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LADB Staff

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## **Transit Strike Impacts Presidential Election Campaign**

*by LADB Staff*

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A ten-day bus strike and protests against an increase in bus fares has hurt the economy and created a major political issue for the presidential campaign. The interim solution is to leave the mess for the next administration.

University students began protesting on May 29 by burning one bus and partially destroying two others after Managua bus cooperatives arbitrarily raised fares from US\$0.15 to US\$0.25. Twenty students were arrested and an indeterminate number were hurt in a clash with riot police June 4. Demonstrators were trying to pressure negotiators from the bus cooperatives, city regulators of the Instituto Regulador del Transporte Municipal de Managua (IRTRAMMA), and the Ministry of Transportation and Infrastructure (MTI).

Student leaders said they would accept a fare no larger than US\$0.15 and demanded the government reinstate subsidies to bus owners, who claimed they were losing money because of increased operating costs. Ramon Cruz of the Union Regional de Cooperativas de Transporte Colectivo (URECOTRACO), which represents 40 bus cooperatives, said if the students continued the protest, bus owners would take their buses off the streets to avoid vandalism.

Compounding the problem was the failure of the city and the MTI to effectively regulate urban bus service and to control fare increases. More was at stake than bus fares. Ruth Herrera, a member of the consumer protection group Liga del Consumidor, told the daily La Prensa that her organization would demand a long-term solution that would include monitoring the quality of service and reporting rule violations by drivers. She complained that police ignored constant abuses and arbitrary behavior by bus drivers.

### ***Owners halt service to force acceptance of new fare***

On June 5, bus owners began a strike that shut down nearly all bus service by the next day. URECOTRACO president Rafael Quinto said the buses would remain idle until the government accepted the fare increase. He added that he had the support of the students. A clash between police and bus drivers on June 8 resulted in the arrest of seven drivers. Press reports said the violence occurred when riot police attempted to enter the headquarters of two bus cooperatives in search of weapons. Cooperatives want the government to cover the fare increase with a subsidy. Quinto said the subsidy could take the form of dropping the tax (Impuesto Especifico de Consumo, IEC) on gasoline.

At the time the strike was announced, MTI secretary general Eliseo Nunez had proposed a US\$0.14 fare, less than the current fare. "[Nunez] doesn't seem to be a serious minister...we are playing with a preschooler," said Quinto. Quinto complained that MTI had approved every unilateral fare

hike after the fact, but this time it was blocking the increase out of fear of a consumer revolt and political payback in the next election. MTI officials based their US\$0.14 recommendation on a study of operating costs, but Treasury Minister Esteban Duque Estrada said he did not think there was enough technical information on costs to arrive at a reasonable fare.

Business reported a drop in retail sales of between 30% and 60% in the capital, and the Camara de Comercio de Nicaragua estimated strike-related loses at between US\$2.5 million and US\$3 million per day. But no one seemed to know which officials national or municipal had authority to regulate fares. Neither MTI nor the city cared to claim responsibility in the politically explosive matter.

The National Assembly showed little interest in settling the dispute, saying the responsibility rested with the MTI and IRTRAMMA. Two Assembly committees charged with interpreting the transportation law on what entity had regulatory power over fares could not agree and submitted three conflicting reports. Finally, the Assembly passed a bill June 13 proposed by the governing Partido Liberal Constitucionalista (PLC) giving the city regulatory authority over fares. But the opposition Frente Sandinista de Liberacion Nacional (FSLN) promised to challenge the law in the Corte Suprema de Justicia (CSJ) on grounds that the Liberals had unconstitutionally shifted responsibility from the MTI to the cities.

Managua Mayor Herty Lewites also vowed to appeal the law to the CSJ. He said the PLC deputies had bought two votes to get the bill passed. Assembly moves to "liberate" buses National Assembly Deputy Wilfredo Navarro of the PLC turned to a free-market solution, introducing a bill to open ("liberate") urban transportation to more competition. The bill (Liberacion del Transporte) would grant permits to anyone who met the government's criteria for running a bus company, though the MTI would regulate fares. Quinto warned that, if the bill passed, interurban bus owners would join the strike, paralyzing public transportation nationwide. He said liberation would mean an unregulated scramble for riders and transportation chaos.

CSJ magistrate Francisco Rosales agreed that the bill would only worsen the crisis. Both that bill and another one to reform the labor code were proposed by Liberals, he said, and they seemed to believe they would not hurt the campaign of PLC presidential candidate Enrique Bolanos.

On June 15, bus cooperatives ended their strike after Lewites promised that he would block the "unfair competition" from 350 interurban buses that pick up bus riders inside the city. However, the interurban bus owners say they may not be able to stay in business if they are prohibited from entering the city. Lewites, now stuck with the responsibility of settling the fare issue, has turned the crisis back over to the national government. The agreement with Quinto rolls fares back to US \$0.15 for six months, after which the deal will be reviewed and renegotiated by whoever wins the November presidential election. "I told the transport owners that...the new [presidential] candidates who are running around right now in the streets should make a proposal about how transportation in Nicaragua should be run no matter who wins, because only the government can resolve the problems," Lewites said. He has also asked the government for a US\$0.04 subsidy to close the gap between the US\$0.19 fare cooperatives are now willing to settle for and the US\$0.15 fare the students insist on.

The Assembly may have thought passing authority over fares to the cities would solve the problem, but Lewites understood that the mayors of all the cities now had a new financial liability. "I believe the president and the economic cabinet have to sit down and talk, not only with the mayor of Managua, but with the rest of the mayors on the Impuesto Especifico al Consumo on fuel, because if they give the [US\$] 0.02 cent per gallon to help transportation in Managua, they could resolve the situation."

### *Deputy blames strike on Sandinistas*

Assembly Deputy Navarro blamed the transportation predicament and other elements in the current Nicaraguan political crisis on the FSLN. He said the party was conspiring to force the government to make concessions such as granting more advantage to the Sandinistas in upcoming court appointments. "This climate of violence and destabilization is for the purpose of destabilization; it's to twist the government's arm," Navarro said. But public policy expert Emilio Porte Pallais said the root of the transportation problem is with the government and the unregulated marketplace.

Writing in *La Prensa*, Porte said that, with the fall of the Sandinista government in 1990, bus service was transferred from the state to private cooperatives. However, the government failed to effectively regulate the cooperatives, while rewarding them for poor service with subsidies and preventing free-market competition by erecting barriers to the entry of new cooperatives. Since the government poured large amounts of subsidy money into the operation despite bad service, Porte asked why public transportation was privatized in the first place. His solution is a government-managed transportation system. "Public enterprise is not synonymous with inefficiency," he said.

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