

*regional passenger transport,  
public goods*

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## THE DIRECTIONS OF CHANGES IN THE PUBLIC UTILITY AREA IN THE PASSENGER TRANSPORT OF REGIONAL RANGE

The paper presents proposal of changes in the area of public utility in the passenger transport of regional reach. The basic issues in this respect, requiring a new approach, include determination of type structure of these services and recognizing the transport against discount tickets and free of fare as such, based upon the law on authorization to use discount tickets in the public common transport vehicles. The active policy of State and local governments requires a sufficient amount of financial means for their realization when related to the regional passenger transport.

## KIERUNKI ZMIAN W SFERZE USŁUG UŻYTECZNOŚCI PUBLICZNEJ W TRANSPORCIE PASAŻERSKIM O ZASIĘGU REGIONALNYM

W artykule przedstawiono propozycje zmian w sferze usług użyteczności publicznej w transporcie pasażerskim o zasięgu regionalnym. Do zasadniczych problemów w tym zakresie, wymagających nowego podejścia, zaliczyć należy określenie struktury rodzajowej tych usług oraz uznanie za usługi użyteczności publicznej przewozów za biletami ulgowymi oraz przewozów bezpłatnych na podstawie ustawy o uprawnieniach do ulgowych przejazdów środkami publicznego transportu zbiorowego. Aktywna polityka państwa i władz samorządowych w odniesieniu do regionalnych przewozów pasażerskich wymaga zagwarantowania wystarczającej wielkości środków finansowych na ich realizację.

### 1. INTRODUCTION

According to H. Ćwikliński, the basic task of regional economical policy includes „provision of locally generated public goods and services to the inhabitants of region and communes, as well as undertaking actions for local economical development”<sup>2</sup>.

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<sup>2</sup> For more, see: Economical policy, H. Ćwikliński (red.), Wydawnictwo Uniwersytetu Gdańskiego, Gdańsk 2001, p. 182

The scope of term „public goods and services” is interpreted in many various ways. The well-being economy discerns private goods, constituting a majority of goods and public goods. “Public goods is such kinds of goods that may be consumed by one person (without prejudice to the usefulness of this person) and at the same time it may be consumed by other people”<sup>3</sup>. The most important properties of public goods include<sup>4</sup>:

- That they are not exhausted for other consumer in the case of its consumption by one person,
- Appearance of such public goods for which „exclusion of certain units from their consumption is impossible”<sup>5</sup>,
- A possibility of exclusion from their consumption in the case of incurring „prohibitive costs of such an operation”<sup>6</sup>,
- Occurrence of differences between common and private boundary usefulness, which results in the fact that „the private market is not able to provide the optimum amount of goods”<sup>7</sup>,
- Assurance of an optimum amount of goods through the State intervention, resulting also in equalizing the social boundary cost with the social boundary usefulness,
- A possibility to produce these goods both by private owned and public sector companies

The public goods serve the man for his development or create development-friendly environment. The man uses public goods as an individual in the condition, where they are available for the total of people. Public goods feature then the common, social and non-private character. Their user becomes then the element of a group which is population.

According to A. Payne<sup>8</sup> the same features are attributable to the services and they may be defined as „every activity containing an element of immateriality that consists in influence on the customer or things or assets being its property, and which does not result in the transfer of ownership rights”. Thus, they are of public service character.

## 2. PUBLIC USEFULNESS OF TRANSPORT SERVICES IN THE REGIONAL PASSENGER TRANSPORT OF REGIONAL RANGE

In the sector layout, the regional transport policy constitutes a component of the regional economical policy. One of the objectives of transport policy in the region is creating a modern system of providing the local society with transport goods and services of regional reach, having character of common purpose, social and non-private goods and services, thus having the public goods and services features . The specific character of transport operations results in the fact that not all the features of public goods and services are attributable to the transport services of regional reach. Consumption of a certain amount of services by one user will limit their availability to other users. The rail and car transport vehicles used in the regional transport, depending of their structure, have a limited number of places. Similarly, the given transport route has a limited throughput and transport capabilities. For this reason,

<sup>3</sup> D. Begg, p. Fischer, Dornbusch, *Economy. Mikroekonomy*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2003, p. 468

<sup>4</sup> D. Begg, p. Fischer, Dornbusch, *Ekonomia ...*, op. cit., p. 468-470

<sup>5</sup> *Ibidem*, p. 468

<sup>6</sup> *Ibidem*, p. 468

<sup>7</sup> *Ibidem*, p. 468

<sup>8</sup> A. Payne, *Marketing of services, PWE*, Warszawa 1997, p. 20

the transport services realize the unlimited quantity of commonly available services only to a small degree. It is assumed, that the transport services are of public use service character . The public authorities incur costs of their rendering but their scope is of discretionary character.

### 3. TRANSPORT SERVICES IN THE REGIONAL PASSENGER TRANSPORT – EXISTING CONDITION

The presented characteristics of existing state has two aspects: a quantitative and qualitative one.

The quantitative picture of travels in the regional passenger transport is not clear. On one hand, we may observe many disadvantageous phenomena in the system, such as<sup>9</sup>:

- reduction of transport volume from 3,5 mld persons in 1989 till ca. 1,1 mld in 2002 i.e. by 218%,
- reduction of transport offer:
  - in the period 1991 – 1999 the number of trains in the railway network set into motion was reduced by ca 35% and it is still decreasing,
  - reduction of bus line lengths in the 1993 – 2002 by ca 15,1%,
  - reduction of number of daily travels in the bus transport lines till ca. 140 thou. in 2002,
- increased level of decapitalization of railway and car transport.

On the other hand, we have to emphasize that the regional passenger transport still features a significant size and reach of offer, an important share in the obligatory services (commuting travels from/to work and schools) thus enabling many people to achieve civilization and material progress. The importance of regional passenger transport issue results also from the fact that it is also one of the factors determining the social and economical development of the regions, which in turn determines the competitiveness of specific voivodships..

The qualitative aspect of the issue constitute answer for the following questions:

- what presently is counted to the public utility services in the passenger transport of regional reach,
- what system of charging for these services is applicable in these regions,
- what is the method of functioning of public utility services in the regional passenger transport and how it operates as well as evaluation of solutions used in practice.

The first question constitutes determination of structure by kind of the public utility services in the regional passenger transport. Taking the branch criterion into account, it is not difficult to state that public utility services are performed exclusively in the railway transport. The Act of Law dated 28.03.2003 on railway transport (Dz. U. of 2003 No 86 item 789) Art. 40 includes the organizing and subsidizing of regional railway passenger transport performed as a part of public service obligation, into the internal tasks of the voivodship authorities<sup>10</sup> which means to the public utility services. According to Art 4 of railway transport law the

<sup>9</sup> Janecki, Establishing of regional..., op. cit.

<sup>10</sup> The public service obligation is obligation of the forwarder in the understanding of art 2 part. 1 of ordinance No 1191/69/EWG dated 26.06.1969 on the actions taken by the countries members and applying to the obligations related with the term of public service in the railway, road and inland water transport, revised by the Ordinances No 3572/90/EWG and 1893/91/EWG as well as European Union accession documents of Denmark, Ireland, Great Britain, Greece, Spain and Portugal

regional railway transport is performed within one voivodship or are realizing the connection with other voivodships. Thus, in this case the area reach of regional railway transport is clearly defined, The connections served connect the stations located within the territory of one voivodship and within the territory of this voivodship and an neighbor one.

The issues related with volume of transport and its technologies, although very important form the operation of regional public passenger transport systems, are less clearly defined in the present legislation in force. The Ordinance of Council of Ministers dated 21.04.2004 on organization of regional railway passenger transport (Dz. U. of 2004 No 95 item 953) in §3 names a number of factors which should be taken into account in the determination of transport demand. These factors may be grouped into three groups. One of them includes social and economical factors, thus those generated by the surroundings of the system of regional passenger transport. They are as follows:

- demographic conditions: population, degree of structural unemployment, professional activities;
- area development: layout of settlement network, location of companies, schools, administration, offices, cultural institutions, commercial centers and recreation places;
- amount and structure of demand for transport services, with daily and season differences taken into account.

The next group of criteria is related with the existing passenger transport system and takes into account the directions of its development. In this respect, the criteria under analysis, are taken as follows::

- strategy of transport structure development in the voivodship, herein railway transport;
- use of already existing capabilities of production capacity of railway network;
- integration with other means of transport taking into account the inter-branch competitiveness and complementary character of various transport techniques;
- coordination of inter-branch connections and inside the railway transport system.

The third group of criteria applies to the actions aimed at protection of natural environment.

The quoted criteria have been formulated only verbally. The procedure of sizing the transport demand, that should contain the following actions and their determined order as shown on Fig.1 is also not easily readable.

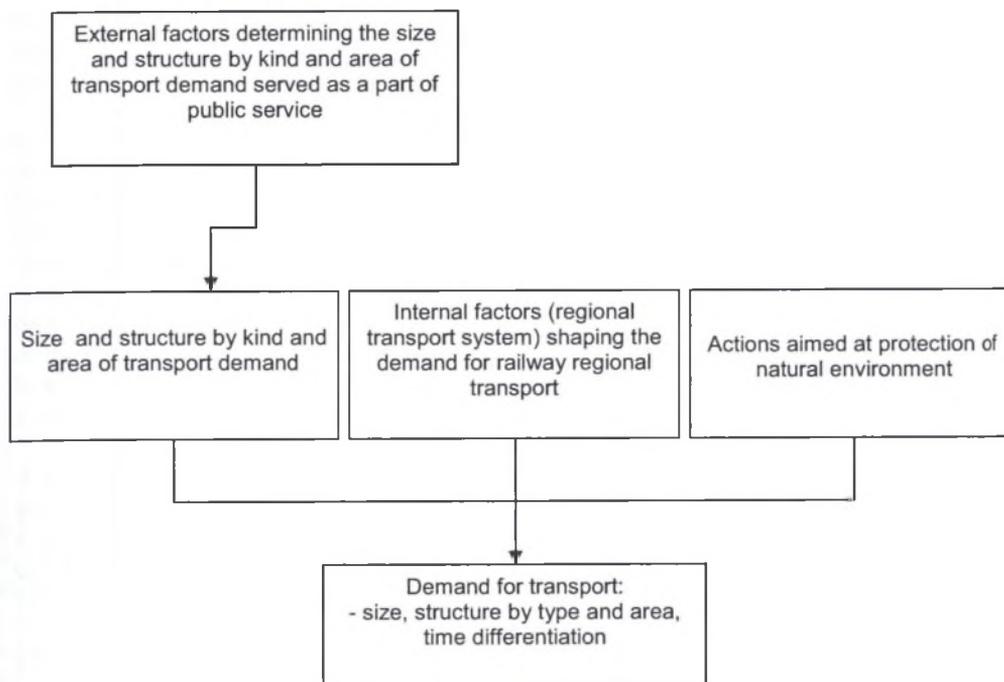


Fig.1. Determination of demand for regional railway transport performed within the obligation of civil service

As shown on Fig.1, the demand for transport results from the size and structure by type and area of transport demand taking into account the factors generated by the regional transport system and requirements of the natural environment protection.

The reaction in terms of technology of performing the railway regional passenger transport is indirectly clarified in the §6 of discussed Ordinance of Council of Ministers 21.04.2004. It specifies the desired features of railway forwarder. The transport offer proposed by the operator should have the following features:

- in terms of quantity:
  - adjustment to the size of transport demand ,
- in terms of quality:
  - the frequency of train departures adapted to the needs,
  - high timeliness of trains,
  - offered good travel conditions, including number of places in the vehicles, commodities for transport of disabled persons, pregnant women and persons with small children,
  - safety of transport,
- in terms of finances:
  - minimization of subvention per unit of transport services,
  - amount of cost for rendering transport services,
  - amount of expected fares,
  - scope of use of railway vehicles being a property of voivodship's local government.

The public regional transport services are dominated by the car transport<sup>11</sup>. Since the 6th September 2001 the operation of car transport is governed by the law on road transport (Dz. U. of 2001 No 125 item 1371). In this legal act, the regional passenger transport are not recognized as services with character of public utility ones.

An identical status of services having no character of public utility, is assigned also to the services rendered by the public transport outside cities (including regional one), common transport that is not recognized as city transport, where the passengers benefit from lawful discount fares<sup>12</sup>. These services are rendered solely by railway and car transport. In this respect, situation is very interesting, because the public authorities re financing the discount fares<sup>13</sup> and that these fares are commonly accessible to the entitled persons in the regional public transport means being owned and operated by the authorized operators. We may also assume that this type of transport services is of continuous character. Thus, it is justified to conclude that the discount fares in the regional transport fulfill the criteria for services of public utility character, although they are not recognized in the legal regulations in force s such.

The financing of regional railway passenger transport performed as a part of public service obligations is realized from the internal income of the self-government of the voivodship. The financial resources for this purpose result among others from the provisions of act of law dated 13.11.2003 in income of territorial government units (Dz. U. of 2003 No 203 item 1966) and fit into the amount accounting for 30% of regional part of the overall subvention for voivodships (art. 25 part. 8 and 9 of this law).

The presented analysis of the existing condition in respect of transport services in the regional passenger transport enables formulation of its following assessment:

- the legislation authorities impose over the self-governmental voivodship administration toe responsibility for satisfying the collective needs of local societies in this respect; at the same time, the legal regulations in the car transport are difficult for clear interpretation,
- the tasks of voivodship authorities include, among others, determination of demand for the transport in the regional railway transport system; this task is performed in the conditions of partial information and determination of size and structure by kind and area of transport demand in the areas of specific voivodships, which enables the local government administration to establish the common character of transport services with regional reach on a discretionary basis,

<sup>11</sup> In 2002 the car transport participated in 81% in the market of regional passenger transport services - source: Janecki, Public regional passenger transport – some symptoms of crisis, conference materials. „Transport systems. Theory and practice”, Zeszyt Naukowy Transport No 52 Politechniki Śląskiej, Katowice 2004, p. ...

<sup>12</sup> Act of law dated 20.06.1992 on authorization for discount travel with public common transport means (uniform text – Dz. U. z 2002 No 175 item 1440)

<sup>13</sup> In accordance with art. 8a and 8b of Law dated 20.06.1992 the financing of legal authorization for discount travel in car transport belongs to the internal tasks of the voivodship. The railway operators, performing national passenger services (including those of regional reach) by right of obligatory legal release obtain a dedicated subvention based upon art. 39 of law dated 28.03.2003 on railway transport. The operators receive exclusively the equivalent of income lost because of discount travels. A phenomenon of non-equivalency of benefits is to be observed here – sometimes the transport with discount fares realized exceed the amount of resources included in the budget.

- the amount of financial resources assigned for regional transport is unrelated (or related to a low degree<sup>14</sup>) with the transport demand in this respect; this fact results in the quantity of services of public utility character resulting from financial capabilities of voivodship's authorities and not from the existing demand,
- the public utility services in the regional transport are established mostly on the basis of sovereign decisions of public authorities, however with application of very varying criteria, where the economical criteria constitute only a very small share (an instance of such situation may be a regulation stating that only the railway regional transport have a status of public utility, although in the case of certain voivodships' transport corridors the use of car transport would be more reasonable from the economical point of view).

#### 4. DIRECTION OF CHANGES IN THE PROCESS OF FORMATION OF PUBLIC UTILITY SERVICES IN THE REGIONAL PASSENGER TRANSPORT

It is possible to discern several basic issues to be solved in the nearest future where the process of formation of public utility services in the regional passenger transport is concerned. In the hitherto existing practice, the financial resources assigned for subventions to the public utility services were directed to the monopolistic operators and used by them in their operation business. Presently we may expect the changes in this respect. Financial resources constituting subventions to the public utility services should serve the purpose of social and economical region development, thus being an advantageous factor for realization of policy of the State and voivodship's government authorities.

Taking the above assumption as a basis, we may conclude that the demand for movements within the regional area may be served solely by either railway (or rail) or car transport. The services realized in order to satisfy this demand will have the attributes of public utility services. The spatial structure of the system will be of great importance, as it should be adapted to the identified (for example on the basis of daily links of passenger streams) transport needs of the local population

Elements of this structure should contain at least:

- Connection of district locations with the voivodship's capital and other centers with regional importance located within the region;
- Connections between the districts within the voivodship and with districts from neighbor voivodships; we may assume that the beginning and termination of the lines maybe situated elsewhere than the district locations – this should be recognized based upon the recorded demand.

The above connection in the public utility demand system will be served by ordinary runs.

The selection of transport type in the branch layout will belong to the voivodship's government. Besides the size criteria of economical services, also economical and quality criteria will constitute a basis for decision concerning the selection of transport branch.

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<sup>14</sup> Art. 25 part. 8 and 9 of law on income of territorial government units say that the one of criteria for division of 30% of regional part of the overall subvention for voivodships are expenses related with realization of the tasks included into the regional railway passenger transport

Taking into account the transport development in specific regions, we may discern two types of areas<sup>15</sup>:

- Areas located in the railway corridors or leaning towards these corridors,
- Areas without any access to the railway infrastructure.

For the transport services for regional demand in the areas provided with railway infrastructure, the proposed solutions are characterized by the following features<sup>16</sup>:

- Priority of rail communication rendering public utility services;
- Complementary character of car transport fulfilling the role of a bringing in/out transport to the stops and stations of railway transport; the services rendered also should have the character of public utility services;
- Operation of transfer parking lots at the railway stops and stations for integration of individual transport and collective railway transport.

The proposed solutions in the areas deprived of railway transport infrastructure may be characterized as follows<sup>17</sup>:

- Service with car transport whose rolling stock should be adapted to the differentiated transport needs, and the services performed are of public utility service character
- Differentiation of departure frequency depending of day period and size of passenger stream in the peak hours;
- In the areas of scattered building up – introduction of low-capacity vehicle transport fulfilling the role of a bringing in/out transport to the bus stations located in the main transport corridors of the area; and the services performed are of public utility service character.

The next elements of public utility service system in the regional passenger transport to be dealt with should be services in travel for discount fares. The availability of discount fares should be dealt with as the first problem, taking into account the social needs. The policy of reduction of state engagement into the financing of this type of regional transport should take place not through reduction of number of persons benefiting from these discounts and expecting such benefits, but through reduction of transport costs by the operators competing on the market. Putting the things related with availability of discount fares into order should enable elimination of the phenomenon of non-equivalency of benefits. Presently a disadvantageous situation exists in the realization of volume of transport services with discount fares that is larger than the possibilities of its co-financing by the local governments. A new trend in this respect may be use of civil and legal agreements where the parties would be operators and service customers purchasing discount fares or free travel.

The active State and local authorities' policy in terms of public utility services in the regional passenger transport, required considerable financial expenditures to be borne. The target solution has to be such that the number of public utility services offered in the regional transport is determined but by the social needs. Realization of such quantity of services would have the guaranteed and sufficient amount of financial resources. The amount of expenses incurred would be the rationalized by the actions aimed at public utility service market

<sup>15</sup> More information see: performance of investigations concerning transport demand among the population of Małopolskie voivodship, determination of regional passenger streams and development of concept of passenger service of the voivodship. , W. Starowicz (red.), Research and scientific paper of SITK, Kraków 2002, p. 33-36

<sup>16</sup> See: Janecki, Z. Bryniarska, W. Starowicz, The scope of passenger service system on the instance of Małopolskie voivodship. The conference materials "Modern technologies and systems making more efficient the railway transport management, Zeszyt Naukowy No 102, SITK Division in Kraków, Kraków 2002, p. 146-147

<sup>17</sup> See: Janecki, Z. Bryniarska, W. Starowicz, The scope of passenger service system..., op. cit., p. 147-149

liberalization in the regional transport as well as controlled competition of many operators on this market. Due to these actions, there would be a chance to eliminate the presently observed disadvantageous tendency of moving the public utility service rendering costs in the regional transport towards the voivodship's self-government who also do not have sufficient resources for this purpose.

## 5. SUMMARY

The support of public passenger transport system with regional reach to the social and economical development of regions requires undertaking of a variety of actions that should be aimed at creation of a new service systems for satisfying the needs of local population. The development factor mentioned above becomes one of the stimulators of competitiveness of regions. This may enable the voivodships to benefit from the effects of European integration in the nearest future.

The newly formed system of regional passenger transport will contain many advantageous solutions. These will include a new offer of public utility services. This offer consists of transport services with regional reach served, depending of the transport development, either by railway transport (or simply rail transport) or car transport as well as integrated railway and car transport system. The offer of public services will be addressed to the local society groups, requiring such support. This will enable many inhabitants to achieve civilization and material progress.

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