



Systemic transformation and changes in surface transport companies in Poland: A synthesis after twenty-five years

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ABSTRACT

The milestone of 25 years of political and economic transformation in a post-communist country offers a good occasion to sum up change processes in its transport sector. This paper thus seeks to reconstruct post-1989 organisational and ownership transformations in Poland's rail-, road-, and urban-transport companies, as well as those involved in inland shipping. Where freight is concerned, carriage on standard- and broad-gauge railways can be evaluated as mostly deregulated. In turn, in relation to the carriage of passengers, all carriers existing up to mid-2005 had originated within the PKP (Polish State Railways) Group. The most common form of transformation in ownership of passenger carriers is communalisation of existing companies, with shares in the hands of regional authorities. The first private operator appeared as late as 2007 (the present-day Arriva in the province (voivodship) of Kujawsko-Pomorskie). The disintegration of the national road carrier (PKS) resulted in the founding of about 40 new freight-transport firms, the majority of which were closed down soon. Equally, in the case of the PKS passenger enterprises, the most common form of privatisation has involved leasing by workers. The privatisation occurring previously involved, not only Polish investors, but also foreign capital (Veolia, later taken over by Arriva, and the Israeli Egged Holding via its affiliate Mobilis). However, the share of public-capital ownership remains substantial, often resulting in final bankruptcy of road companies. Among the operators involved in urban transport, public ownership remains dominant in various forms (commercialised, communalised, or budgetary units). In contrast, small private firms dominate in inland shipping. Moreover, systemic transformation plus Poland's EU accession have given rise to the conditions underpinning the emergence of Europe's largest shipowners (OT Logistics, the former Odratrans Group).

1. Introduction

Issues relating to the transformation of transport systems in the countries of the former communist bloc (and to processes of privatisation and deregulation in particular) have been among the more important research themes in transport geography over the last twenty-five years or so (Hoyle and Knowles, 1992, 1998; Knowles, 1993; Knowles et al., 2008). Before 1989, transport was a domain characterised by monopolistic state involvement. It is therefore no surprise that Poland entered the period characterised by entirely new governance conditions with virtually a state monopoly in all modes of transport, though by no means always did this denote absolute domination by a single entity.

This paper therefore refers to a dozen or so years of research on the transformation achieved in Poland's transport system. Some generalisations present here go much wider and may thus be of relevance to other post-communist countries of Central and Eastern Europe (CEE).

However, further comparisons seem risky since countries of the region have various legal systems, preferences, priorities and attitudes towards the transformation of transport companies.

The main purpose of the research detailed here has been to analyse the functioning of surface transport (companies, and on this basis various means and modes of transport) in the new economic and political circumstances of the years 1990–2015. Entities analysed have state origin but have been subject to various forms of transformation. Among other things, the situation regarding the performance of public transport in Poland has been impacted upon by many EU acts and regulations (themselves subject to numerous modifications).

More specifically, this paper consists of two parts. The first offers a short discussion of basic concepts such as deregulation, liberalisation and privatisation, with assumptions as regards contestability theory also presented – in relation to the functioning of deregulation in practice. In the second part, more important generalisations originating in wide-ranging empirical research are presented¹, embracing the organisational

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¹ This paper is based on a larger study concerned with organisational and ownership transformation of the transport companies in Poland (Taylor and Ciechański, 2017).

and ownership transformations undergone by the state enterprises in rail transport, road transport (PKS), urban transport and inland-shipping. The changes involved have obviously been many and varied, with the situation seen to depend on sector, type of enterprise, time and even location. As it engages in the review process, the paper points to both successful and failed transformations in the different branches and modes of transport.

As the years have passed, an interest in protecting both consumers and employees has motivated a majority of governments to interfere on the transport market, i.a. via the overseeing of quality and security issues, the inspection of numbers of connections and prices of services, the regulation of new operators' entries on to the market (via numbers of licences issued), and sometimes even the instigation or maintenance of public ownership of firms. At the outset, the latter was common where areas were deemed of strategic importance, or for social reasons, for example in sparsely-populated areas where potential activity on the part of private companies was likely to prove unprofitable (Knowles and Hall, 1992, 1998). In a majority of countries, urban transport, and first and foremost rail and air transport, have been or remain in public ownership, given the necessity for substantial amounts of capital to be involved, as well as the high operating costs, and relevant political conditions. However, even within the framework of ongoing public ownership, contemporary changes of importance have been taking place, and have been the subject of consideration and analysis (Finger and Holvad, 2013).

2. Basic concepts

Various use is made of the concept of regulation. In the US, this denotes any governmental (state) intervention, while in Europe what is meant is intervention by specially-created independent institutions (bodies) assigned various supervisory and watchdog roles (Finger and Holvad, 2013). 'Regulation is understood as a creation of institutions and rules supporting achieving of transport policy goals unavailable through the market' (Liberadzki, 2007, p.41).

While governments were at first wary of introducing or engaging in regulation, by the 19th century transport was already looking like one of the economy's most-regulated branches. For his part, Rydzkowski (2003) distinguishes two forms of regulation, i.e. (1) economic regulation (determining the principles underpinning access to the market, as well as scope of activity, opportunities for companies to develop or merge, transport rates, etc), and (2) uneconomic (better called non-economic) regulation, for example relating to safety, or norms and standards of environment protection. Transport differs from other branches of the economy in being subject to much-developed economic regulations that both protect against monopolist practices and lay down equal conditions for intra- and inter-sectoral competition (Rydzkowski, 2003). Regulation also seeks to prevent grossly unfair social and financial disparities from arising among different areas and social groups. Under such a regime, operators have been expected to provide some services for social reasons extending beyond purely commercial considerations (Knowles and Hall, 1998).

What speaks for regulation? For Bell and Cloke (1990b, p.195), factors arguing in favour of regulation are: (1) the facilitation of comprehensive transport networks that include some non-remunerative elements; (2) 'providing access to non-mobile social groups'; (3) 'ensuring safety of operation'; (4) 'protecting infrastructure on the grounds of national security'; and (5) 'creating order out of potential chaos'. In a technical sense, all of these factors can be considered to justify policies of regulation.

The equally strong arguments capable of being deployed in favour of deregulation include the facts that: (1) 'it allows a clearer distinction between those parts of the transport system which serve the market economy'; (2) 'it provides incentives for operators to perform efficiently'; and (3) 'it permits efficient operators to seek a share, or a greater share, in the market' (Bell and Cloke, 1990b, p.195). Shaw

(1993, p.106) adds the way in which deregulation favours innovation and competition, and as result the limitation of subsidies.

A question thus arises as to how decisions can be made at all, where the two aforementioned sets of arguments seem of equal importance? The way this question is answered thus reflects choice and is, first and foremost, a political matter, albeit sometimes also linked with the passage from fordism to post-fordism in the economy, society, politics and culture (Bell and Cloke, 1990b).

Deregulation of transport should be considered in a wider context, along with the relevant ideology and state policy, the latter most especially as it relates to privatisation – as another matter not understood explicitly. In fact, in the transport context, what is meant here is not merely the sale of state wealth, but also various privatisation initiatives within the public sector, for example involving communalisation or commercialisation. Specifically, the denationalisation of enterprises can be accompanied by various anti-monopoly ventures that enforce the establishment of conditions providing for competition (Schnell, 2001; Shaw, 2001).

It is actually quite a common situation for public monopolies to be privatised without any prior introduction of other changes, with the result being higher sale prices, but at the expense of lowered competitiveness and a loss of combined advantages. As its main purpose, privatisation seeks to raise levels of efficiency and instil greater competitiveness. Factual competition is treated as the best way of protecting the public interest – as a goal capable of being achieved by deregulation (Farrington, 1985).

While deregulation is sometimes deemed to be accompanied by liberalisation (e.g. Teichmann, 1995; Bernacki, 1996; Gibb et al., 1996), the differences between the two are not in fact indicated so easily. Treatment of the terms as synonymous is not unusual. Thus, Bell and Cloke (1990a, p.9) see deregulation or liberalisation as denoting the removal or weakening of control in various industries, with freer exercise of market forces permitted in this way. For Graham et al. (2008, p.370), the existence of certain differences (like the fact that deregulation takes place within a country, while liberalisation pertains among countries) cannot disguise the way in which the two terms are often used interchangeably. Still-others treat liberalisation as 'a misnomer for re-regulation, the replacement of one set of interventionist rules by another more flexible set' (Graham, 1998, p.88). Similarly, Liberadzki (2007, p.39) considers liberalisation as weakening (rather than a deregulatory abandonment) of restrictions 'with the purpose of enhancing towards greater efficiency in functioning of the market. A deregulated market means no regulations, while a liberalised market is regulated but in a way enabling many subjects to exist, and allowing for entries into and exits from the market' (Liberadzki, 2007, p.39)². In practice, the term deregulation gains wide use in English-speaking countries, while liberalisation is used more commonly in continental Europe (for example in France), as well as in EU legislation.

For all of the above reasons, the remaining part of this paper will use the term deregulation in relation to analysed phenomena and processes embracing Poland, even as references provided sometimes relate to different original terminology.

Deregulation is accompanied by activities inclined to raise levels of competition, with the result being a lowering of costs and an improvement in the quality of services. It is sometimes presumed that deregulation will of itself present effective sufficient challenge to existing monopolies or oligopolies. Relaxation of control on entry on to the bus market present in public transport might serve as an example of the latter process. In any case, deregulation denotes an end being put to regulation, as it is in security matters, for example. Most often, deregulation is introduced gradually, allowing it to embrace a sector of the market, or partial deregulation, with full liberalisation only a more-distant goal.

² Therefore, what is important, both terms in real-world refer to 'market opening'.

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