has suffered a decrease of living standards. Urban violence has also increased in the country in the last years. Buenos Aires, in particular, has been the site of many of these problems, as the uneasy faces of residents attest to. While a power outage might seem trivial in light of such major political, economic and social problems, the city's 1999 blackout in the middle of a very hot summer can be likened to the straw that broke the camel's back of a populace of already-struggling *Porteños*.<sup>10</sup>

### *3.4 Privatization Processes and Reform of the Argentine Electricity Sector*

In addition to the economic and political processes already described, Argentina has witnessed the large-scale privatization of state companies and structural reorganizations of the Argentine state. These kinds of remedies are not unique to Argentina, of course, but are rather a worldwide trend, one that has particularly evident in crisis-ridden developing countries. In the case of Argentina, the IMF in the 1980's and 1990's strongly advised the government

<sup>10</sup> The word *Porteño* is used to describe an inhabitant of Buenos Aires is derived from the fact that Buenos Aires is a port city.

to privatize and restructure in order to be eligible for new credits. The process of privatization in Argentina was initiated by President Menem and was rather hastily performed, clearly favoring large economic groups. Companies such as ENTEL (the telephone company), Aerolíneas Argentinas (the national airline) and SEGBA (the Buenos Aires electricity company) were sold off in a “garage sale” manner and sold for a mere fraction of their net worth, while the government argued that state companies accounted for permanent losses to the state and were also extremely inefficient. However, YPF, the state oil company, was also sold off in this manner, despite the fact that YPF was a profitable company with high assets and high projected revenues (Keen, 1996:324). The political discourse of “the inefficient state” justified most of the deregulation of the public services sector and public infrastructure in Argentina. As a result, entire railways, roads and highways, airports, telecommunications, water utilities and gas, oil and electricity were privatized in Argentina in the 1990’s. This has meant a reduction in state expenses, which was also the goal of privatization. However, this process has also resulted in large numbers of jobless public service employees and a host of attendant social problems (as well as additional costs for the state). At the same time that these employees lost their jobs, the entire job market in the country was being reduced, and unemployment rates rose as Argentina’s economy declined.

The Argentine electricity sector was re-structured in 1991 and 1992. Parliament law 24.065 known as the “Regulation Framework for Electricity establishes the legal norms for this restructuring process (Chambers of Deputies, Official Bulletin, 1992:30). The electric sector was divided into three vertical segments: generation, transmission and distribution of electric energy. The legal framework also set the criteria for the privatization of state companies in these segments. There are services—electricity, gas and water, for example—that are considered “natural monopolies” within this framework (Thwaites Rey, López & Felder, 1999:12). Put another way, the features of the activity are such that the technical costs of letting several companies offer the same service in the same area are too expensive. While “the monopoly” is normally associated with “the state,” supposing policy is the medium for this, in this case it is “the market” itself that sets the limits based on calculated costs. Thus, the energy sector is prone to be monopolized in this sense, whether it is a private monopoly or a public one. This is particularly the case in the provinces and in regions with low population density. Between February and July 1992 in the city of Buenos Aires, the electric company SEGBA<sup>11</sup> was divided into seven commercial units: four companies for generation and three for distribution. One of the latter companies became EDESUR S.A. (Empresa Distribuidora de Electricidad Sur, Sociedad Anónima). One of the political arguments for the privatization of SEGBA was the frequency of power cuts during the time that SEGBA was responsible for providing electricity in Buenos Aires (particularly during the 1980’s). It was argued that through privatization, the outages would be eradicated and general service would be infinitely improved. According to measures of the frequency of power interruptions after SEGBA’s privatization, this has indeed been the case (see Appendix I).

When the EDESUR blackout occurred in 1999, however, privatization and the quality of services rendered again became the focus of attention. The harshest critics of EDESUR argued that the private company had sacrificed quality and security in order to satisfy its own interests; that the reduction of staff and resources was merely the company’s attempt to re-

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<sup>11</sup> SEGBA = *Servicios Eléctricos de Gran Buenos Aires* [Electrical Services of Buenos Aires].

duce costs and increase profit margins at the expense of its customers (Zlotogwiazda & Klipphan, 1999:8–13). The regulation frameworks for all privatized public services call for so-called “Regulation Bodies,” which are state agencies entrusted with monitoring the performance of and product produced by the private company in question. The Argentine electric sector is currently supervised by a national agency, ENRE,<sup>12</sup> and there are also eleven regulation bodies in a number of the provinces. The fact that only certain provinces are monitored by regulatory agencies is due to the political and legislative autonomy that Argentine provinces enjoy. Most of these provinces have either deemed it unnecessary or too costly to introduce a regulatory agency into their provincial state structure following the federal privatization reform. ENRE, as this study will show, is a federal agency that works in all of the provinces on matters of electricity generation and transport. ENRE has little or no jurisdiction in these provinces, however, when it comes to matters of electricity distribution.

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<sup>12</sup> *Ente Nacional Reguladora de Electricidad* [National Regulation Agency of Electricity].



## 4. On Stage

The 1999 blackout occurred in the middle of a very hot summer and triggered strong reactions from all of those affected and the Argentine political establishment. The section that follows identifies the various actors involved in managing the crisis that followed the blackout as well as the values perceived to be at stake as events unfolded.

### *4.1 Central Actors in the Buenos Aires Blackout*

In principal, there were three different institutional actors involved in managing the Buenos Aires blackout crisis. This overview describes these different actors and their functions and concludes with a list of acronyms, which will help the reader to identify the different institutions involved and discussed.

#### 4.1.1 EDESUR

The electric company, Edesur assumed responsibility for the accident and was the sole unit to re-establish service. It took eleven days before electricity was again available to the affected parts of Buenos Aires. As above stated, Edesur is one of the three electric distribution companies in the City of Buenos Aires and its surroundings.<sup>13</sup> When SEGBA was privatized in 1991–92, the electricity supply to the city was split into three operative areas that corresponded to these three different companies. The areas were separated according to a set of arbitrary boundaries drawn within the city, but the distribution systems were also separated in practice (in terms of technical function) within the city (see Appendix IV). It is important to note here that the separation of the electricity supply into three operative areas prevented the possibility of reconnection (Devoto, 2000, personal interview). Due to the privatization process in Argentina, the network was divided in such a way that the parts were actually cut off from each other, thus de-coupling the system in a sense. This technical feature actually meant, for the 1999 power outage, that the other two companies could not assist Edesur by connecting or coupling their electric systems to that of Edesur, since they had been structurally cut off. This is an interesting fact to discuss in relation to what Perrow (1999) calls “tightly coupled systems” for technological disasters, and how one system easily affects the other due to its closeness. The Buenos Aires case would thus twist this notion a bit, as in this case the same [electric] systems were in fact de-coupled. While this prevented the sectors of the city that were supplied by Edenor and Edelap to suffer the power outage, it also prevented the problem to be quickly solved by interconnecting systems.

The Argentine State founded Edesur as a stock company and the majority of its shares were sold through an international public offering. In August 1992, a contract for 51% of the shares was signed between the Argentine State and the Chilean-Argentine consortium *Distrilec Inversora S.A.* which paid over US\$ 500 million for these shares (Edesur, 1999:8). Major transnational companies in the electricity market, such as *Chilectra* and *Endesa*, set up the

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<sup>13</sup> The other two are Edenor and Edelap.

consortium from Chile together with Endesa from Spain, PSI and TAICO, and the local company Perez Companc. At first, the Argentine Government kept 39% of the shares, but sold them off in 1995 to one of the shareholders, leaving the National Bank with only 10% of the company stock in 1999. The contract for concession is valid until August 2087, that is, for 95 years (Ibid: 37). In 1999, Edesur supplied electricity to 2,105,380 customers in an area covering 3,309 km<sup>2</sup> in the southern part of the city of Buenos Aires and another twelve departments in the southern part of the province of Buenos Aires (Edesur, 1999: 9). Edesur operates in Buenos Aires but is in fact run from Enersis in the neighboring country, which has in turn been controlled by Spanish Endesa since March 1999. The Edesur decision-making organization is a vertical structure consisting of a board of directors with a president and eight directors at the top followed by a general manager, communication manager and environmental manager. At the lower levels, there are seven subdirectories that deal with legal issues, human resources, marketing and retail, distribution, operation and maintenance services, economic planning, and administration and finances.

#### 4.1.2 ENRE

In the crisis management process, national governmental authorities were also involved. The National Regulation Agency, ENRE, was formed in April 1993, eight months after the privatization process of the Argentine electricity market. ENRE has federal jurisdiction in matters of energy generation and transport, whereas in matters of distribution, its jurisdiction is limited to the area of what was formerly SEGBA, that is, in Buenos Aires (see Appendix IV) (Devoto, 2000, personal interview). ENRE is an administrative institution, and its staff thus consists mainly of white-collar professionals and technicians (Ibid.). A five-person board of directors formally headed by a president and a vice-president run the organization. In practice, however, this board of directors works as a team, and all five members have equal decision-making authority (Devoto, 2000, personal interview). Together with the national Secretariat of Energy and Mining, ENRE helped regulate the legal framework within which the Buenos Aires power outage crisis was managed. In theory, ENRE is a state agency with administrative autonomy and is entrusted with balancing the profit interests of private companies with the quality of service interests of customers. This is accomplished by ensuring that private companies fulfill their service commitments according to the terms stipulated in concession contracts and to apply sanctions in cases where companies fail to comply. As the next section explains, this regulatory procedure entails a process of evaluation, and if necessary, the imposition of sanctions on a six-month basis once “the harm is done.” The time from evaluation to sanctions proved important to the development of the crisis in this case, since the political establishment as well as the public believed that ENRE was “doing nothing” during the crisis, although the agency was actually acting in accordance with routine procedures. Moreover, ENRE has neither legislative nor policy-making powers, which leaves the agency dependent on other political entities and structures in practice. For example, it is the Secretariat of Energy and Mining within the Ministry of Economy (not ENRE) that is responsible for making political decisions about the electricity market. In this crisis, then, ENRE operated as a nexus rather than as a regulatory force between the national government and Edesur.

### 4.1.3 GOVERNMENT OF THE CITY OF BUENOS AIRES AND RESCUE SERVICES: THE *DIRECCIÓN GENERAL DE EMERGENCIAS SOCIALES Y DEFENSA CIVIL*

On the governmental side, too, the local government of the City of Buenos Aires with its Rescue Services was active in managing the crisis. Historically referred to as “Capital Federal,” the City of Buenos Aires has long been the federal capital of the Republic of Argentina and was accorded autonomous status in the 1994 constitution, thus making the city judicially equivalent to a province and entitled to a separate government: *Gobierno de la Ciudad de Buenos Aires* [GCBA] (The Government of the City of Buenos Aires). The majority of the city’s inhabitants live in the extensive suburbs surrounding the city, which belong administratively to the Government of the Province of Buenos Aires. In spite of its rather small size and a population of some three million inhabitants, “Capital Federal” is clearly the center of financial and political power in Argentina.

When the blackout occurred in 1999, the GCBA concentrated its efforts on mitigating the social impact of the blackout, supplying water, ice, and electric generators to affected institutions and residents. The government’s Rescue Services, namely the *Dirección General de Emergencias Sociales y Defensa Civil* (from here on, though, referred to as Rescue Services), of the GCBA was the central operational actor concerned with these activities and coordinated the tasks of all GCBA departments involved, such as the Health Secretariat, with the tasks of external actors, such as the Armed Forces and hospitals. As we shall see, the local government and its Chief of Government were also engaged in managing the crisis. This was a contingency for large parts of people living in Capital Federal, for whom the local government was responsible. Presidential elections were also scheduled to take place in December the same year, and GCBA Chief of Government Fernando De la Rúa was one of the main presidential candidates. The crisis set in motion by the eleven-day blackout in Buenos Aires was thus both a challenge for De la Rúa’s campaign as well as a “window of opportunity.”

The history of the institution of *Defensa Civil* in Argentina extends back to the late 1960’s. The idea of a civilian-based defense in war gained support throughout the world after the Second World War. In Argentina, this idea was incorporated into the country’s military defense in the form of a division known as *Defensa Antiaérea Pasiva Territorial* [Territorial Passive Non-Air Defense] (Buenos Aires Defensa Civil, 1989). In 1968, this division was incorporated into the Ministry of Defense, and in 1969, it received the official name of *Defensa Civil*. In 1996, the National Agency of Civil Defense was transferred from the Ministry of Defense to the *Ministerio del Interior* [Ministry of National Affairs] and located within the administration of the Secretariat of National Security (*Dirección Nacional de Políticas de Seguridad y Protección Civil*, 2001).

The *Dirección General de Emergencias Sociales y Defensa Civil* (DC) is thus the Agency of Emergency Management and Civil Defense of the City of Buenos Aires and was created in 1981 by the last de facto government (1976–83) through the Law by Decree 22.418 (Argentine Legislation Annuals, 1981). The head of the agency is the Chief of Government of the City of Buenos Aires, while a General Director runs the agency. It is the Chief of Government who declares, if necessary, a state of emergency, and who identifies formal disaster areas based on recommendations from the General Director. The *Defensa Civil* in the City of Buenos Aires is the institution in charge of all emergency measures in Capital Federal. Through its *Centro de Operaciones de Emergencia* [Emergency Operations Center], the DC co-ordi-

nates all emergency operations handled by other public organizations such as S.A.M.E.,<sup>14</sup> the Fire Brigades,<sup>15</sup> and the Secretariat of Environmental Control as well as emergency operations handled by private companies on a concession basis. The DC also co-ordinate operations with the Armed Forces, the Federal Police, the Buenos Aires Police, and the National Gendarmerie<sup>16</sup> as soon as Defensa Civil calls upon them. As we shall see below, all of these organizations participated in crisis response operations during the 1999 blackout. Although a state of emergency can be declared once the “disaster exceeds the resources of the affected area” (Government of the Argentine Republic, 1982), there was no state of emergency declared following the 1999 power outage. One reason for this was that there was never a situation of chaos during the blackout, nor were the resources of the City of Buenos Aires Government ever depleted. Moreover, the “short term perspective” that prevailed among all of the actors during the first week of the power outage may have contributed to the government’s subsequent failure to declare a state of emergency. All parties expected the problem to be solved immediately.

#### 4.2 *List of Acronyms*

DC	Dirección General de Emergencias Sociales y Defensa Civil (Defensa Civil)
Edesur	Empresa Distribuidora de Electricidad Sur (Electricity Distribution Company South)
ENRE	Ente Nacional Reguladora de Electricidad (National Regulating Agency of Electricity)
GCBA	Gobierno de la Ciudad de Buenos Aires (Government of the City of Buenos Aires)
SEGBA	Servicios Eléctricos de Gran Buenos Aires (Electric Services of Buenos Aires and Suburbs)
SEM	Secretaría de Energía y Minería (Secretariat of Energy and Mining)

#### 4.3 *Values at Stake*

Now that the central actors involved in this infrastructural crisis have been identified, the following section examines more closely the nature of this involvement with particular focus on the specific values at stake for each of the actors involved. Let us first take a look at the immediate material effects of a power outage in an electricity-dependent setting such as in urban centers, which brings along severe social consequences. No electricity means no lighting in houses, commercial centers or institutional buildings; no operational elevators; no drinking water; no sewage services (since pumps are electrically driven); no air conditioning or heating

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<sup>14</sup> S.A.M.E. *Sistema de Atención Médica de Emergencia* [System of Medical Attention in Emergencies] is the emergency health organization within the Government of the City of Buenos Aires under the Secretariat of Health. S.A.M.E. is responsible for all individual and collective medical emergencies in the City of Buenos Aires and is in charge of sanitary measures in case of a disaster with risk for epidemics or alike.

<sup>15</sup> In Argentina, there are two classes of Fire Brigades [*bomberos*]. The class of “professional corps” belongs to the Federal Police, while the other class is composed of civil organizations and “volunteer firemen.”

<sup>16</sup> *La Gendarmería Nacional* is one of the Argentine security forces and sorts under the Ministry of Home Affairs. The main functions of the *Gendarmería* forces are to protect Argentine citizens and the national territory at its borders.

(electrical heating systems); no food preparation (when the stove is electric); no computers and no computer systems for managing transactions in banks, shops, supermarkets or state administration; no electrically-driven forms of mass transport (subways and trains); no gasoline for other means of transport (if the pumps are electrically-driven); no traffic lights, and no industrial production. In short, modern cities are extremely dependent on electricity, and a lack of energy severely affects social, political and economic life in these cities. As recent cases in highly industrialized countries like Brazil (Jansson, 2001) and the USA (CNN, 2001) demonstrate, power shortages caused by high electricity consumption have become serious political problems. A power outage, if it continues, has the potential to become a social, political and economic crisis.

For the households affected by the Buenos Aires blackout, a range of values was thus at stake: from the ability to maintain daily routines—work, meals, health, hygiene, and a general sense of security, to the ability to maintain monthly budgets (being forced eat at restaurants, which costs far more than cooking at home) and so forth. For corporate clients affected by the blackout, this was principally an economic issue. Many grocery stores and restaurants lost the ability to refrigerate food. Banks with computerized systems were unable to operate, which meant that money failed to circulate and profits were subsequently be lost. Other businesses were also faced with the loss of profits, since customers were buying less. These negative effects could only be counterbalanced by economic compensation, something that institutional civil actors strove for, including consumers organizations and Ombudsmen. For NGO's such as the consumer defense associations, ADELCO<sup>17</sup> and ADECUA,<sup>18</sup> the crisis caused by the blackout in Buenos Aires was undoubtedly an opportunity to gain attention for their cause.

One of the principal pro-privatization arguments heard prior to the blackout was that the quality and efficiency of public services would increase with greater privatization. Edesur, for example, had made recent investments in order to fulfill this “promise,” among them the completion of a new substation, Azopardo Nueva, intended to increase the city's power capacity and to serve as a symbol of Edesur quality and efficiency (see Appendix V). As it turned out, Azopardo Nueva was the substation in which the cable failure occurred on February 15<sup>th</sup>. The blackout certainly threatened to cloud this image of the company, as did the way in which the entire situation was managed, which revealed severe inefficiencies within the corporate organization. It was not only Edesur's reputation that was at stake, however, but also the reputation of its shareholders, which consisted of numerous powerful companies (among them Enersis, Chilectra and ENDESA) in constant search of new investment opportunities. “Poor” crisis management would not speak well of the capacity of these shareholders either, not in the area of technical expertise (how could it happen?) and not in terms of financial solidity. The power outage posed not only a threat to the reputation of Edesur and its shareholders, but also the threat of huge financial loss for Edesur and its shareholders. Finally, as the crisis developed, the very ownership of Edesur was threatened, since provisions in the contract between Edesur and the Argentine state allowed the state to relinquish ownership of its shares and to re-sell them should Edesur fail to provide adequate service.

<sup>17</sup> ADELCO = *Acción Del Consumidor* [Action of the Consumer].

<sup>18</sup> ADECUA = *Asociación de Consumidores y Usuarios en la Argentina* [Association of Consumers and Clients in Argentina].

In the eyes of the Argentine state in the form of the National Government and the electricity-regulating agency, ENRE, the power outage put their capacity to manage at stake. For the Menem administration, it was a matter of politics, since privatization measures were a product of this government, and the blackout occurred in the midst of internal party campaigns for presidential candidates that same year. The blackout in itself thus had a negative impact on the image of President Menem and his government, which worsened as the blackout continued and no solution appeared to be in sight. As public cries for justice and economic compensation grew in the face of already-strapped public finances, officials feared they would have to compensate all affected customers. Were the government able to manage the crisis successfully, however, this would serve as a trump card in the upcoming presidential campaigns. The state representative, the regulating ENRE, therefore played an important role for the Menem government. It was at the same time justifying its very existence. If the crisis was not well managed by this public agency there was in fact an overhanging risk that ENRE would be “re-structured” into another kind of regulatory agency.

In short, the Buenos Aires Government [GCBA] and Rescue Services [DC] were not only defending the well-being of their affected residents, but also the well-being of their own political reputations. The GCBA leader at that time, Fernando De la Rúa, was running for president the year that the Buenos Aires blackout struck, and successful management of the resulting crisis would have provided him with the opportunity to gain not only the confidence of the citizens in Buenos Aires, but all over the country, and so their vote in the upcoming elections.

## 5. Crisis Chronology<sup>19</sup>

### February 1999

Edesur is conducting transmission tests in the new substation Azopardo Nueva to be inaugurated this month.

### Monday, February 15

At 3:14 a.m. in the substation Azopardo Nueva, the connection between oil cables 135 and 453 at 132 kV fails (see Appendix VI). As a consequence of this connection failure, a fire starts in the substation. The fire extends over the whole basement in the substation, setting fire also to other cables. While the fire is soon under control, the supply of electricity at high tension is interrupted to the substations Pozos, Once and Independencia, affecting 156,540 customers<sup>20</sup> in Capital Federal as well as households, shops, banks, restaurants and public services (see Appendix VII). Subway and traffic lights are also out-of-function. Edesur informs the public in the morning that service will be re-established in the course of the day. Technicians at the company work all day on a solution, while provisional measures are taken to reduce the number of customers affected. In the afternoon, Edesur informs the public that total service will be re-established within the next 48 hours. By nightfall, the number of affected customers has been reduced to 60,000 after their lines are connected to a medium tension network.

### Tuesday, February 16

60,000 customers remain without electricity and Edesur keeps working on a technical solution. This is the warmest day in Buenos Aires so far and people are suffering from lack of water, elevators, refrigerators and air conditioning. The company issues a press release announcing that electricity will be re-established by Wednesday. In the evening, six new cables are connected at Azopardo Nueva to be executed the next morning.

### Wednesday, February 17

At noon the re-connection is executed from substation Once, charging 200kV to cable 453 during 15 minutes (see Appendix VIII). One of the cables fails again, however. Edesur informs the public that the power supply will not be restored until Thursday. The local authorities of the GCBA draw up an emergency plan in order to assist the affected residents, if nec-

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<sup>19</sup> This chronology has been reconstructed through different sources, including one of the major the Argentine daily newspapers, Clarín (1999a–â, 2000), Edesur documents, ENRE documents, the journals *Veintiuno* and *Imagen*, and interviews with actors involved in managing the crisis.

<sup>20</sup> One customer equals approximately four inhabitants in Buenos Aires, which means that an estimated 626,000 inhabitants were initially affected by the blackout (Devoto, 2000, personal interview).

essary. The regulatory agency, ENRE, dictates Resolution 222/99 (ENRE, 1999), which charges Edesur with responsibility for the blackout and instructs the company to pay indemnities to the affected customers. By nightfall, the number of affected customers is 55,000 (see Appendix IX) and demonstrations calling for restoration of the power supply are held on the street.

### **Thursday, February 18**

Due to the second cable failure, Edesur announces in a morning press release that the restoration of power will be delayed an additional 24 hours. In the evening, Edesur's General Director holds a press conference with journalists from major news media in Argentina and promises the complete restoration of power by Friday. Edesur representatives also participate in two major TV programs. In the evening, two cables are successfully connected, and the remaining four connections are prepared for energizing. A lawyer accuses ENRE authorities in a Federal Court of failing to adequately monitor Edesur's activities. Meanwhile, improvised public manifestations continue to be held in the streets in affected quarters of the city. Fires are lit in the street and people claim that Edesur must resolve the problem. The temperature reaches +35°C in Buenos Aires and 55,000 residents remain without drinking water, sewage, air conditioning and fans in their homes and working places.

### **Friday, February 19**

After midnight, the remaining four cables are set up for reconnection (see Appendix VIII). At 2:30 a.m., connection is executed at 200kV, but after eight minutes a third failure occurs. In the morning, work on the construction of a by-pass connection begins (see Appendix X), while electric generators are connected to the network. Edesur issues press releases on the new strategy to solve the problem and announces the new date for total restoration of electric supply: Wednesday 24. Meanwhile, ENRE dictates the 291/99 resolution (ENRE, 1999) demanding that Edesur re-establish service within 24 hours. The National Government creates an Energy Crisis Committee and holds its first meeting. A federal court order, issued the day before, instructs Federal Police corps and Gendarmery to raid ENRE offices, Edesur headquarters and the substation Azopardo Nueva and to confiscate all documents related to the crisis and its management. In the afternoon, another attempt is made to reconnect electrical cables at Azopardo Nueva, which fails at 100kV.

### **Saturday, February 20**

The work to accomplish the by-pass is continued. Further generators are connected to the system, which reduce the number of affected customers. 10,000 of these, however, are still without electricity (see Appendix IX). The principal directors of Edesur appear in different mass media during the weekend.

### **Sunday, February 21**

The by-pass solution involves work with tending cables. In a press release, Edesur asks its customers to moderate electric consumption in order to facilitate normalization of service. ENRE issues Resolution 292/99 (ENRE, 1999), which orders Edesur to reimburse all affected customers for the period during which they were without electricity.

### **Monday, February 22**

Edesur accomplishes a treatment of oil for cables to be connected. The company gives their first large-scale press conference, which is attended by scores of journalists. A federal judge accuses Edesur of collaborating with the investigation and accuses ENRE of covering up for the company. Meanwhile, ENRE issues Resolution 293/99 (ENRE, 1999) in which it is established that the conditions for canceling the concession contract with Edesur are fulfilled with the present situation.

### **Tuesday, February 23**

The number of affected residents remains at approximately 10,000. Edesur's President, Jaime Manzano, does not attend a meeting with Congress as requested to do. At noon, tests are made on the oil in the cables. Edesur shares on the Argentine stock exchange market are suspended. The date for total reconnection is postponed again, but at 11:00 p.m. connection is accomplished successfully, which re-establishes electricity supply to substation Azopardo Original. Evidence from the burnt out substation is handed over to the Gendarmerie and the Federal Judiciary.

### **Wednesday, February 24**

With 2,000 customers still without electricity (see Appendix IX), the first by-pass from the substation Puerto Nuevo to substation Azopardo Original is prepared in the morning (see Appendix X). In Chile, the President of Enersis –the main shareholder in Edesur– declares that Edesur will appeal ENRE Resolution 292/99 (ENRE, 1999). At 11:52 a.m. cable 135 is tested successfully for 15 minutes at 200kV. This prompts its energizing around 4:20 p.m. and the cable is finally charged at 11:30 p.m. at approximately 30MVA. Edesur states that the emergency is technically solved.

### **Thursday, February 25**

While reconnection is total and the emergency is declared over, there are still buildings without power due to local problems. Edesur notifies ENRE that the company is prepared to initiate the process of remuneration to affected customers.

### **Friday, February 26**

A public notification, a so called *solicitada*, is published by Edesur in which the company states that it will pay only fines specified in the concession contract and not the extraordinary fines applied by ENRE.

### **Monday, March 1**

A Special Unit for all matters related to the Edesur/Azopardo Nueva crisis is organized at ENRE.

### **Tuesday, March 2**

Edesur President Manzano renounces his post and returns to Chile. Chilean engineer Marcelo Silva replaces him.

### **Wednesday, March 3**

Cable 136 at Azopardo Nueva is connected through a second by-pass, thereby securing double charge of high tension to the substations.

### **Monday, March 8**

Edesur appeals ENRE Resolution 292/99.

### **Tuesday, March 9**

Edesur introduces a Voluntary Indemnity Plan in which the company admits it is liable for damages suffered by clients affected by the power outage for more than 10 hours on the condition that affected clients waive their right to seek additional damages. ENRE, the National Ombudsman and Consumer Defense Organizations harshly criticize this condition. Negotiations around remunerations for economic losses suffered by shopkeepers and manufacturers affected by the power outage are held between Edesur and representatives for the affected parties.

### **Thursday, March 11**

Edesur relents on the waiver clause in the Voluntary Indemnity Plan. All affected clients may now seek remuneration directly from Edesur as well as through ENRE 292/99 Resolution on Fines and Damages.

### **Monday, March 15**

Edesur begins to compensate affected clients according to the Voluntary Indemnity Plan.

### **Wednesday, March 17**

In light of disputes between Edesur and affected shopkeepers, the National Ombudsman is accepted as a mediator.

### **Tuesday, March 30 – Wednesday, March 31**

A Public Audience is held at ENRE headquarters, which is attended by representatives of Edesur, the SEM, the GCBA and several Consumer Defense Organizations. Edesur's new General Manager, Silva, insists in this meeting that the ENRE 292/99 resolution has no legal basis.

### **Tuesday, April 6**

In Resolution 471/99, ENRE (ENRE, 6 April 1999) rejects the appeal made on March 8 by Edesur on the 292/99 resolution.

### **Wednesday, April 20**

Edesur notifies ENRE that the company withdraws its appeal of ENRE Resolution 292/99. The company now agrees to pay all fines.



## 6. Decision-making Occasions

Decision Occasions	Decision Unit	Decision Level
<b>6.1 Cable Failure and Fire Alarm</b>	Small Group	Operational
<b>6.2 Lights Out</b>	Small Groups	Strategic/Operational
<b>6.3 Reconnection Failure I</b>	Small Groups	Operational/Strategic
<b>6.4 Promises Not Kept</b>	Small Groups	Strategic
<b>6.5 Reconnection Failures II and III</b>	Small Groups	Operational/Strategic
<b>6.6 Social Protest and Political Claims Increase</b>	Small Group	Strategic
<b>6.7 Edesur Rejects ENRE Fines</b>	Small Group	Strategic
<b>6.8 More To Lose Than Gain</b>	Small Group	Strategic

### 6.1 Cable Failure and Fire Alarm

The initial cable failure at the Azopardo Nueva substation was produced during a test of energizing in the middle of the night between Sunday, February 14 and Monday, February 15. The recently built substation, being one of the most important investments made by Edesur, was to supply the original Azopardo substation and three other substations: Pozos, Once and Independencia. On Sunday afternoon the connection between the oil cables 135 and 453 was prepared and finished. At 7:40 p.m. that same day the energizing process began. This process was going smoothly and by routine, charging Independencia substation at Monday 2:57 a.m. and Pozos substation at 3:01 a.m., when 13 minutes later one of the pair of threes of cables between these two main cables produced a shortcut, due to failure of material and insufficient security measures (LAT-IITREE, 21 February 1999; 11 March 1999; and 30 March 1999). This shortcut provoked a fire that, in turn, set fire to all other cables in the substation tunnel, including cable 136 that sustains the main 135 cable. Thus, a complete interruption of electric supply for the area was a fact and a simple contingency [one cable failure] was transformed into a double one, due to the fire.

At the moment of energizing the connection in the Azopardo substation, only a private security night guard was present in the substation. When the connection failed the night guard had no instructions on what to do. This produced a delay in attending to the fire (ENRE Expert Group, May 1999). Also the lack of extinguishing equipment in the tunnel hindered Edesur technicians from extinguishing the fire, once they did arrive to the site. The fire brigade finally arrived and entered the tunnel with their water extinguishers at 3:47 a.m. The use of water in extinguishing a fire of oil cables is inadequate as it humidifies the cables for subsequent use however (Ibid.). The emergency had prompted this quick decision, which was made by the fire brigade and the Edesur technicians in the site.

## 6.2 *Lights Out*

Once the fire was extinguished, the consequences were clear. A quick estimation counted more than 150,000 affected customers or 600,000 *Porteños* (Buenos Aires residents) in the dark. Edesur technicians informed the Board of Directors once they realized the complexity of the situation. The technicians figured there were three options to choose between in order to re-connect (Hechos, 1999). Those were:

1. To repair the burnt-out cables, making new connections and accomplishing a new energizing process in the same substation.
2. To accomplish a so-called “by pass,” connecting the substation Azopardo Original with the substations Pozos, Once and Independencia, thus, excluding the new Azopardo Nueva substation (see Appendix X).
3. To accomplish transitory connections between cables of distinct technology (dry and oil cables)

The options available signified different lapses of time in order to be accomplished and this was what determined the decision. The technicians suggested that the third alternative was risky, since this technology was not very known in Argentina, the Edesur board of directors opted, in line with the technicians, for the quickest solution, which was option number one. This was estimated to require 60 hours of work, while the by pass option would have demanded some 120 hours. The work to repair the burnt out cable tunnel began that same morning (Hechos, 1999:9). Meanwhile, it was decided also to connect to existing medium tension networks and to install provisory medium tension cables in order to reduce the number of affected clients (Ibid.:11). That same morning, Edesur Communication Manager, Daniel Martini, on vacation with his family in the south of Argentina, was awakened by an early call on his mobile phone. He was informed of the power outage in Buenos Aires and the current status of things. Together with the General Manager, Jaime Manzano, and the Press Manager, Ignacio Siscardi, they decided on an immediate communication strategy. Siscardi would contact the media and inform them of the situation. Siscardi subsequently declared on the radio and TV that the situation would be normalized within that same day. This information was provided, however, without having a clear idea of how long the repairs would actually take. It wasn't until the afternoon that technicians were in fact able to give a prognosis of 48 hours as a reasonable amount of time to re-establish service. A second call to the media was thus necessary in order to inform them of the new terms. Martini, meanwhile, packed his luggage and returned to Buenos Aires.

Edesur characterized the accident as a technical failure and vowed that a solution would soon be at hand. As Monday passed by, Edesur employees felt at ease: a solution had been decided upon and a course of action was now being followed. Moreover, ENRE, the regulatory governmental agency, had also judged the situation to be of a technical nature, which indicated that the government was in line with Edesur's evaluation. Edesur informed ENRE by fax at 9:00 a.m. of the incident and ENRE maintained close communication with the company throughout the day as it followed the course of events. ENRE's position was thus one of “wait and see.” This non-decision on ENRE's part was not an ad hoc practice, but rather part of regular procedure at ENRE. ENRE normally records irregularities when they occur and consequently imposes sanctions twice per year.<sup>21</sup> This incident, like all previous incidents, would be the object of sanctions in due time.

In the Government of the City of Buenos Aires [GCBA], there was not yet any perception that an emergency was developing, since most people in the GCBA viewed the incident as a short-term event. In addition to the lack of lights, energy, refrigeration, sewage and elevators, the lack of electricity produced numerous other disturbances for residents as well as for people working in the affected areas of Capital Federal. The operative systems of banks were out-of-function as were streetlights and the subway lines. Entire workplaces, such as an annex to the National Congress, had to be shut down due to the lack of electricity. Federal Police redirected street and helicopter patrols on duty at the time to the affected area in order to keep the peace and avoid the possibility of a crime wave following the blackout. Traffic Police placed officers dressed in phosphorescent vests on the streets to direct the traffic in those places where the streetlights no longer functioned (Clarín, 1999a). Together with Edesur, the GCBA's Rescue Services [DC] installed provisional mobile electricity generators in strategic places, such as hospitals, that lacked emergency equipment, so that they would be able to continue to function. The measures adopted, however, were prompted by specific needs dictated by a specific situation that nobody believed would last for any length of time.

### *6.3 Reconnection Failure I*

On Tuesday evening, the final repairs in the Azopardo Nueva substation were being made. The cables had been reconnected with new material, and on Wednesday morning, Edesur technicians began charging the connections. This operation was accomplished from the Once substation, beginning at 12:30 p.m. Cable 453 was being charged with 200 kV, when the technicians detected a discharge on the cable after 15 minutes. The failure to reconnect was a fact.

The failure was a mystery to Edesur, and the technicians felt utterly confused, unable to see how such a routine operation could possibly fail. The immediate assessment was that the connection must have had a problem with the material. It was therefore decided to attempt a second reconnection in the same substation, but now on cable 454 using cable materials from another stock (LAT-IITREE, 21 February 1999:15; 11 March 1999; and 30 March 1999). The work to reconnect started immediately. While the number of affected customers had been reduced to 55,000 at that point (or approximately 220,000 residents), those who were still in the dark began to lose patience.

### *6.4 Promises Not Kept*

Edesur had not been able to meet the terms stipulated in its contract with the Government and was now forced to face the wrath of the public and ENRE. Thursday was the fourth day of darkness for many in the city, and the warm summer weather was increasingly oppressive for the remaining 55,000 affected customers. The day before, manifestations had been held in the street featuring loud protests against the situation. The new repair of cables in the Azopardo Nueva substation prompted the Edesur Communication Department to inform the media that another 24 hours would be required to restore the supply of electricity. The social and political pressure on Edesur was now increasing. Mass media was covering the case very

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<sup>21</sup> Evaluation and control periods occur from September 1–February 28 and March 1–August 31.

closely, and the situation was had now become a crisis for the company in every sense of the word. The Communication Department decided to call for external help and hired the services of a private information consultant, *Nueva Comunicación* (Dillenberger & Curubeto, 1999:12; Martini, 2000, personal interview). On Thursday evening, the General Manager of Edesur, Manzano, held a meeting with newspapers followed by an appearance on an important TV show with high ratings a couple of hours later. Edesur's Communication Manager appeared in turn on the *Telenoche* eight o'clock news. In addition, Edesur issued repeated radio broadcasts in which they updated the public on the current status of the situation and when they expected power to be restored.

The failure on the part of Edesur to fulfill the terms of its contract with the Government also prompted a response from the government's regulatory agency, ENRE. Up until then, ENRE's stance had been to monitor the events and to impose sanctions, if necessary, by the end of evaluation period. By this time, however, it was clear to ENRE that the blackout was no ordinary irregularity. On Wednesday evening, ENRE issued Resolution number 222/99 (ENRE, 1999). This resolution contained three important declarations based on provisions in the concession contract between Edesur and the GCBA that dealt with services not rendered:

1. The case was **not** one of *force majeure*. In other words, Edesur was responsible for the blackout
2. Edesur would be required to compensate customers affected by the blackout on their next electricity bill
3. The deadline for paying the next bill to Edesur would be delayed

For the Buenos Aires Government [GCBA], too, Edesur's failure to keep its promise and the fact that the social situation had worsened prompted the GCBA to organize an emergency operation aimed at aiding affected residents. The Emergency Committee at the Rescue Services of the GCBA co-coordinated all necessary measures, and by Wednesday, February 17, the committee had defined the blackout situation as an emergency. Buildings lacked the provision of drinking water, sewage, refrigeration, elevators, lights and air conditioning. Moreover, food in grocery stores was decomposing. There were mobile electric generators in circulation that had been provided by different companies such as Edesur, Edenor and Edelap as well as EPEC—the Electric Company in the city of Córdoba and Buenos Aires Province. Also, federal institutions such as the Argentine Army and the Argentine Navy contributed equipment. The mobile generators were placed at different buildings by the Rescue Services and some of them rotated between different buildings in order to pump water up to tanks on the roof. The GCBA Emergency Committee at the Rescue services [DC] also included the possibility of evacuation if necessary as part of its preparedness plans.

### *6.5 Reconnection Failures II and III*

On the evening of Thursday, February 18, a reconnection was accomplished in one of the junctions and was successfully charged with 200kV for 15 minutes. The remaining connections were made and the job completed after midnight. On Friday 19 at 2:30 a.m., the 454 cable was completely charged with 200kV. After eight minutes, however, another discharge occurred at the substation Pozos. Reconnection had failed again.

Once again, the unthinkable had happened and Edesur technicians along with the rest of the company had difficulty once again accepting what had happened, and the company's

board of directors pressed its technicians for a solution. The Pirelli Company's hypothesis that there had been a material failure prompted the decision to make a third attempt, but this time with another material. The repeated failures, however, made company executives reconsider whether this would really be the best solution. The political and social pressure on Edesur was increasing by the hour, and it was increasingly hard to explain why the company was unable to resolve the blackout. There were still 55,000 customers in the dark, despite the fact that five days had passed. Given the insufficient solutions proposed thus far, the technical alternative of a "by-pass" was once again considered. While this option had been rejected earlier due to time constraints, these constraints were now less important. The goal at this point was to find a solution, regardless of how long it might take. The "by-pass" entailed connecting cables 135 and 136 directly from Electric Central Puerto Nuevo to substations Pozos, Once and Independencia, leaving out substation Azopardo completely. Edesur executives discussed the alternatives with the technicians as well as two possible sites at which to make the connection above ground: Venezuela Street or a square located between Belgrano Avenue and Paseo Colon. The risk of additional failures prompted Edesur to opt for initiating the by-pass connection—just in case. Excavation of Venezuela Street as well as the square began that same morning. After a couple of hours, however, it was decided to concentrate all efforts on the square. Venezuela Street was subsequently restored to its original condition and all activities were re-located to the square. At noon, a third and final attempt at reconnecting the damaged cables was scheduled; this time with other materials provided by Edesur. At 3:00 p.m. the cable was charged but a failure was detected at 100 kV. Efforts were then fully directed at the by-pass solution, although Edesur was well aware that this solution would take at least four days to achieve.

The second reconnection failure that occurred Friday morning was no longer solely a technical failure. The negative impact of successive reconnection failures on the company's image had begun to turn a technical crisis into a communications catastrophe. By that time, Edesur had already issued eight public declarations, press releases and media interviews promising the speedy restoration of the electricity supply—first within the coming hours, then later in the evening, then the next morning, then within the next 24 hours and so forth (Clarín, 1999a–l). Although the number of affected customers had been reduced after the first day thanks to emergency generators and connection to medium tension networks, the remaining 55,000 customers still without electricity were now furious. Street protests were held day and night, and the situation attracted increasing political attention on the local as well as national level. As a result, the company decided to make no public declarations at all after the second failure on Friday. However, Edesur's silence only helped to fuel the fury of those residents still without power.

In ENRE's case, the organization followed Edesur's management of the crisis closely—such as the agency's role. However, on Friday, February 19, five days after the blackout, ENRE, too, was being criticized for its management of the situation, or rather for its lack of action. A charge was in fact brought against ENRE in a federal court on Thursday, February 18. ENRE was accused of failing to completing its mission in the Edesur case, and a Federal Judge subsequently ordered a police raid of ENRE headquarters in order to confiscate documents that might reveal any irregularities in the ENRE procedures on this case. ENRE executives were in turn pressured by the Secretariat of Energy and Mining as political and social claims increased. Thus, when the second reconnection failure was made public, ENRE re-

sponded with a new Resolution, 291/99 (ENRE, 1999), which ordered Edesur to re-establish service within 24 hours if the company wished to avoid paying fines.

The repeated failures in re-establishing electricity prompted the Buenos Aires Government [GCBA] and its Rescue Services to put the emergency plan in action. This included the distribution of mineral water, ice cubes, candles and food as well as the installation of water taps and mobile generators in affected areas so that the water pumps could function, and accordingly, the sewage system. The Emergency Operations Center at the Rescue Services [DC] was the operative nucleus, co-coordinating its proper staff, the Buenos Aires Fire Brigades and the Buenos Aires Police Force as well as federal resources such as the Superintendence of Fire Brigades, the *Cascos Blancos*,<sup>22</sup> the Army Forces, the Gendarmery, the National Secretary of Social Development, the National Secretary of Internal Security, and PAMI.<sup>23</sup> Rescue Services' headquarters also functioned as the decision-making center, where the GCBA Chief of Government, Fernando De la Rúa, together with the GCBA Chiefs of Secretaries, met with the operative units of the Rescue Services to discuss the situation and decide what do next.

Due to the delay in solving the problem, the GCBA also had to take measures to manage food storage, since high temperatures and a continuing lack of refrigeration posed a potential public health risk. Measures to mitigate this risk were written into the emergency plan by the end of the first week, and the GCBA decided to let the Sub-secretariat of Alimentary Security begin confiscating a number of at-risk food items from restaurants, butchers, fisheries and grocery stores. The GCBA Secretariat of Social Services also decided to assist persons with special needs affected by the blackout, particularly the elderly. Social assistants were sent out to help the elderly manage the stairs in buildings now without elevator services, personal hygiene, the purchase of groceries and to accompany them on errands, if necessary. In a country in which the social security system is precarious and in no way includes communal assistance within the home, this was very much an emergency measure. Other political decisions were also made by the GCBA, such as postponing the final deadline for income tax payments for residents affected by the blackout. The situation also prompted the legislative power in the City of Buenos Aires to reduce city street cleaning and street lighting taxes by 20% for affected residents.

## 6.6 Social Protests and Political Claims Increase

The weekend February 20–21 was in no way restful for those actors involved in the blackout crisis. Edesur managed to restore electricity to some 20,000 customers, but there were still approximately 30,000 customers left who suffered more than six days of summer heat without water or lights. The number of street protests increased, and public declarations were now being made by every sort of public representative, including politicians from local and national governments, opposition politicians, legislators and representatives of different NGOs, such as the Consumers' Defense organizations and the Chamber of Commerce. The national government subsequently formed an Energy Crisis Committee composed of Minis-

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<sup>22</sup> "White Helmets" (*Cascos Blancos*) is the Argentinean international peace force located under the Ministry of Foreign Affairs.

<sup>23</sup> PAMI (*Programa de Asistencia Médica Integral*) is the national social service program for pensioners.

ters, Secretaries of State and Directors of Regulating Agencies, the declared objectives of which were to restore electrical service to the entire population and to alleviate the effects of the crisis with emergency social assistance services (Clarín, 1999p).

The media harshly criticized Edesur and voices were raised demanding the cancellation of Edesur's concession contract with the government. While Edesur chose not to make any public declarations in response to this demand, ENRE nonetheless felt obliged to react. In the name of "protecting the customer" and in light of the criticism that ENRE itself had also received, all employees of the Regulation Agency spent the weekend working at the ENRE headquarters on a suitable response to the situation. The Board of Directors of the ENRE in the first hand took notice Edesur had not responded to their intimation issued on Friday. The public's view that the ENRE had failed to act in the wake of the outage prompted ENRE to issue Resolution 292/99 (ENRE, 1999), which stated that Edesur was to pay additional fines to all affected customers in proportion to the amount of time they had been without electricity. It was estimated that the total amount of fines to be paid out would reach approximately US\$60mn (Clarín, 1999r).

With a technical solution now at hand, Edesur's communications department now felt confident enough to pursue a new communications strategy very different from the strategy of silence pursued a few days earlier. After the first reconnection failure on Thursday, February 18, all of the decisions made now included Enersis management and approval from Chile. The pressure on Edesur from its own shareholders was significant, and accusations of incompetence and poor management lodged against the company led Edesur to view the crisis in new terms: it was now Edesur's very image (not simply its technical reputation) that was at stake. With the help of communications consultant Nueva Comunicación, Edesur executives decided to give the flow of information a purely technical character. The "public face" and information unit now included the Transmission Director, Fernando Manzione, and the Commercial Director, Juan Camilo Olavarría. On Saturday, February 20, this unit visited Argentina's three major newspapers (Clarín, La Nación and *Ámbito Financiero*) at their headquarters and gave long interviews to the chief editors. On Monday, February 22, a press conference was arranged at a well-known hotel in the center of the city. At this conference, the nature of the information provided was primarily technical and focused on the actions Edesur was now taking to resolve the power outage.

### *6.7 Edesur Rejects ENRE Fines*

On the evening of Wednesday, February 24 at 8:37 p.m., Edesur Information Manager Martini declared that the by-pass of oil cable 135 had been successfully energized and that power was now restored to the remaining affected area. Although the extraordinary fines ordered by ENRE had reached some US\$ 100 million at that point, and Edesur shares on the Argentine stock exchange market had been momentarily suspended due to the crisis, a harrowing period seemed to be coming to an end for Edesur. But then, at this point, the principal shareholder in Edesur, the Chilean company Enersis, declared that the fines stipulated in ENRE resolution 292/99 to be invalid. This was done in Santiago de Chile by Enersis' president José Antonio Guzmán who had declared in a radio broadcast in Santiago de Chile on that same day that the fines had no legal basis, nor were they stipulated in the concession contract between Edesur and the government. Therefore, Enersis would dispute the resolution in court. This

declaration by Enersis was not well received in Buenos Aires and prompted several indignant responses.

ENRE reacted to the Chilean declarations by soliciting support for the 292/99 resolution from the Secretariat of Energy and Mining [SEM]. In spite of objections within this Secretariat regarding the legal framework of the resolution, General Secretary César McCarthy gave his full approval (Devoto, 2001 e-mail communication). He also pushed the National Crisis Committee to decide on the elaboration of a governmental decree of necessity and emergency in order to put pressure on Edesur to pay the extraordinary fines, if the company continued to insist that they would not pay. The decree was subsequently prepared. Meanwhile, ENRE also responded to public and political opinion by declaring that a Public Audience would be held on March 30, in which representatives from all affected social and political actors would have the opportunity to make statements. This measure was prompted on the heels of the Chilean declaration and revealed increasing support within the ENRE for the cancellation of the contract with Edesur.

Edesur's Board of Directors together with the only Argentine shareholder in Edesur, Perez Companc, recognized the provocative nature of the declaration made by Enersis as well as the sensitivity of public opinion on the issue. Both companies thus made public statements that Edesur would pay the fines regardless of any legal technicalities. The public adoption of a stance in direct opposition to that of Edesur's main stockholder was to have severe internal consequences, however. On Thursday, February 25, Enersis president Guzman arrived in Buenos Aires, and Edesur immediately began deliberations on which strategy would be convenient to avoid the extraordinary fines. On March 2, Edesur's Board of Directors accepted the resignation of General Manager Jaime Manzano, and one week later, the company presented a claim to ENRE in which they asked the agency to reconsider Resolution 292/99.

### *6.8 More To Lose Than Gain*

In spite of the fact that power had been restored, the harsh social and political climate endured, extending the crisis for another month-and-a half and turning it into a judicial, political and economic conflict. In the meantime, Argentine political opinion relented on the question of annulling the contract with Edesur, but maintained the principle of "the responsible party must pay." The number of claims submitted to ENRE headquarters by household customers demanding compensation for "suffering and damages" caused by the long blackout grew daily and resulted in the creation of a new department within ENRE, the "Unit Edesur/Azopardo," which was given the task handling all matters related to the blackout crisis. It was highly likely that Edesur would appeal the legal force of ENRE Resolution 292/99, a likelihood reinforced by local jurists who aired their doubts about the legal basis for the resolution. The likelihood that Edesur would appeal the Resolution was unhappy news for the Argentine government, since one or more entities would have to assume financial responsibility for the economic and social losses sustained during the blackout. As the overarching entity in Argentina, the state would then be forced to assume ultimate responsibility for the blackout and its numerous effects. The potential economic impact of such a situation and the loss of political credibility that such a situation would likely entail united the entire Argentine political establishment around one principal: Edesur should pay. This was a firm belief held by President Menem and the entire National Government at the top as well as ENRE and

the National Congress and all the way “down” to the local level—the Buenos Aires Government. ENRE thus publicly declared that Edesur had to pay, and should Edesur fail to agree to pay, ENRE announced that it was prepared to appeal on the basis of Administrative Procedures legislation. ENRE clearly rejected Edesur’s demand that ENRE reconsider Resolution 292/99.

Edesur, for their part, had also made the status quo something of a personal matter. As early as Tuesday, February 25, the company notified ENRE that they were willing to initiate the process of indemnifying affected customers, but only in accordance with the fee limits stipulated in the contract of concession. Were Edesur to acquiesce and accept the extraordinary fines, it would be something of a defeat for the company and would set a precedent for future conflicts of a similar nature. It was therefore important to set an example, not just to the Argentine State but also to other states where these transnational shareholders could act. This stance was turned on its head, however, when Chilean Enersis’ stockholdings in Edesur were sold to Spanish Endesa at the end of March 1999. This prompted a new stance on the conflict in Argentina, since Endesa’s policy was the opposite of Enersis’. On April 20, Edesur notified ENRE that the company would accept Resolution 292/99 in its entirety and would refrain from bringing the case to a higher judicial instance. With this decision, the crisis had come to an end.



## 7. Thematic Analysis

### *7.1 Problem Framing & Decision Units*

Crisis research indicates that the initial image constructed of a situation following a triggering event affects how the crisis is subsequently viewed and managed (Sundelius, 1998:8). The act of framing a problem is not as simple as it first appears, but is rather a complex process of making sense of a situation. There are several dimensions involved in this process that must be taken into account in order to understand the importance of “framing” for crisis management as a whole.

On the one hand, it is a matter of subjective representation. In accordance with the cognitive institutional approach applied here, the initial framing of a problem is a result of the subjective interpretation of an event within a particular social context. For the discussion here, this means a particular social actor will interpret a situation in a particular way, according to the institutional context in which the actor operates and the subjective life experiences s/he carries with them. It is also important to remember that the different interests at stake in any contingency will determine how the problem is represented and the way(s) in which the crisis is managed. As Newlove et al. point out this heterogeneity in problem framing among the different crisis management actors involved is bound to prioritize specific aspects of a crisis, often at the expense of other aspects (2000:114). Such was the case, for example, in the 1998 “Doñana crisis” in Spain, where the environmental damages resulting from a ruptured tailings dam at Boliden Mine were prioritized far more than the agricultural problems that resulted, something that local farmers protested long after the actual crisis was over (Ullberg, 2001).

Problem framing can also be a matter of acquiring adequate information in order to gain a clear picture of the problem and develop coherent options for decision-making. Such was the case during the Chernobyl accident in which the information available to Swedish authorities made them frame the problem as a local spill of nuclear radiation from the Swedish nuclear station where the radiation had first been detected—a frame that had obvious implications for the immediate decisions made (Stern, 1999:213). Finally, problem framing is a process that may change over time. Such was the case in the Auckland power outage (Newlove et al., 2000:114–117), where there were several frame shifts during the course of the power outage. A study of problem framing during the Buenos Aires blackout indicates several parallels with the Auckland case. The initial interpretation of the power shortage after the fire in the *Azopardo Nueva* substation consisted of two essential aspects. One was that this was a technical matter to be solved by the Edesur technical staff. The second was that it was a short-term problem. This was an interpretation shared by all of the institutional actors involved, although the large number of customers affected and the infrastructural disturbances caused by the lack of power (no subway, no elevators, no traffic lights, no street lights, no air conditioning, no computers, etc.) were certainly a serious concern. This initial framing of the situation also prompted the creation of particular kinds of decision units and influenced the immediate decisions these units consequently made.

The technicians at Edesur constituted the principal operative decision unit, since they were the first to respond to the outage. Their technical and short-term framing of the problem was a kind of an expert’s diagnostic that established the frame then adopted by the other

actors involved. Once they had been informed of the situation, Edesur executives, for example, adopted this same problem framing and approved the technical solution proposed, which involved establishing a new reconnection in the very same cable. Meanwhile, the public, too, received their information based solely on the problem frame offered by the technicians. They were thus told that the cables were being repaired and that it would only be a matter of hours before things were back to normal (Martini, 2000, personal interview).

The governmental regulatory agency, ENRE, routinely monitored the power outage as they would any other accident in order to determine what to charge the company contracted—in this case, Edesur—according to the terms of the concession contract with the Argentine government for services not rendered. ENRE works according to an *ex post facto* system (Devoto, 2000, personal interview). This means that ENRE takes account of any irregularity in the performance of companies in the electricity sector as they occur and sanctions the company for these irregularities within a six-month period, normally through the imposition fines (Ibid.). This technical and short-term problem thus appeared at first sight to be yet another irregularity in the daily performance of Edesur, a fact that suggests the frequency of power outages in the city of Buenos Aires and its suburbs. One of the political arguments for the privatization of the state-controlled company, SEGBA, was precisely the frequency of blackouts when this state-owned company provided electricity to the residents and businesses of Buenos Aires. It was argued that privatization would eliminate such outages and improve general service considerably. Moreover, power services would continue to be controlled by the state—the very reason ENRE was created and the agency's *raison d'être*.

Some of the buildings of the Government of the City of Buenos Aires, as well as in the Congress and the Senate buildings were affected by the power outage, which made work more difficult. The underlying assumption was nevertheless that this would soon be taken care of. At the GCBA's Rescue Services' headquarters the situation was also received calmly. As it turned out, up until the blackout of February 1999, these rescue Services had not yet included a power outage as a potential catastrophe situation requiring its attention (Sanchez, 2000, personal interview). At that time, a blackout lasting a day or two would hardly have compelled the Rescue Services to define the event as an emergency. As a result, there was no sense that the blackout might endure nor did anyone ask, "What do we do if the blackout continues?" as they had during the Auckland power outage (Newlove et al., 2000:114–117). The short-term perspective of the government and its agencies and their absolute trust in Edesur's technical staff regarding the very framing of the blackout would ultimately result in severe delays in the decision-making process as well as a lack of alternative responses to the Buenos Aires power outage as the crisis grew.

As the power outage lasted day after day and no real solution was presented, there was a shift in problem framing and decision units subsequently changed. As was emphasized earlier, problem framing is a matter of subjectivity and can differ between the actors involved. Problem framing can also shift over time. In the first days of the blackout, Edesur's attention was focused on finding the right technical solution to deal with the problem and restore the power supply. When a solution was finally presented through the "by-pass alternative," the temporal perspective of the crisis changed. Whereas earlier Edesur had framed the crisis as a short-term problem with an immediate solution, the company now began to frame the crisis as a medium-term event. However, harsh criticism was levied against the company for failing to solve the problem and for issuing what many believed to be inaccurate information. For Edesur, the issue at stake now became its public image and maintaining public confidence in

the company. This re-framing led Edesur to adopt an essentially new communication strategy (see chapter 7.4). In spite of the solution at hand, tensions did not decrease, however. In social and political terms, the crisis instead escalated due to shifts in problem framing. While Edesur felt confident of a solution and began to visualize an end to the crisis by the end of the first week, public opinion turned furious, and the situation was now being framed by everyone but Edesur in terms of Edesur's negligence and the company's lack of interest in finding a solution. This situation prompted a shift in the decision-making process from the operative scene to the strategic one – from the technicians to the executives. Thereafter, the communications department assumed control, since one of the critical issues still to be addressed was that of public (dis)information and the development of a viable communications strategy. Alongside the shift of decision levels at Edesur, there was also a shift of decision-making authority from Edesur executives to Edesur's shareholders—a shift that indicated an up scaling of the crisis.

Within ENRE, a re-framing of the contingency began after some days. ENRE Resolutions 222/99 and 292/99 (ENRE, 1999) were both intended to compensate customers affected by the blackout, since ENRE realized early on that it would fall to either the company or the state to assume responsibility for the financial fall-out from the crisis. This clearly indicates a re-framing of the problem in terms of economic and judicial responsibility, and this re-framing subsequently affected decision units and decision levels. While ENRE was still the unit formally tasked with sanctioning Edesur, ENRE's decisions would also be reviewed by the National Government now, although the Government had not actively participated in management of the crisis until Friday, February 19, when a National Crisis Committee was set up to handle the crisis. The Secretary of Energy and Mining at the Finance Ministry was to serve as the nexus between ENRE and the Government. However, the Secretary's involvement increased as the crisis was up scaled. This up scaling to the national level was the consequence of a frame shift—the blackout was no longer a short-term problem but a long-term problem—in conjunction with the increasing importance of the political and economic dimensions in the crisis. As such, the escalation in decision-making levels and level of political response reflected a shift in crisis perspective: from that of local infra-structural contingency and social disturbance to a national issue with legal and political ramifications. Similar to the Auckland power outage, this final frame shift placed economic issues at the fore, and economic losses, compensation issues, ENRE fines and Edesur's initial refusal to pay took central stage during the final stage of the crisis. This framing of the problem was also heavily influenced by political views that advocated the cancellation of Edesur's concession contract with the state. As such, this final problem frame reflected to a large extent a pervading ideological stance against privatization and foreign ownership.

In order to understand the activity of problem framing, it is helpful to view this activity as a process. Without creating a unilinear chain of sequences, the concept of process permits us to observe specific shifts in time and space when it comes to an actor's definition of a particular problem. While the initial framing is of outmost importance, since it represents the first instance in which the problem is defined and thus “sets the tone” for what is to come, subsequent framings are no less important. Vertzberger observes that the initial framing of a problem acquires the character of objective truth, while it is really a matter of subjective appreciation (1990:233). The very definition of a crisis as a chain of decision-making problems requiring the response of actors indicates the probability that new framings of the problem will emerge over time. Such a processual perspective makes it possible to examine the inter-

relationships between a particular framing of a problem, how it is responded to and the new kinds of frames that emerge as a result. Finally, problem framing viewed as a process also demonstrates that in spite of differences between how different actors frame “one and the same problem”—a blackout in this case—these subjective representations of the problem interact with the subjective representations of others. Framing a problem is a complex process constituted by both cognitive and social elements. The outcome of this process is the decisions that are then made.

## *7.2 Institutional Co-operation and Conflict*

A crisis generally involves several different actors in its management, be it various governments, different organizations within a state administration, political parties, corporate actors or civil society. This requires the different actors to interact in some way, which can either be productive or constraining for the decision-making process (Allison, 1971; Stern & Bynander 1998:326–327). The political and cultural features of a particular national administration may advocate consensus on the decisions to be made (Sundelius, Stern & Bynander, 1997:150–151; Newlove et al., 2000:122), such as the “consensus model” in the Swedish political context.<sup>24</sup> However, in other countries such as Spain, the “consensus model” feature is not a decision-making strategy that is particularly coveted (Ullberg, 2001). Bearing these cultural differences in mind, there are findings that demonstrate that a crisis is not just a time of intense difficulty, but also a time of opportunity for both individuals and organizations (Stern & Bynander 1998:327; Rosenthal, ‘t Hart & Kouzmin 1991; ‘t Hart 1993:40).

The Buenos Aires blackout shed light on several dimensions of intra-organizational as well as inter-organizational co-operation and conflict. Edesur, for example, presented an image of consensus regarding decision-making within the company, since all of the departments apparently supported the actions taken by the company (Hechos, 1999; Martini, 2000, personal interview). There were instances during the crisis, however, when such co-operation encountered obstacles. During the first days of the blackout, the entire company—from the technical and service departments to the financial, legal and executive departments—was working on “the Azopardo matter.” However, the decisions meant to lead to a solution and an end to the crisis were in fact decided at the operational level by the technicians, approved by Edesur’s management and relayed to the public through the communications department. Thus, during the first phase of the crisis, the company was entirely dependent on its technicians. The executive board faced pressure from Edesur’s shareholders, but the communications department was the section that found itself under steady and painful pressure, since it was expected to provide the public with a daily stream of much-needed information on the trials and errors experienced by the technical departments in their quest for a solution to the blackout. When technical forecasts were not met, it was the communications department that faced the public and expressed the company’s “regret” over the situation and its continued failure to find an adequate solution. Naturally, this is the basic task of any communications department. However, there can be little doubt that the severity of the situation and the

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<sup>24</sup> See Swedish cases such as the submarine U137 incident in 1981 and the monetary crisis in 1992 (Sundelius, Stern & Bynander, 1997).

company's continued inability to resolve the power outage placed an enormous burden on Edesur's communications department.

The second instance in which there was an intra-organizational conflict within this corporate organization was when President Guzman of Chilean shareholder Enersis declared that Edesur would never pay the extraordinary fines proposed by ENRE. The collective impact of this statement was enormous, particularly in light of the historically conflictual relation between Argentina and its neighbor, and responses on the part of the Argentine press, politicians and public were sharp. Edesur in Buenos Aires and the national shareholder, Perez Companc, immediately made counter declarations in order to attempt to mitigate Argentine response to Enersis' declaration. Clearly opposing viewpoints among Edesur's shareholders not only clouded Edesur's public image but also harmed the decision-making process within the company. By this time, the core issue of the crisis had become economic, with some US\$ 100 million in compensations at stake. At the same time, the public image of Edesur, political confidence in the company and the concession contract itself were also at stake. While Edesur President Manzano was eventually "sacrificed" to help the company, differences in Chilean and Argentine perspectives were not mended until after a month of negotiations. Meanwhile, the very destiny of Chilean Enersis was being negotiated elsewhere. In the end, Spanish Endesa took over charge of Enersis and the conflict with Edesur. Endesa realized that the fastest road to reconciliation with Edesur, the Argentine State and the customers of Buenos Aires was to acquiesce and pay with a smile. In the end, this was what happened.

In terms of governmental performance during the Buenos Aires blackout, there were several agencies involved in the dealing with the crisis. The regulating agency, ENRE, was the main agency responsible for monitoring Edesur's management of the crisis. The regulation bodies are supposed to be independent regulating bureaus, controlling the private companies providing electricity, gas, water and other infrastructure. This is in theory, however. When the power outage became a political issue, the political pressure on ENRE hardened and the agency was accused of neglecting its regulatory duties in Edesur's case. In fact, Federal Judge Servía Cubrini, who decided that charges against ENRE were serious enough to warrant a raid of its premises in order to confiscate material for an eventual investigation, later issued a court order authorizing the police to raid ENRE headquarters. This legal case did not develop further, since the charges were withdrawn due to a lack of evidence (Devoto, 2001, e-mail communication). The mere fact of a lawsuit for "bad management," however, indicates, if not the fact of institutional and political incompetence, at least the belief of such incompetence. As public criticism of ENRE's management of the crisis increased, the decision-making authority of the bureau was consequently reduced to politically correct resolutions. The Secretariat of Energy and Mining [SEM] served as the government's nexus with ENRE and was both a source of substantial support for the agency as well a source of criticism, demanding that ENRE harden its treatment of Edesur.

However, when ENRE dictated the 292/99 Resolution, which was an important measure directed against Edesur, the Secretariat was divided on the measure and questioned whether the resolution and the extraordinary fines therein could be legally applied to Edesur in this case. While SEM General Secretary McCarthy supported the resolution (Sbertoli, 2000, personal interview), in spite of the legal doubts, there were advisers within this agency that did not adhere to this stance. The tensions in this institutional relationship between ENRE and the SEM were manifested earlier on. As early as the first week after the blackout, the SEM insisted that ENRE create the necessary conditions for an execution of the guaran-

tees stipulated in the contract with Edesur. The execution of the guarantees would signify to its corporate shareholders the loss of Edesur shares, however, and the media portrayed SEM's demand as an attempt to cancel Edesur's concession contract with the government. As an autonomous governmental agency, ENRE's board was not only reluctant to receive any kind of orders, but it also believed that the situation was not yet dire enough to warrant the adoption of the most extreme measures in the contract. ENRE's board, however, decided to issue the 291/99 Resolution, which demanded that Edesur re-establish service within 24 hours. If Edesur were unable to comply, the terms of the company's contract with the government would be re-considered.

At an operative level, there were no doubts that the Rescue Services [DC] of the GCBA [Gobierno de la Ciudad de Buenos Aires] was the agency responsible for the rescue services to the Buenos Aires residents affected by the blackout. Indeed, this was the very *raison d'être* of this agency. The Rescue Services was also the co-coordinating center for all actions, working as an operative nexus between the Federal Police, the Gendarmery, Edesur and the local government (i.e. GCBA). As was the case during the Auckland power outage (Newlove et al., 2000:123), these emergency services worked very well together, probably due to the pre-crisis existing co-operative relationship in cases of emergency. As the organizational and resource distribution center, the Rescue Services was not exempt from the political game, however. While Edesur donated more than a million liters of mineral water and hired every available generator in the city of Buenos Aires (Hechos, 1999), it was the Rescue Services that distributed these supplies to affected parts of the city. It was the DC who received the credit, however, while Edesur was harshly criticized in press for their lack of compassion for those affected by the blackout and their failure to act (Clarín, 1999a-t).

Whereas Buenos Aires Head of Government, Fernando De la Rúa could profit politically by the actions of "his" Rescue Services, President Carlos Menem and the National Government felt surpassed in involvement in the crisis. Menem therefore ordered the National Peace Force, the *Cascos Blancos*, out onto the streets to aid in evacuating residents and to assist in other social emergencies. Although these actions did not hinder management of the crisis *per se*, they did not make a clear difference either. Rather, these actions serve as evidence of the institutional prestige that is at stake during an emergency. At the operative level, then, institutional competition was expressed in political terms and did not complicate management of the crisis. It should be remembered, however, that this contingency counted with substantial time for the Rescue services to operate in spite of GCBA's demands on Edesur for more information in order to organize emergency response. In spite of high temperatures and the interruption of daily life routines, no lives were lost nor were there any evacuations. It is questionable, then, whether this case can be said to constitute a disaster. It seems, rather, to have been a political and corporate crisis. Among other things, it was only parts of the city that were affected, which meant that many of those households affected were actually able to visit relatives or friends in other parts of the city in order to wash clothes and bathe. The majority of the city's hospitals had their own reserve generators and those that did not were supplied with mobile generators. What appears to have been a rather smooth emergency response operation, then, with the Rescue Services at its center, would have to be scrutinized, perhaps, under circumstances requiring more action under harder time constraints in order to reveal the actual frailties and strengths in these institutional interactions.

### 7.3 *Information Processing*

As mentioned earlier, the issue of communication and information was central during the Buenos Aires blackout and followed a pattern discernible in other contemporary crisis management studies. The information flow is bound to increase in a crisis situation, as new and often unthinkable scenarios appear. At the same time, there is a lack of time to process this increased information flow (Sundelius 1998:8–9). Notions like “information overload” are likely to apply and “gate-keepers” are likely to appear in situations like this. The first refers to an overload of certain information and the subsequent sacrifice of other information that may also be of importance (Purkitt, 1992; Sundelius et al., 1997:165). “Gate-keepers” refers in turn to persons occupying strategic places in an organization who control the information flow, particularly its flow upwards. They can serve the decision-making process for good or for bad, in the sense that decision-makers at the top receive their information filtered through these gatekeepers and make their decisions based on this information (Sundelius 1998:8–9). This kind of segmented information processing also has other risks, in particular the bypassing of meso-level departments within an organization, which may affect the kind of crisis management policies pursued.

In the Buenos Aires blackout, the control of the information flow was delegated to specific information processing departments (ad hoc and/or permanent) in all of the involved institutions. At Edesur, a re-structuring of the company organization in January 1999 (only one month before the Azopardo incident) led to the creation of a Communications and Institutional Relations General Department, equating communication issues with other general departments within the organization. The sitting Edesur Press Chief, Daniel Martini, took charge of this department. Before 1999, communication issues were managed within a Press and Information Department, sorting under the General Department. When the blackout occurred, there was thus no ad hoc response in place within the Edesur organization. The different departments did increase their work input and during the first days of the blackout, none of Edesur’s got a full night’s sleep (Martini, 2000, personal interview). The organization remained basically the same however, which meant that information was transmitted from the technicians at the Department of Distribution and the Department of Services directly to general management and to the Board, while the Communications Management Department received only the information that was to be communicated to the press. This segmented information flow became an important problem for Edesur and resulted in serious communication problems with the public, as we shall see in the next section.

In terms of public actors, internal communication channels within the City of Buenos Aires Government [GCBA] functioned through the Rescue Services [DC]. When the situation began to be framed as a contingency, daily morning meetings were held at DC headquarters and were attended by the Chief of Government De la Rúa, DC head Victor Capilouto, and the Secretary Heads of Sanity, Health and Infrastructure (Bonavota, 2000, personal interview). These meetings served the purpose of updating participants on the latest information and actions on part of the local government. By assembling the top political executives with the operative staff in this manner, information was efficiently processed and political decision problems could even be discussed in this setting. Inter-organizationally, however, the information flow was not particularly efficient. In fact, the GCBA called for more detailed information from Edesur in order to better organize their emergency response efforts (Clarín, 1999f, 1999g).

Another instance in which the information between actors did not flow very well was at a meeting with the Chamber of Deputies in the National Congress on Tuesday, February 23. Both Edesur and ENRE executives had been invited by the Commission of Consumer Defense to speak out on causes of the blackout and on its management. Edesur General Manager Jaime Manzano did not appear at all, however, which was considered highly offensive by the deputies and produced harsh criticism of Edesur's arrogance. In addition, ENRE's President, Legisa, relied on a rather technical discourse to explain the power outage but devoted little time to discussing the object of so much criticism at the time: ENRE's sanctions model. Both of these "failures" left politicians unconvinced of the merits of either Edesur or ENRE. ENRE was in continuous contact with Edesur, however, both formally and informally, in order to monitor the measures being taken by the company to resolve the blackout. "Formality" in this context means making charges on the private company to which the company claims discharge or not. Such was the ENRE's first instance call upon Edesur to inform on the incident, to which Edesur responded that this was not a case of *force majeure*. By this response the company assumed formal responsibility for the situation. ENRE could thus proceed with their regulatory task, that is, the imposition of sanctions. These formal communication channels were accompanied by informal calls, such as the one made on the night of Friday, February 19, when Edesur was intending to reconnect the 132 cable and ENRE Vice-president Devoto was called by Edesur General Manager Manzano and informed that electricity would be restored by midnight: "I said to him (Manzano), 'OK, call me at home or wherever to let me know.' At midnight he called me to tell me they had failed, but at 3:00 a.m., well, that night I didn't sleep at all because he called me every two hours to tell me they had failed again and again" (Devoto, 2000, personal interview).

ENRE was the information provider to the national government in this case. In turn, ENRE had regular contact with the Secretariat of Energy and Mining [SEM], which served as ENRE's channel to the National Government. At one point, ENRE executives were called in to participate in a briefing meeting at the SEM with the National Cabinet and President Menem (Devoto, 2000, personal interview). The General Secretary of Energy, McCarthy, participated in the National Energy Crisis Committee as a representative of the energy sector. Thus, at the national level, the processing of crisis information was hierarchically organized and functioned smoothly. Neither the Presidency nor the National Government was ever really "in the eye of the storm" during the crisis, although they formed a Crisis Committee and prepared a decree for canceling Edesur's shareholdings. Last, but not least, the Menem government was the principal actor responsible for privatization reforms in Argentina. While these reforms had not experienced much opposition at the time of their implementation, the power outage crisis catalyzed heavy resistance against private (and in particular foreign) ownership of public services. Although the National Government did in this sense run the risk of becoming a public scapegoat for having committed the "sin" of selling out national patrimony, the public turned its wrath instead on ENRE as the irresponsible sanctioning body and Edesur, of course, as the principal scapegoat in the blackout drama. The GCBA, in contrast, was depicted in the media as the governmental "savior." The fact that little stress and pressure was placed directly on the National Government permitted information routines to flow as normal.

## 7.4 *Communication & Mass Media*

Communication is certainly one of the most interesting aspects of contemporary crisis management. The ways actors make public their intentions and actions during contingencies are of the outmost importance, and communication is inevitably a large part of the whole process. In the Buenos Aires power outage, the question of communication would prove to be crucial.

One of the issues that Edesur received harshest criticism for was its failure to adequately inform the public, on the one hand, and the provision of erroneous information, on the other. The National Ombudsman, Jorge Maiorana, claimed already on the second day of the blackout that Edesur needed to inform the public of the causes of the blackout (Clarín, 1999f, 1999g). It was practically impossible to reach Edesur by phone, however, due to the number of calls from customers reporting on the lack of electricity—a situation that only increased the anxiety and anger of those clients affected. Access to information in crisis situations is of central concern, not only for decision-makers but also for those affected, as studies on crisis management in numerous countries and contexts have shown (Stern 1999; Svedin 1999; Newlove et al., 2000; Grönvall, 1998).

On Tuesday, February 16, the power supply was restored for a couple of hours, which led people to believe that the problem was solved. This was not the case, however. When power went out again, many grocery stores and restaurants had to throw away ruined merchandise and frustrations were once again running high (Clarín, 1999b). Edesur's subsequent declarations, or "false promises," that power would be restored within a couple of hours—a promise that was then changed to later in the afternoon, and again to tomorrow morning, and so on did nothing to help matters. On the fifth day of the blackout, a list citing all of Edesur's unfulfilled promises—eight promises in four days—was published in one of the country's major newspapers (Clarín, 1999l). Similar to communication failures during the Auckland power outage (Newlove et al., 2000:125–131), the gap between promises and reality resulted in a significant credibility trap for Edesur, one that made negotiating the crisis more difficult as the gap was transformed into an image problem for Edesur. This indicates not only obstacles in Edesur's procedures for the internal processing of information, but also the relative priority that communication can have within an organization. Doomed but to communicate, these aspects fall somewhere outside the process of crisis management, which is sensed to be about decision-making. When Edesur's Communications Management department made clear that they could no longer cope on their own, an external consultant, *Nueva Comunicación*, was hired. The consultant, in those circumstances, suggested a change in the communication strategy with mass media.

Up until then, Edesur had applied an open press policy, receiving journalists, microphones and TV-cameras and answering all their questions, but this was rather a reactive stance to media management, focused almost exclusively on the question of when service would be reconnected. However, since service was never reconnected and a consultant firm had now entered the communicative scene, Edesur's communications strategy subsequently became a proactive strategy, and the company began to contact newspapers and TV-channels themselves and to organize press conferences to inform the public of the latest developments. There also occurred a change in the kind of information offered. Instead of answered questions on when the matter would be solved, a kind of information team was created, whose technical directors were given the task of informing the public on the technical aspects of the

power outage. It is somewhat paradoxical that while public actors—the mass media, the government and politicians, civil society and affected residents—began to re-frame the blackout in economic, political and social terms after the first week, corporate management at Edesur decided instead to emphasize the technical character of the blackout more strongly.

As Newlove et al. point out in their analysis of the management of the Auckland blackout (2000:127), media management is not solely about giving the press access to the information that a particular crisis management actor is interested in making public. Media can be an actor in its own right (Sundelius, 1998; Stern & Nohrstedt, 1999), which has been observed in many of the case studies conducted within this project, including the Lima Crisis (Ullberg, 1998), the Brolin kidnapping (Nohrstedt, 2000), and the refugee crisis in Estonia (Kokk, 1999). The media also functions as a major public arena in which the very nature of the crisis is to a large extent determined. This aspect is intimately linked to the notion of the representation of a subjective problem, as discussed earlier in the theoretical section of this study. The mass media was as a whole very critical of Edesur's management of the power outage, which had an important social impact. Statistics showed that Edesur was mentioned 366 times on local radio during the month of February, and 226 of those times were negative, 29 were positive and 111 were purely informative (López Alonso, 1999:14). National media coverage of the Edesur power outage in Argentina was also very important as a result of where it occurred: the country's capital (Capital Federal). Recurrent power outages in the suburbs of Buenos Aires—also an area served by Edesur—or other parts of the country have not generated the same amount of national media attention. This is one of the more obvious consequences of the centralization of mass media. In the case of Argentina case, Buenos Aires is undeniably the center—and the focus—of news production.

Argentine media was thus intensely involved in the entire crisis management process following the blackout in Buenos Aires. While radio, TV and newspapers served primarily as a source of information for the public, they also served as an important channel of communication that went both ways between Edesur and the public. On the one hand, public street protests were reported on the news, making it appear to the entire Argentine populace that the whole of Buenos Aires was outraged and manning the barricades. In reality, however, the power outage affected only a relatively small percentage of Edesur's clientele. Of Edesur's 2,105,380 clients in greater Buenos Aires City, approximately seven percent were affected during the first day (see Appendices VII and IX) (Edesur, 1999). These televised manifestations were nonetheless influential in shaping public opinion on the blackout, opening as they did windows of opportunity for politicians and paving the way for the subsequent efforts of several civil Consumer Defense Organizations. Mass media is also an international guild of sorts and has global tentacles when it comes to reporting on situations of crisis. Multimedia giants such as North American CNN are famous for being "first on the spot" and have enough resources to provide 24-hour live coverage of an event, if necessary. Several scholars have also pointed to the phenomena of "disaster tourism," referring to the virtual "invasion" of journalists and curious on-lookers at the site of a disaster, the presence of whom affects operative crisis response in various ways (Rosenthal & 't Hart, 1998:200, Newlove et al., 2000:126). The Buenos Aires Blackout apparently lacked international newsworthiness, however. While national media in Argentina devoted significant space and time to the blackout crisis, a survey of international media reports indicates that this event gained little attention outside of Argentina. In neighboring Brazil as well as in Uruguay, the event received little notice, and in Chile, where one would expect the conflict with the Chilean electric com-

pany Enersis to be of great interest to the populace, the Buenos Aires blackout was scarcely mentioned at all (Chatlani, 1999). While Enersis did figure in Chilean news during this period, it was not in conjunction with events in Buenos Aires, but rather in relation to the company's negotiations with Spanish Endesa on the sale of Edesur (Larraín, 1999a–c; English, 1999; Vera, 1999).

### *7.5 Politics of Symbols & Leadership*

Paul 't Hart (1993) has stressed the importance of symbolic dimensions in managing a crisis. Symbols are part of our daily life, and human communication is hardly possible without them. In crisis situations, symbolic actions on the part of decision-makers and institutions are a means of gaining control and demonstrating control over circumstances that are themselves rather uncertain and may in fact be completely out of control. A wide range of symbolic actions has been observed in crisis management research. For example, governmental presence at the scene of a disaster is relatively common as exemplified in Svedin's study of the Red River floods in 1997 (1999) and Ullberg's analysis of the environmental disaster in Spain in 1998 (2001). In both cases, local and national politicians visited the affected areas by car, helicopter and plane. Other, more spectacular examples include the Swedish destruction of 21 British cows that might have been infected with BSE disease in 1997, although the risk was small (Grönvall, 1998:280); the so called "Freezer Project" in the Auckland power outage, which referred to the mayor's plan to place a giant freezer in the stricken area so that restaurant owners would be able to refrigerate their food during the blackout (Newlove et al., 2000:138–139), and the Polish government's removal of hundreds of Christian crosses placed by different catholic and orthodox activists close to the Auschwitz museum. In this last case, symbols lay at the core of the crisis (Sawicki et al., 1999). Symbolic actions are political, then, in the sense that they represent opportunities to gain control and establish credibility as well as to lose control and credibility. Symbolic politics are about representation and who has the right to represent what to whom. In this sense, then, symbols are a matter of power: who represents what and when?

In the Buenos Aires blackout, the lack of water, air conditioning and elevators as a consequence of the power outage provided political and administrative institutions with opportunities to gain prestige and credibility. The GCBA was the central institution responsible for providing emergency necessities, and this was carried out without particular difficulty by the Rescue Services, the government's emergency organization by excellence. The confiscation and destruction of spoiled food from restaurants and various grocery stores was accomplished in all affected areas with the GCBA Sub-secretariat of Alimentary Security in charge of the operation. As head of the Buenos Aires administration, Chief-of-Government Fernando De la Rúa was able to take advantage of the public confidence that this operation generated and visit affected parts of the city with head held high. The issue of leadership is linked to the role of symbols in crises. Boin & 't Hart (2001) ask whether the mission of the leader or decision-maker in a crisis is an almost impossible task due to the gap between what the public expects of the decision-maker and the pressures of the "real world" that the decision-maker lives in before, during and after a crisis. The decisions and actions of leaders will inevitably be scrutinized and will have important symbolic value. While the community expects leaders to prioritize public health, safety, and security and to prepare for worst-case scenarios, research

findings indicate that the heavy economic and political costs involved in doing so actually prevent political leaders from preparing for the worse.

In the case of Buenos Aires, preparing for an emergency such as the blackout that occurred in February 1999 was not a particularly high priority, and even less of a priority given the severe economic, political and social problems the city and the entire country otherwise suffered from at the time. The fact that the city's Rescue Services did not immediately consider the power outage that occurred in February 1999 to be an emergency speaks for itself. The aspect of problem framing discussed in section 7.1 also shows that no worst-case scenario was constructed by any of the involved actors. In this case, however, the crisis developed in a way that could be successfully managed by Argentine political leaders. Communities often expect leaders to take charge of crisis management operations and exercise clear leadership (Boin & 't Hart, 2001). This is particularly evident in Argentina, where patron-client relations are a regular feature of the political system under "normal" circumstances and require a strong leader in the patron role. Normally during the crisis response phase, however, there are multiple organizational networks involved, a situation that requires co-operation rather than top-down command.

In the Buenos Aires Blackout, crisis leadership was divided between corporate and state actors. Edesur assumed the role of "owner" of the technical problem and thus took charge of the crisis management in line with this responsibility, while the regulating agency, ENRE, assumed the role of supervisor. Meanwhile, the GCBA Government assumed the role of principal relief organization. Finally, the National Government assumed the role of "ultimate supervisor" in the dispute between Edesur and the State over damages and legal aspects in the electricity concession. All actors can be said to have acted in line with their functions, but only the GCBA was considered to have provided "successful" leadership. Why? The answer can be found in the symbolic sphere. The affected clients in the city of Buenos Aires as well as the mass media and the political establishment required command and control of the situation in order to feel protected. Not only did Edesur fail to in its attempts to solve the technical problem, but the company also had severe communications problems (see section 7.4) and leadership problems. Edesur General Manager Jaime Manzano chose to adopt a "low profile," which cost him and the entire company public credibility. In the mass media, "only" Edesur middle level managers appeared, a situation that public opinion interpreted as a sign that the company was not giving top priority to the crisis (no top level managers).

When GM Manzano did not appear before the National Congress on February 24 to explain Edesur's actions as he had been "invited" to do by the Chamber of Deputies, this was in turn perceived as a lack of willingness to assume responsibility, despite Manzano's claim that his "complete dedication to management of the crisis" was what had prevented him from appearing (Clarín, 1999w). ENRE's working routines, too, were interpreted in symbolic terms—in this case as signs of a lack of leadership. The public expected ENRE to "face the emergency" by taking "immediate measures," which explains why ENRE's retrospective sanction procedures—though routine—were harshly criticized. The virtual absence of ENRE president Legisa in mass media during the crisis was interpreted publicly as a matter of lack of leadership, despite the fact that the ENRE Board of Directors is a vertical decision-making structure that is meant to function even when certain board members are absent (Devoto, 2000, personal interview). The public and political pressure on ENRE more or less forced the agency to assume active leadership in management of the crisis, determining for example extraordinary measures such as the 292/99 Resolution.

Political leaders, on the other hand, had better luck. The GCBA Chief of Government, Fernando De la Rúa, was a decisive presence during the crisis and conveyed a sense of having the situation under control. In reality, he simply followed the routines established by the GCBA in times of emergency, executed by city's Rescue Services, that is, the Rescue Services. Since they operated smoothly and was able to successfully co-coordinate emergency relief efforts with other relief agencies, this was an emergency situation that many actors would be happy to assume responsibility for. Similar to Mayor Les Mills in the Auckland blackout, De la Rúa, too, co-operated with the power company in question during the crisis response phase. Unlike Mills, however, De la Rúa made a point of avoiding any sort of stronger association with the company in the public's eyes (Newlove et al., 2000:121). On the contrary, De la Rúa publicly criticized the company for its lack of crisis management capacity, while his government worked to ensure that residents affected by the blackout received help through the Rescue Services —actions perfectly in line with public expectation. The power outage can thus be said to have provided De la Rúa with an indisputable political opportunity. Since he was one of the candidates running for presidential election later that year, the blackout served as a kind of symbolic support for his campaign. While the Buenos Aires blackout may not have been the deciding factor in De la Rúa's victory in the October 1999 elections, it was clearly influential, just as the Auckland blackout was influential in the case of Auckland Mayor Mills, whose unsuccessful management of the crisis in the eyes of the public resulted in his defeat in the next mayoral election (Newlove et al., 2000).

In the Buenos Aires case, it is likely that, competing with De la Rúa's political advantage, the sitting President Menem used the federal resources at hand in order to gain political support for his party<sup>25</sup> (Clarín, 1999j). The traffic assistance of the Federal Police; the mobilizing of generators and supplies of water of the Gendarmery and the Peace Force of the *Cascos Blancos*; and the social assistance of the National Secretariat of Social Development were of course of help to the affected residents, but they had not been called for by the Buenos Aires Government. This even generated political disputes in the newspapers between De la Rúa and the Minister of National Affairs, Carlos Corach, about which government had supplied the most residents with emergency aid and how this aid had been supplied (Clarín, 1999y). This was evidently a leadership dispute, which placed the National Government on the scene, something that President Menem was in need of, since Menem and his faction within the ruling party were trying at that point to effect a second re-election of the sitting president, which was neither easy nor constitutional. As with De la Rúa, the blackout was symbolically important to Menem as well, since Menem needed to demonstrate leadership during a crisis and to defend the privatization model implemented by his government if he wished gain sufficient political support for re-election.

It was in fact the coming elections in Argentina that drove the blackout crisis in more politically symbolic directions. Ideological discussions and political stances were on the daily agenda during this period, as we shall see in the following section. The blackout and Edesur's concession contract became of great symbolic value in these discussions, as both made manifest the process of privatization that had occurred during the two governmental mandates of Menem. Economic politics in Argentina during the 1990's were pursued in a neo-liberal

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<sup>25</sup> Menem is a member of the Justice Party and an adherent of *Peronism*, as it is commonly called after its founder, General Perón. De la Rúa is a member of the Radical Party, which was in alliance at that time with the Frepaso Party. The Frepaso Party actually won the elections in 1999, which allowed De la Rúa to assume the presidency.

fashion and the privatization of state companies was an important part of the equation. Privatization did not occur without protest, however. Although many Argentines advocated for better services than those supplied by the state company, SEGBA, in most cases, privatization has meant the acquisition of national firms by transnational and foreign investors.

Despite an increasingly globalized world, issues such as nationalism and national identification have not disappeared, as heated discussions between Sweden and Norway in the late 1990s about where to locate the headquarters of the new joint telecommunications company, Telia (Sweden)—Telenor (Norway) demonstrate. Not only was this a corporate internal issue, but it also reached high national political levels, and many Swedes and Norwegians had definite opinions on the matter. This conflict over what would seem to be a minor detail proved fatal to negotiations between Sweden and Norway, and the deal was eventually abandoned. In a country like Argentina, where the political Right and Left have historically been united on the issue of “nationness” (Borneman, 1992),<sup>26</sup> the recent privatization of the country’s state companies has often been discussed in terms of neo-imperialism, since it is transnational (i.e. foreign) firms that have acquired Argentine firms. The Buenos Aires blackout thus put this issue back on the political agenda in the context of presidential election campaigns. Naturally, the discussions about the privatization process also contained ideological elements. While left wing opposition politicians criticized privatization as an economic political strategy, center and right wing opponents did not attack the model in itself, but instead the way it had been implemented, that was, “the Menem way.” These accusations eventually took the form of harsh criticism and even judicial charges against ENRE, for the agency’s failure to regulate private service providers. Long-standing plans to increase electricity rates were made public, for example, in the middle of the blackout crisis, which placed the SEM (the administrative instigator of “the crime”) and ENRE (the electricity sector’s regulatory agency) in a very unfavorable light. On a symbolic level, this was very damaging to the image of the government. It was, of course, also damaging to the image of the power company. Both ENRE and the National Government were criticized by the opposition for failing to take responsibility for the consequences of privatization (Clarín, 1999f–å).

An interesting turn of events in this “blame game” occurred, however, when the president of Enersis, the Chilean shareholder in Edesur, questioned ENRE Resolution 292/99 and declared that Edesur would not pay any fines or indemnities that were not stipulated in the concession contract. Ideological and party political accusations at the national level in Argentina were then galvanized into something approaching a unison front against Chile, a historical “enemy” of Argentina. Sharing the Andean border, the countries have been in armed conflict over territory on several occasions. The last conflict took place in 1978 over three islands in the southern Beagle Channel, a conflict that was averted thanks to the pope’s mediation. Due to historical conflicts and alleged cultural differences, the Argentines and the Chileans have generally had very little to say to each other. The fact that Edesur’s main shareholder was of Chilean origin and even had the courage to oppose to Argentine legislation (the ENRE resolutions) therefore had a certain symbolic impact on the involved actors, not to mention the clients affected by the blackout. At the worst of moments, some in Argentina even attributed their suffering to the Chileans! These highly symbolic circumstances in the eyes of the Argentines prompted symbolic actions as the crisis continued. Voices calling for

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<sup>26</sup> The term “nationness” refers to an inherent collective sense and feeling of belonging to a nation (Borneman, 1992).

the annulment of the concession contract with Edesur became louder as the days passed. After Enersis president Guzmán's declarations, the National Crisis Committee elaborated a decree of necessity and emergency in order to put pressure on Edesur to pay the extraordinary fines determined in the ENRE resolution. The symbolic importance of this decree was that the national government was supporting ENRE's decision in spite of the legal doubts expressed by Enersis and local jurists. This action was also symbolic in the sense that it shed light on the issue of social responsibility during a contingency of this kind. For local as well as national politicians living in a country in which governmental corruption scandals were a matter of routine, the Buenos Aires blackout was a golden opportunity—a scapegoat for once from the corporate world whom politicians could blame for the crisis.

### 7.6 Sequencing & Synchronicity

It might appear that when a catastrophe occurs, it occurs independent of the world around it. No contingency, however, takes place in a social or political vacuum. The world continues to turn, and other problems requiring attention are likely to arise, even in times of catastrophe. Crisis management research refers to this state of affairs as *synchronicity*, that is, the occurrence of parallel or coincidental events in the midst of a crisis that can have an impact on how the crisis is managed (Stern & Nohrstedt, 1999). In the Buenos Aires blackout, the fact that the power outage occurred in February meant that a number of decision-makers who would later be involved in managing the crisis were on summer vacation. Edesur's Communications Manager, Martini, was in southern Argentina and was informed of the blackout over the phone, as was ENRE President Legisa, who was in Europe at that time. Their initial absence did not affect the response to the crisis, but was undoubtedly an element of disturbance in initial management of the crisis. ENRE's Board of Directors operates in a "flat" manner, that is, each of the Board members is vested with the authority to make decisions independent of the rest of the Board members in cases of emergency. In Edesur's case, the Communications Manager was Press Chief Ignacio Siscardi.

A second example of synchronicity that exacerbated tensions following the blackout was the raise in electricity rates implemented February 1, which entailed a rate increase of three to four percent for all Edesur customers on their next electricity bill. The Argentine electricity tariffs are regulated every three months and normally at that time of year the tariffs decrease. That year, however, a drought and the increased use of thermal energy resulted in increased energy costs. When the SEM, in the midst of the blackout, notified the public of a rates increase, the response was overwhelmingly negative. What might under "normal" circumstances have passed by relatively unnoticed was became an offense within the context of a blackout. Although the SEM was responsible for raising electricity rates, it was in fact Edesur that had to face the growing wrath of the people when notification of the new rates was made public.

For Edesur's main shareholder, Enersis in Chile, the Edesur crisis in Buenos Aires occurred at a very unfortunate point in time. The year before, the Chilean company had begun negotiating its holdings with the Spanish electricity firm, Endesa, and was in the midst of tense negotiations with Endesa when the power outage struck in February 1999 (Larraín, 1999a; English, 1999). On the evening of February 24, a shareholder meeting at Enersis headquarters in Santiago de Chile voted for the creation of a new Enersis Board. This issue had been preceded by a lot of speculations that the Spanish company would want to take con-

trol of the Chilean firm (English, 1999). The meeting was held the same evening that the power was restored in Buenos Aires. For Enersis president Guzmán, the escalation of the Edesur crisis and the role he was forced to play in the crisis occurred at a very pressure-filled moment, which may well have influenced the decisions made. It is interesting to note that while both these negotiations (in Santiago de Chile between Enersis and Spanish Endesa and in Buenos Aires between Chilean Enersis, Argentine Edesur shareholders and Argentine State) revolved around economic and legal-political transactions, what was also at stake was national pride. As discussed in section 7.5 the symbolics of nationalism involved in these circumstances played an important role. The relationship of the Latin American countries to Spain is sometimes complicated. While Spain is generally recognized as the motherland (*la Madre Patria*), Spain is also viewed as an imperial colonizer of Spanish American countries. According to this point of view, the investments made in Latin America by Spanish companies during the last decade are in fact nothing more than another expression of colonialism—neo-colonialism. Thus, issues of nationalism and cultural identity were two synchronic aspects that played an influential role in how the Buenos Aires blackout crisis was managed.

Another example of synchronicity, although more an event than an important circumstance, was the upcoming presidential elections. The governing party, the Peronist Party, was negotiating with the candidates, which is a public and quite scandalous affair in Argentina. Several governors wanted to postulate for the internal elections in April that year, while the stance of sitting president Menem oscillated between supporting a new candidate from his faction and running for re-election himself, despite the fact that this was in direct contradiction with his own constitutional reform.<sup>27</sup> This became an issue that required the attention of the sitting president, fact apart that this was not really a national concern that would have required his attention. Despite this fact, the circumstances in question prompted that the political level had to mobilize and would thus have some impact on the decision-making processes. The public and political claims on ENRE and the entire Menem administration for stricter measures against Edesur and the need for more political credibility prompted the Secretary of Energy and Mining [SEM] to pressure ENRE to issue guarantees in the concession contract. It was argued that such a move would prove the authority of the sitting government. It is important to note here that in Argentina the political administration at the national, regional and local levels is organized in such a way that when a new candidate assumes power, both the political decision-making staff as well as large parts of the administrative staff is exchanged. Thus, political and administrative staff identify closely with the government that provides them with a post and will generally defend the decisions of that government as long as that government is in power. SEM's attempts to pressure ENRE, and ENRE's subsequent move to introduce Resolution 291/99 are therefore rather logical in this context.

As mentioned earlier, GCBA Chief of Government Fernando De la Rúa was also a presidential candidate—although for the opposition. His position was rather similar to that of Menem, however, in the sense that whatever decision and action he would make in managing the crisis, this would be scrutinized through the lens of the presidential elections. From a political opportunity perspective, De la Rúa was fortunate enough to have been perceived as a

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<sup>27</sup> The constitutional reform was accomplished during the first mandate period of Menem and allowed for the re-election of the president for one additional term. The reform was implemented in order allow Menem to be re-elected in 1995. In 1999, then, he had already made use of this possibility, but was ready to introduce a new reform in order to remain in power.

successful crisis manager, which undoubtedly increased the credibility of his person and his campaign. For Edesur, structural and managerial changes within the company proved the most important example of synchronicity. Only a month before the power outage, Edesur underwent a major reorganization of its different departments, one that reallocated staff and resources and changed important established routines. While Edesur's new organizational structure was not particularly important in terms of the corporate decision-making process that occurred during the blackout, this reorganization clearly seems to have influenced communication strategies and specific actions undertaken within the company.

Crisis management, again, is essentially about decision-making. According to the experience of crisis decision-makers, a crisis is rarely perceived as a crisis per se until after it is over. Rather, a crisis is experienced as a series of problems that must be attended to (Stern, 1999:42–43). The first decision made generally affects the second and so on in a chain-like manner. Sundelius employs the analogy of the tunnel to crisis management in the sense that as the crisis (i.e. the tunnel) begins, there are a relative number of options, but as time passes, the tunnel narrows and options become fewer. At the end of the tunnel, there is scarcely any option left but to continue (1998:11). This is what is known in the crisis management literature as *sequencing*. There are some examples of sequencing in the Buenos Aires blackout, such as Edesur's initial decision to repair the burnt-out cables. This decision prompted the subsequent insistence on re-establishing the power supply through the same substation, which ultimately delayed the whole reconnection process.

Another example of sequencing is ENRE's routine decision to call Edesur's attention to the financial consequences of the blackout with the issuance of Resolution 222/99. As the blackout continued, and the social and political situation turned into a crisis, ENRE made decisions that would only result in increasingly harder measures for Edesur. The moves to annul the state's concessions contract with Edesur were not in fact undertaken, since the case never went to court, nor did any political actor—political rhetoric aside—appear willing to assume responsibility for the consequences that would result were the contract to have been abolished. Legal or not, Resolution 292/99 was as far as ENRE wished to take the matter.

## 7.7 Credibility

The issue of credibility has gained increasing attention in contemporary crisis research. A number of scholars working with issues of credibility argue that there is an intimate link between the maintenance of legitimacy and crisis decision-making, and that the interaction between these dimensions may have a decisive impact on communication, credibility and the decisions made (Hansén & Stern: 2001). Credibility is a socially-constituted phenomenon and, like a crisis, it can be a political resource. Credibility gains and/or losses in the decision-making process can have important symbolic consequences, which in turn affect the very way a crisis is managed. Credibility can be defined in terms of *social capital* in the sense of Bourdieu (1978) and is as such an asset in play during the entire crisis process—before, during and especially in the aftermath phase during which accountability and learning take place (Hansén & Stern, 2001). The division between these phases is certainly not clear-cut. Defining the notion of crisis itself as a process, different phenomena such as credibility can have their beginnings in the pre-crisis context, but not have an impact on the crisis until the post-crisis phase. Hansén and Stern emphasize the importance of “faultfinding” in the credibility pro-

cess and argue that the prevailing degree of trust that exists between different actors is correlative with the faultfinding dynamics at work; that is, the positive or negative interpretation that one actor makes of another actor's actions. The more trust there is, the less criticism there will be and vice versa.

While the Buenos Aires blackout did not develop into a national trauma in the profound sort of way that the assassination of Swedish Prime Minister Palme in 1986 or the MS Estonia ferry accident in the Baltic Sea in 1994 did, the notion of credibility was an important feature at all stages of the crisis management process. Pre-crisis credibility was characterized by two general political-cultural phenomena: distrust in the private corporation that only seeks profit and has no authentic interest in providing quality public services and distrust in the political establishment. In terms of the latter, Argentine political life is riddled with *coups d'état*, populist discourses and corruption scandals. The last military dictatorship, which ended with the Malvinas (Falklands) War, and during which as much as 30,000 citizens might have disappeared,<sup>28</sup> has left its wounds on Argentina, since many sectors of Argentine society feel that the military government truly lied to them. It is important to bear in mind that the image the military presented of their *de facto* regime was one of war against communist subversion and counterinsurgency in the name of God and the Fatherland. Many Argentines, in fact, did not have the faintest idea about the abductions, the concentration camps, the torture and the massive assassinations that the military government actually accomplished.<sup>29</sup> On the other hand, while democracy has been installed in 1983, the state of things, especially in economic terms, has worsened, with increasing the rates of unemployment, poverty and social violence, and thus increasing social differences and inequities. Local politicians are generally perceived to have dedicated more effort to increase personal fortunes than to their mandate as democratic representatives. These features have produced a generalized distrust in politicians and in political life, which were made obvious during the power outage.

Also, as previously discussed, the sense of loss of a collective good, in this case a state-owned company, to a foreign private company, which is presumed to care only about its own profits, increased the level of distrust among Argentines. Given these two facts, the pre-crisis context in Argentina was thus one of distrust of the crisis managers. The national government under the mandate of president Menem (publicly recognized and described as an outrageously corrupt administration) was the very instigator of the process of privatization and was thus supposed to defend it, no matter what. Once in the crisis development stage, the blame game in Argentina began. Hansén's and Stern's hypothesis (2001) that faultfinding can be expected in situations in which decision makers are charged with failing to prevent a crisis<sup>30</sup> is clearly applicable in the Buenos Aires case. Edesur was accused of focusing on reducing its production costs by dismissing 2/3 of the staff inherited from SEGBA (Clarín, 1999i) and reducing

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<sup>28</sup> "Disappearance" in this sense refers to abduction, torture and, in most cases, death followed by concealment of the body. This has been a rather common political strategy in military regimes in Latin American during the 1960's and 1970's, and also in European colonies in the twentieth century, such as the French government in Algeria in the 1960's. In this way, political adversaries—and so political opposition—to these regimes were removed and "silenced."

<sup>29</sup> For more about the atrocities committed during Argentinean military rule between 1976–83, see for example CONADEP's report (1983).

<sup>30</sup> "Proposition 1: Crisis Development. To the extent that decision-makers are blamed for failure to prevent or mitigate the crisis, faultfinding dynamics in subsequent phases are more likely to be provoked" (Hansén and Stern, 2001).

the number of quality controls of material and substations (Zlotogwiazda, M. & A. Klipphan 1999:8–13). The substation where the shortcut and fire was produced was actually to be the crown jewel of Edesur investments,<sup>31</sup> but once the power outage occurred, the company was charged with negligence in the transmission tests accomplished, which eventually caused the fire and power outage. The substation was not adequately equipped, lacking the sand that normally covers the cables as an ignition prevention measure.

Moreover, the substation lacked fire extinguishers, and there was no emergency plan in place in the event of an emergency. Moreover, the number of technicians present during the tests was insufficient (Ibid.). ENRE and its activities, too, swiftly became the object of distrust. Accusations of not having checked the installations in the Edesur substation before authorizing transmission tests were raised against the control organization (Clarín, 1999k). These early claims on Edesur and the ENRE did define the crisis as having been possible to avoid and responsibility fell hardest on these two actors, which would follow them through the whole crisis. In the phase of crisis response, the ENRE continued to be blamed for lack of control and lack of sanctioning power over the concession company Edesur. The judicial charge and the subsequent police raid at their respective headquarters were instances where the lack of credibility and the scrutinizing of the crisis copers became explicit. Also, when ENRE executives were invited to the National Congress during the second week of the crisis, they were harshly criticized by deputies and had great difficulty explaining what their competence was as well as which judicial tools and procedures they actually had at their disposal for dealing with the crisis. In this case, then, the hypothesis that faultfinding increases and legitimacy decreases when a decision-maker is charged with inadequate crisis response is accurate.<sup>32</sup> Edesur, too, was increasingly discredited in the public's eyes. In spite of the fact that the number of clients affected decreased each day as the company got closer to a technical solution, Edesur's credibility was already tarnished by its repeated failed promises that service would be restored.

This loss of credibility in turn illustrates Hansén & Stern's fifth hypothesis that "Crisis communication which heightens media and public expectations is likely to promote fault-finding and impose legitimacy costs if subsequent performance does not measure up" (2001). The phase of post-crisis, or accountability and learning, also featured dimensions of credibility losses in the Buenos Aires blackout. While parliamentary hearings were completed as early as Tuesday, February 23, and ENRE had called an expert panel to convene on Wednesday, February 24 (ENRE Resolution 297/99) in order to determine who was responsible for the blackout, accountability issues continued to dominate even after power was restored. The same day that electricity was restored (Wednesday, February 24), ENRE resolved to arrange for a Public Audience<sup>33</sup> in which all involved actors would have the opportunity to speak and make their claims (ENRE Resolution 298/99). This Audience was held one month later at ENRE headquarters. The different political and consumer defense organization representatives again raised harsh criticism against Edesur, ENRE and the Secretariat of Energy (ENRE – Public Audience, March 30–31, 1999). In addition to federal court charges against ENRE

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<sup>31</sup> The construction of the substation Azopardo Nueva cost US\$ 45 million and was to be inaugurated in February, 1999 (Hechos, March/April 1999).

<sup>32</sup> Proposition 2: Crisis response. To the extent that decision-makers are blamed for an inadequate operative crisis response, legitimacy decreases and the disposition towards faultfinding (with regard to subsequent evaluations) increases (Hansén & Stern, 2001).

<sup>33</sup> The Public Audience was set for March 8, 1999 This was postponed, however, until March 30, 1999.

and Edesur brought by an independent lawyer during the first week of the crisis—an event that also entailed a loss of credibility to these institutions—a number of legal charges were also made after the acute phase of the power outage. The Buenos Aires Ombudsman handed in a collective charge against Edesur on behalf of all affected Porteños (Clarín, 1999z), and Edesur brought charges against its materials distributors, Pirelli Cables and Alstom (Edesur, 1999).

In a sense, the decree issued by the National Government as a means of reinforcing ENRE resolution 292/99 should Edesur continue to refuse to pay extraordinary fines was also an issue of trust—or lack thereof. Edesur had earlier claimed that ENRE's resolution lacked would not be legally enforceable, and well-known Argentine lawyers had also expressed their doubts on this point. If the resolution was in fact impossible to enforce legally, the Argentine state would be left politically and financially responsible for all damages incurred during the blackout. The decree issued by the National Government was therefore important in order to restore the credibility of state actors, although it never became necessary to actually apply the decree.

Hansén & Stern (2001) present a seventh hypothesis to be tested in future research on those crises that have developed into national traumas. They propose that when responsibility for a crisis and/or the management of it has not been allocated by the end of the post-crisis phase, credibility losses and faultfinding are prone to become chronic. While the Buenos Aires blackout did not develop into a trauma—much less a national one, there are nonetheless aspects of the hypothesis that can be applied to the Argentine case. While it can be said that consensus had been achieved regarding who was responsible for the power outage, these actors, mainly Edesur, suffered a severe loss of credibility that persists to this day. As soon as an incident occurs that is in some way related to electricity in Buenos Aires, the media is inclined to publish huge headlines on these incidents. In the summer months of 2000 and again in 2001, there were repeated power outages in the midst of heat waves, which led the media to ask if the nightmare of the 1999 blackout was once again about to be repeated. Also in 2000, due to public charges made by a family whose daughter died of leukemia, all of the electricity companies in Argentina were accused of using lethal materials in their transformers that posed both an environmental and a public health problem. As a result, Edesur and EDE-NOR were obliged to publicly acknowledge the use of the harmful agent PCB in their transformers as well as the severe negative effects on the surrounding environment and severe health risks that such an agent was likely to cause (Clarín, 2000).<sup>34</sup> The negative image of the company has proved difficult to reverse since the blackout, indicating that the issue of credibility is of outmost importance in times of crisis as well as in everyday life.

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<sup>34</sup> PCB [Polychlorinated Biphenyl] is an organic substance that has been widely used all over the world in the construction of buildings and in electric components PCB's are viscous substances are used in electric transformers as refrigerating material. PCB's have been shown to cause reproduction problems in fauna and have also been shown to be dangerous for humans, affecting the nervous system, cognitive capacities and the immunological system. They may also cause cancer (Swedish Environmental Agency, downloaded on 12 February 2001; Committee on Remediation of PCB-Contaminated Sediments, 2001).

## 7.8 Expertise

Crisis research has shed light on the role of experts in crisis situations, particularly their central role in decision making-processes (Rosenthal & 't Hart, 1991; Newlove et al., 2000). Among the different subjective perceptions of the situation at hand, the expert is generally viewed as objective and capable of making the right assessment, which, in turn, legitimizes the decisions made (Sundelius et al., 1997:198). While a distinction can be made between internal and external expertise, and between technical and socio-political experts (Newlove et al., 2000:141), neither of these distinctions is absolute. In the environmental crisis in Spain in 1998, the different scientific stances regarding which aspects were more important (soil versus water) became headlines in the press, which led to public as well as political distrust (Ullberg, 2001). In the Buenos Aires blackout, there were many groups of experts involved. While all of the actors involved relied on internal expertise, external specialists were also hired. Edesur, in its character of provider of electricity, naturally counts on engineers and technicians to attend technical matters. These were also the principal actors to assess which solution to apply in order to reconnect the failed cables. When their solutions failed, however, ENRE as a surveying agency enabled its technicians to assess their Edesur colleagues. Thus, experts were assessing experts. ENRE was not satisfied with this, however, and also hired a research team from the High Tension Laboratory of La Plata National University (ENRE Annual Report, 1999). They produced an exhaustive report based on their analysis of the case and substantial information for ENRE as well as for the SEM (ENRE Expert Group, May 1999). In addition, due to the numerous claims Edesur clients filed with ENRE, the agency was obliged to create a special unit to process all related blackout-related matters: the *Azopardo Nueva Unit*.<sup>35</sup> Thus, within this expert organization on electricity issues, a specialist group on this specific case was produced (ENRE Annual Report 1999).

While Edesur relied on expertise in matters of electricity, the company suffered from a lack of specialized staff in other management areas. When the Communications Department felt that the situation was going out of hand, the decision was made to hire an external communications consultant firm. The consultant *Nueva Comunicación* was considered to be the top firm in Argentina on matters of communication (Dillenberger, & Curubeto, 1999:14). The consultant firm was an important support to Martini and his communications department in this pressed situation, suggesting new communicational strategies by which to change the flow of information. There was an additional external actor involved in "blame game" that occurred following the blackout. As attempts at reconnection failed repeatedly, Edesur finally concluded that there was a problem with the materials being used. The provider of the cables that failed was the company, Pirelli Cables, and Edesur blamed Pirelli Cables for the failures. This prompted Pirelli to send their own experts from Italy to join the Argentine Pirelli staff in order to investigate the cables used and the causes of the accident (Clarín, 1999m). Edesur subsequently filed suit against Pirelli (Edesur, 1999:57).

<sup>35</sup> "Azopardo Nueva" was the name of the affected substation.

## 7.9 Learning

As discussed earlier in the theoretical section of this study, the issue of institutional dynamics is an important aspect of crisis management. To what extent is an institution a homogeneous actor, and how does it shape individual thought and action? Organizational response to a crisis has a great deal to do with learning (Lebow, 1981; March & Olsen, 1989; Sundelius et al., 1997; Stern, 1999). Although “learning” is a rather tricky concept to work with analytically (Dekker & Hansén, 2004), it has been defined as “...the development of insights, knowledge, and associations between past actions, the effectiveness of those actions, and future actions” (Fiol & Lyles, 1985:811). This definition emphasizes the dimension of agency implied in the process, but the cognitive dimensions of learning that relate to the human capacity of representing and making a meaning out of the world are also central to the concept. As such, it also has to do with memory and oblivion. For the purposes of crisis research, it is interesting to see how institutions remember or forget previous experiences as part of a learning process (Sundelius et al., 1997:41–42). Newlove et al. (2000:151) pose the following question: can an institution learn or is this a purely individual feature? They hold that systemic learning is feasible and is accomplished through the social organization of the individuals that constitute the institution. This argument is in line with Mary Douglas, who remarks: “The whole approach to individual cognition can only benefit from recognizing the individual person’s involvement with institution-building from the very start of the cognitive enterprise” (1985:67). Thus, learning is infused with institutional memory or oblivion through social organization; that is, decision-making structures, routines and norms, by which individuals within this institution think, decide and act.

Newlove et al. (2000:151) divide learning processes into three categories: **pre-crisis learning**, **intra-crisis learning** and **post-crisis learning**, referring to prior personal and historical experiences (pre-crisis); the lessons learned during the particular crisis (intra-crisis) and inquiries undertaken afterwards a crisis (post-crisis) In contrast to the power outage in Auckland power, there were recent historical analogies to draw on during the Buenos Aires blackout if actors were so inclined, among them, the blackout in New Zealand the year before. However, this case was not very well known by any of the Buenos Aires actors. At Edesur as well as at ENRE and the SEM, the search for similar power outage crises began once the blackout in Buenos Aires was a fact, and information was subsequently gathered on the Auckland case, the New York blackout of 1977 and the Canada ice storm of 1998 (Martini, 2000, personal interview; Devoto, 2000, personal interview). The GCBA’s Rescue Services [DC], too, had no knowledge of any previous blackouts similar in size to the Buenos Aires blackout. In fact, the DC had not included power outages on their list of potential contingencies at that time (Sanchez, 2000, personal interview).

However, there was a local historical analogy to draw from. In August 1962, a ten-day long power outage at SEGBA affected 25% of Buenos Aires inhabitants as well as vast industrial areas, causing severe problems. This blackout and its management were not recalled by any of the involved actors, perhaps because it had occurred almost 40 years earlier, before many of the decision-makers were born. Still, this example of forgetting reinforces the idea that institutions can forget previous experiences. Thus, the blackout in Buenos Aires turned out to be an intra-crisis instance of learning for all of the involved actors. The Rescue Services—in spite of being a catastrophe organization—had to co-ordinate all participating forces, from their own staff to the military and the Federal Peace Force (Cascos Blancos) in order to dis-

tribute mobile generators, drinking water, ice, food, in some cases, candles. The GCBA also organized the operation of attending to the elderly affected by the blackout as well as confiscating spoiled foods in order to protect public health. ENRE, by sanctioning Edesur, had to create new jurisprudence for these kinds of situations of contractual irregularity. While the clauses of execution of guarantees provided in the contract do allow for the re-negotiation of services, nobody that participated in the privatization process had really imagined this could be put on trial. This experience shed light on the need for a clear legislation and clear contract terms when it comes to questions of responsibility during an emergency. Finally, Edesur, who appeared as the major scapegoat in this crisis, learned several lessons on the way.

The first lesson learned was that of preparedness. A situation like this had been unthinkable to the company, which is why no plan of action in case of an emergency existed. Many of the ideas on “what to do next” were based on previous knowledge, like the technical solutions. The estimations of time to reconnect electricity, for example, were based on routine timetables for this kind of tasks (Dillenberger & Curubeto, 1999:13). As these did not work out, however, new solutions had to be created as problems arose. This prompted the creation of a General Contingency Plan that would insure that Edesur was better prepared for crises in the future (Edesur, 1999:17). The second lesson learned related to the issue of communication and information. Important aspects such as what, when and where to process information and communicate with authorities, the media and clients, were central during the blackout crisis. This experience prompted Edesur to develop new communicational strategies with the help of an external consultant in order to restore public confidence in the company.

In matters of post-crisis learning, the Buenos Aires blackout can hardly be compared with the Auckland power outage and the amount of scrutiny this incident received (Newlove et al. 2000:154–160). No vast governmental report was published nor has Edesur published any reports on the case in order to inform the public, but also to capitalize on the learning experience. The Edesur staff magazine, “Hechos,” did devote an entire number to the “Azo-pardo event,” but did so in rather general terms (1999). ENRE also reviewed the blackout in their Annual Report 1999, but only offered a very brief description of the events (1999). One event that did serve the purpose of post-crisis learning was the Public Audience held at ENRE headquarters at the end of March 1999, approximately one month after the blackout. At this meeting, all of the actors involved were represented, including affected customers, and although the debate was organized very much in terms of responsibility and compensation, it also functioned as a forum for voicing other important aspects of the crisis as well (ENRE Public Audience, 30–31 March, 1999).



## 8. Conclusions & Considerations

The aim of this case study has been to analyze management of the blackout that struck parts of the City of Buenos Aires in February 1999 in order to gain a clearer understanding of how infrastructural contingencies such as power outages are managed within the context of privatized public services—an increasingly common feature in contemporary societies. This is especially interesting considering how dependent modern society is on electricity, particularly in urban settings. There are several conclusions that can be drawn from a study of this crisis as well as a number of observations relevant for crisis management practices in the future.

As with many other categories of crises, infrastructural contingencies not only place severe pressure on decision-makers, but also directly affect large numbers of people. Power outages in an urban setting have an impact on society, whether these shortages last a couple of hours, many days as in the Buenos Aires case, or for months as was the case in Auckland. The magnitude as well as the cultural and political context of this impact will in turn affect the entire scene of crisis management. In Buenos Aires, an eleven-day power outage left residents, shopkeepers, offices, and industries without lights, water, sewage, refrigeration, air conditioning, elevators, traffic lights, information systems, and other electricity-dependent services in the middle of a hot summer (+ 30° C). This required concrete mitigating measures and resources, for example the distribution of drinking water and mobile electric generators, as well as personal assistance for a number of elderly who were now “trapped” in their apartments. However, this also required a political response as victims—the injured clients of a private corporation selling a public service—took to the streets and burned tires, protesting the length of time it was taking to resolve the blackout and demanding “justice.” This put heavy pressure on both the corporation responsible for the blackout and the state responsible for guaranteeing the rights of all of its citizens.

Categorizing crises as “credibility crises,” “infrastructural crises,” “natural disasters,” “man-made catastrophes,” and so on addresses the question of whether there are any substantial differences in their management when it comes to decision-making processes. In line with the definition of “a crisis” as a situation characterized by urgency, uncertainty and a threat to important values, there is no conceptual difference between any of the different crisis categories, since they share these same criteria by definition. Furthermore, decision-makers will have to act, to make decisions in any given crisis, whether it is a power outage, a currency crisis, nuclear fallout, an unsolved murder case, or a flood. What differs, however, is the social impact of the crisis; that is, the kind of impact that results and its magnitude, both of which have to do with the threat to basic values. The social constructivist stance sketched out in the theoretical section of this study holds that the values at stake, the social impact of a crisis, and perceptions of risk (an issue not explored in this analysis, but an important aspect of crisis research nonetheless) are culturally constructed. With such cultural variation in mind, it would be helpful to categorize the different values at stake in each society and the threats to these values.

Although a currency crisis inevitably affects an entire nation (and most probably the global financial community in some way) and a credibility crisis such as the unsolved assassination of Swedish Prime Minister Olof Palme may produce national trauma, these crises pose no direct threat to such basic societal values as life *per se*—to survival and the provision of the basic necessities of life (cultural differences notwithstanding). When the threat is direct, how-

ever, as in lack of food or water, disease, lack of shelter, or imminent death, the social impact is concrete and tangible, perhaps also inescapable, for the individuals affected and for society at large. From a decision-makers' perspective, the magnitude of the social impact in this sense, and the reciprocal social and political pressures it produces, inevitably tighten the constraints placed on the space and time available for decision-making. The affected community or communities and society at large will demand that important decisions be made "the day before" and that there be an immediate response to people's concrete suffering. While there were no fatalities in the Buenos Aires power outage, the situation for those hundreds of thousands of residents directly affected by the blackout was unbearable, which certainly put particularly severe pressure on the decision-making actors involved.

As a consequence, the issue of the social and political nature of any crisis cannot be dismissed, particularly when its complexity evolves within the spheres of "public" and "private" as well as "citizen" and "customer." While the idea and practice of citizenship can be traced back to the ancient Greeks and their democracy, or to the French Revolution, the notion of the Consumer as a feature of the modern state is more recent. The contemporary notion of the Citizen as an individual social role with rights and obligations vis-à-vis the State now includes that citizen's rights and obligations vis-à-vis the Market. In this regard, the *Consumer* as a social role is entangled with the role of the Citizen. Surely this is a sign of the times, in which the practice of consumption is central to our post-industrial way of life as well as to the functions of the contemporary State. Both contemporary Markets and States are largely framed by a global liberal market economy, suggesting that *consumership* (cf. citizenship) may be a most useful concept to describe the position that the individual occupies in such a society. "Consumership" in this case refers again to the citizen's consumption of public services. The State thus remains on center stage, both as a former public service provider and as a supervisor of the public services that have to a large extent been privatized.

When it comes to crisis management in such a complex context, then, the issue of "who owns the problem?" becomes central and highly symbolic. In the Buenos Aires case, the issue of responsibility increased tensions between the corporation and electricity provider (Edesur) on the one hand, and the Argentine State on the other (embodied both in the regulatory agency monitoring electricity services, ENRE, and the National Government). This allocation-of-responsibility-problem caused the crisis to escalate as the solution to the problem (the power outage) was delayed and the social impact of the outage grew more pronounced for every passing day in darkness. The meanings of cultural and political symbols in daily life are likely to be emphasized during a contingency, either aggravating or improving the situation. What appears at first sight to be a technical, operative problem can easily become a social and political crisis with longstanding consequences.

The values at stake will thus play an important role in this development. In the Buenos Aires case, the corporate actor, Edesur, defended a range of values, among them the reputation of the firm and the exchange value of the company's shares, the threat of company losses due to severe fines, and the very right to continue to provide electricity to a large portion of the population of Buenos Aires. Individual corporate actors, too, defended their positions during the crisis, fully aware that they, like everyone else, were replaceable. For governmental actors as well—ENRE and local and national governments—there were significant gains and losses at stake. As a newly constituted state bureau, in this case a regulatory agency whose very *raison d'être* was to monitor the performance of private power companies, ENRE's legitimacy was clearly threatened during the crisis. Moreover, the issue of financial compensation to vic-

tims of the blackout cannot have been a slight one for the government. Argentine state finances were in very poor shape at that point, and the government faced the unpleasant prospect of having to pay these fines itself. At the individual level, too, the upcoming presidential campaign at the end of 1999 operated as a kind of synchronic circumstance and window of opportunity for Buenos Aires Mayor Fernando De la Rúa, who was running for president, as well as for the President Menem, whose goal at that time was to be re-elected.

Were these threatened values the reason that this event developed into a long-term crisis? While the financial aspects in this case were undoubtedly important, the basic value ultimately under threat during the blackout—the value that set the longstanding terms of the crisis—was the very model of public service itself in Argentina and the credibility of such a model. The process of privatization of public services in Argentina had until then served as a model—positive as well as negative—for state structural adjustments in Argentina and elsewhere. The blackout and the crisis that ensued triggered a larger social and political recapitulation process in Argentina in which the re-structuring of the State, the democratization process, and the role of global market forces once again became the object of scrutiny and debate.

Faced with this value complexity that in many ways determined the ways that corporate and public actors managed the crisis, is it possible to identify differences and/or similarities in their respective crisis management strategies? Both corporate and public actors in the Buenos Aires blackout essentially responded in line with their respective tasks; that is, Edesur concentrated on restoring electricity, ENRE focused on the observation and sanction of Edesur, the local government of the City of Buenos Aires and its Rescue Services aided those affected by the blackout, and the National Government supported measures issued by ENRE and the Buenos Aires Government. For both corporate as well as public actors, the initial problem framing was short term, which delayed any action beyond the repair of burnt-out cables. For all actors, too, the level of decision escalated as the crisis developed. Edesur's Board of Directors eventually began to take orders from the main shareholder, Enersis, in Chile, and ENRE was pressured by both the Secretariat of Energy and the National Government to do more. All actors also applied reactive media and communicative strategies, at least at the beginning of the blackout. While ENRE was harshly criticized in the media, the "head on the stake" was in fact Edesur's. A certain transparency characterized the information provided by Edesur, but this was not sufficient to repair the loss of public credibility that the company suffered due to the contradictory and confusing flow of information. The pressure on Edesur's Communications Department was so intense and the company communicative strategy so unsuccessful that an external consultant firm was finally brought in to "save" the situation. This was done again by applying a proactive communicative stance.

Like Edesur, public actors, too, hired external expertise. In order to gather accurate information, ENRE hired the High Tension Laboratory at La Plata University to deliver a report of the events to the agency. When it comes to learning, both corporate and public actors in this case had to learn in an *ad hoc* manner in many respects, since it was the first time that they had been forced to manage such a long power outage. In essence, then, there would appear to be more similarities than differences between corporate and public crisis management in this case. Is this conclusion surprising or is it to be expected? The legal frameworks, political conjunctures and cultural norms within which corporate and state actors operate today are increasingly blurred, which makes it difficult to offer generic and clear-cut answers to questions such as whether private ownership of a public service has any particular effect on the management of an infrastructural crisis. In organizational terms, however, there were in

essence no differences between the public and corporate actors in this case, a finding that can be explained theoretically as well as empirically.

Theoretically, there are reasons to avoid distinguishing the concepts of “private” and “public” from each other. A basic premise of the cognitive institutional framework used here is that the social actors analyzed are collective and institutional, be they small governmental decision-making groups or large corporations. This study has also emphasized individual action as something both institutionally driven and constrained. Categorizing social actors as corporate and state actors, respectively, is likely to suggest that their organizational behavior will differ according to the ideologies ascribed to them. This supposition may not only be biased, but even blur any theoretical analysis of crisis decision-making in organizations. Instead, corporations as well as governmental agencies must be defined as essentially social institutions that embody the state and the market—those social, cultural, political, and economic fields in which these institutions act and negotiate. Empirically, it stands to reason that these fields are neither opposed nor juxtaposed (particularly in today’s state of the State), but rather interposed, sharing unfixed boundaries and thus blending, or “invading” each others’ “territories.” For the corporation, maximizing profit would be its essential purpose, but it still remains an organization that acts and profits, not only within a legal and political framework, but also by and within a network of social and cultural norms. On the other hand, the governmental agency that is supposed to be an impersonal, apolitical and “neutral” institution is also driven and constrained by personal ambition, secret alliances, political loyalties and, of course, money. Thus, in the Buenos Aires case, social and political pressure on Edesur to assume responsibility for the losses suffered by clients affected by the blackout—although beyond the clauses of the concession contract—reflected the cultural assumption that any company providing (even in the market sense of the word, that is, selling) a public service also has a social responsibility. In turn, the Argentine state that had delegated public service duties to the market through privatization was expected to act in a vigorous Keynesian manner, defending the interests of its citizens and the sitting government as well as the economy of the nation.

By way of conclusion, this study offers a number of key considerations that emerged from an analysis of the Buenos Aires case:

- When framing a problem, actors must be careful when it comes to establishing time frames. What may appear to be a problem quickly solved can easily turn into a long-term crisis, as the example of the blackout in Buenos Aires shows. Decision-makers must also be aware of the “worst case scenario” versus the “rosy-scenario” approach. A balance between the two must be sought in order to gain public attention and credibility on the one hand and to avoid social unrest and legitimacy losses on the other.
- When it comes to symbolic values, the social, cultural and political dimensions of a crisis cannot be dismissed. A crisis generates political and social responsibilities that are expected to be assumed by the decision maker/s. In the Buenos Aires power outage, all involved actors were harshly reminded of this when street riots by affected *Porteños* began. However, actors must also be aware that an overstatement of concern can be counterproductive. Such was the case during the Auckland power outage, in which the Mayor’s concern was instead interpreted as covering up for the failures of the power company.
- The issue of credibility is intimately related to symbols. These are vital capital to the decision-maker and must not be wasted. There are gains to be made relatively easily.

The losses that are risked, however, are very difficult to repair afterwards, and such losses will have significant impact on the whole crisis management process. In the Buenos Aires case, the contradictory flow of information from Edesur produced an important loss of credibility for the company that only escalated the crisis. “Thinking one step ahead” is thus recommended, although circumstances are likely to get in the way of this intention.

- Communication is a vital process in crisis management. Communication takes place on several levels: between the decision-maker, the affected community and the public in general; with other public and private institutions and organizations; with the media, and within the same institution in which the decision-maker acts. The necessity of “knowing what is going on” is essential for all of those involved in a crisis in order to make decisions and to act upon them. As exemplified throughout this study, the lack of efficient and clear communication in the Buenos Aires crisis proved to be a decisive issue for the entire development of the crisis. Thus, the decision-maker must always be prepared to inform, and any communicative obstacles that might appear during a crisis situation should be avoided by the provision of several alternative channels of communication.



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- (1999c) *Indemnizarán a usuarios afectados por el corte* [Clients affected by the blackout will be compensated] 17 February
- (1999d) *El apagón tampoco perdonó a los abuelos* [The blackout had no compassion with the old folks] 17 February
- (1999e) *Sin luz, sin agua y con bronca* [Without light, without water and with anger] 17 February
- (1999f) *Edesur promete que desde hoy a ningún usuario le faltará la luz* [Edesur promises that from today no client will lack electricity] 18 February

- (1999g) *Comienzan las demandas de los damnificados contra Edesur*. [The charges of the harmed Edesur clients begin] 18 February
  - (1999h) *Calles cortadas y velas encendidas*. [Blocked streets and lit candles] 19 February
  - (1999i) *Quieren que las sanciones para Edesur sean más duras*. [They want harder sanctions against Edesur] 19 February
  - (1999j) *Menem no quiere regalarle la protesta a la oposición* [Menem doesn't want to give away the protest to the opposition] 19 February
  - (1999k) *La luz no volvió y los cortes se extendieron a otros barrios* [The light did not come back and the blackout extended to other blocks] 19 February
  - (1999l) *Las promesas de la empresa, día a día* [The company's promises, day by day] 19 February
  - (1999m) *Pese a todas las promesas, ahora Edesur ya no sabe cuando volverá la luz*. [In spite of all promises, Edesur has no idea when lights will be back] 20 February
  - (1999n) *Los vecinos demostraron su furia con fogatas y cortes*. [The neighbours manifested their fury with street fires and blockades] 20 February
  - (1999o) *Todavía nadie sabe qué está pasando* [Nobody knows what is going on yet] 20 February
  - (1999p) *El Gobierno formó un comité de crisis* [The government constituted a crisis committee] 20 February
  - (1999q) *Todavía quedan más de 30 mil usuarios sin luz*. [There are still 30,000 clients without lights] 21 February
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  - (1999t) *Reunión en Diputados*. [Meeting in the Deputies'] 23 February
  - (1999u) *Admiten que tampoco hoy habrá luz para todos*. [It is admitted that there will not be light for everybody today either] 24 February
  - (1999v) *La Alianza le pegó muy fuerte al Gobierno por el corte de luz* [The Alliance accused the Government for the power outage] 24 February
  - (1999w) *Edesur faltó a la cita y no dio explicaciones a los diputados* [Edesur did not show up and gave no explanations to the Deputies] 24 February
  - (1999x) *Edesur no quiere pagar la multa de 100 millones*. [Edesur doesn't want to pay the 100 million fine] 25 February
  - (1999y) *La pelea política por el apogon* [The political fight of the blackout] 25 February
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