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Economical aspects of reorganization of rail transport in Poland

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Słowa kluczowe: transport kolejowy, przedsiębiorstwo

Introduction

In the article there is presented a problem of regionalization of railway passenger transport in Poland. The main topic of this article is to show problem of reorganization of former railway company – PKP and its division into independent companies. The aim of this article is to show reasons and results of public transport in Poland in connection with relations between Republic of Poland and EU and liberalization of market of transport companies in Poland. In this article there are presented advantages and disadvantages of reorganization of former PKP State Company and possible resolutions which could be implemented in the future. The main task for Polish rail transport in the following years is to finish the reorganization processes, make it profitable and attain full liberalization of market according to expectations of European Union Institutions.

Modifications in Polish railway passenger transport

PKP Company (PKP – abbreviation of Polskie Koleje Państwowe – Polish State Railways) was divided into several semi-independent companies in 2001. The main reason of these changes was joining of Poland into European Union structures. The EU

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requires that every state member of this organization should divide state company into 3 parts which manage railway infrastructure, passenger carrier and cargo carrier. All new companies at the beginning were associated in PKP Group – joint venture made on base of former PKP Company. In Poland this division was deeper, which created so many controversies. This division was criticized because of conflicts between railway companies inside PKP Group and overstaffing. All in all each of this new companies should be privatized except for PKP PLK – national manager of railway infrastructure. All companies with “PKP” in their name belong to PKP Group. PKP Group consists of: PKP Intercity – passenger operator, PKP Cargo – freight company, PKP PLK – manager of national infrastructure, PKP Informatyka – IT company, TK Telekom – telephone and Internet company and other companies not related directly to transport which belongs to PKP Group. Former members of PKP Group are: PKP, Energetyka – was bought by foreign investor, PKP Przewozy Regionalne – now this company belongs to all voivodships and ARP company (Agency of Industrial Development) (Drewnowski, 2012a). All companies which belong to PKP Group (except PKP PLK) can be sold, but conservative government which won the elections in 2015 decided to stop all processes of privatization and tried to restore state control under PKP Energetyka without results. (Statute of commercialization, reorganizing and privatization of State Company PKP).

The debt of PKP Group is still lessening, but the Group still needs to be reorganized. Some activities go in a good way, but others are widely criticized. The selling of PKP Energetyka – energy supplier for PKP – was widely criticized. Some experts are afraid that privatization will lead the government to lose control of supply of energy for rail. Other experts say that privatization is not needed because of military significance of rail infrastructure and will have negative implications for defense services. Also widely discussed is sense of this privatization. The company was profitable and it has key meaning for PKP Group, and moreover this is one of the first case in Europe when a company of infrastructure was sold. Some also advise that the company should be part of PKP PLK. Selling PKP PLK is forbidden. **Shares of PKP PLK, which belongs to PKP or State Treasure, cannot be sold.** (Statute of commercialization, reorganizing and privatization of State Company PKP).

In 2009 PKP Przewozy Regionalne rebranded into Przewozy Regionalne. That movement was associated with the change of the owner of this company. But this division is much deeper. Some bigger voivodships decided not to cooperate with Przewozy Regionalne and decided to create their own companies. Until now Mazovian, Silesian, Greater Poland, Lesser Poland and Lower Silesian decided to create their own companies. These new companies compete with Przewozy Regionalne in regional markets. Also other voivodships plan to create their own companies. In Łódź Voivodship a local company – ŁKA which started as operator of public transport within Łódź City – now

develops its routes and competes with Przewozy Regionalne in local routes around Łódź. The future of public transport in Poland is deepening division of public companies. In other countries this division is not so deep. Strong division within PKP Group has caused many financial problems. Ineffective management, conflicts between similar companies and overstaffing pushed these companies into financial problems. Their debt multiplied every year. Moreover PKP Przewozy Regionalne – the largest company – was forced to compete with PKP Intercity in the market of fast trains. At the beginning all Express trains belonged to PKP Intercity, and the rest (fast and regional trains) belonged to PKP Przewozy Regionalne. Oddział Przewozów Międzywojewódzkich in PKP Przewozy Regionalne (Department of interregional trains) has been taken from PKP Przewozy Regionalne into PKP Intercity. It caused a conflict. PKP Przewozy Regionalne lost one of the most profitable branches of their business activity. PKP Przewozy Regionalne, which wanted to compete with PKP Intercity, created their new category of fast trains – InterREGIO. The name of new brand is associated with brand REGIO – basic activity of PKP Przewozy Regionalne – which operates regional trains. InterREGIO brand was deleted in 2015, because of reorganization in regional company. The operator decided to quit its commercial activity and decided to focus on its basic activity which it was created to do – operating regional trains of REGIO brand (Rabikowski, 2015).

Local government is able to have higher level of control under its own company. But this kind of solution works properly only in cases of big voivodships. The main reason is that great voivodships have a lot of different lines on their territory. Smaller voivodships like Świętokrzyskie (Holy Cross) or Lubusz Voivodship are too small to create their own companies. These voivodships have to cooperate with state-owned Przewozy Regionalne. Przewozy Regionalne company had to cancel its own fast-train brand InterRegio. Cancelling of InterREGIO trains has also bad consequences. InterREGIO was a strong brand of fast trains which was able to compete with TLK and InterCity brand which was operated by PKP Intercity. InterREGIO proved that it is possible to compete with as strong company as PKP Intercity and further liberalization of train market is possible. It also showed that fast trains could be operated without any subventions. TLK and InterCity trains receive donation from central government. Some experts also say that the government also tries to protect its own company – PKP Intercity – and tries not to liberalize fast train market. In some opinions the central government supported its own company in conflicts with InterREGIO trains. To sum up full liberalization in Poland now is difficult, because the government is willing to protect its own state company – PKP Intercity – and local governments try to protect Przewozy Regionalne and smaller companies, which belong to voivodships.

On the other hand full liberalization and privatization of train market could lead to some unexpected situations. Private companies, independent from state administration,

will be not interested in operating in local lines, the prices of tickets will be higher. The main fear is that private companies, running their activity only in financial aspects, will abandon public interests and the traffic in some lines will be cancelled, but on the others it will be harsh competition. Moreover, in some opinions, free market is not the best regulator of train services. It could lead to some unexpected situations, and governmental intervention is desired there.

Deepening problems of PKP Przewozy Regionalne (present name Przewozy Regionalne) pushed some local governments to create their own companies. Kuyavian-Pomeranian Voivodship also decided to contract out transport services into Arriva RP – first private railway transport company in Poland which operates on passenger transport. Arriva RP belongs to DB Company – national operator of German Railways. It is only one non-state owned passenger railway company in Poland. Now in Poland operates one company which services interregional routes – PKP Intercity, several regional operators – Przewozy Regionalne, Koleje Śląskie (Silesian Railways), Koleje Wielkopolskie (Greater Poland Railways), Koleje Małopolskie (Lesser Poland Railways), Koleje Mazowieckie (Mazovian Railways), Koleje Dolnośląskie (Lower Silesian Railways), Arriva RP (first company which is not associated with state administration) and several city transport operators (WKD and SKM in Warsaw, ŁKA in Łódź and PKP SKM in Gdańsk agglomeration – they cooperate with local transport authorities) (Rydzyński, 2015). The assets of local companies are lower prices and ticket integration with city transport (bus, trams, underground train) many concerns within Polish operators (mostly associated with public administration). Polish operators are afraid that competition with foreign operators (especially from Germany) will build their dominant position and Polish operators will lose their position.

Many regional railway lines were cut off and many small and middle towns were cut out of efficient public transport. The access to passenger railway transport in Poland is on the lowest level in comparison with other neighboring countries. In Czech Republic the biggest town without railway passenger transport has about 15,000 inhabitants. In Poland the biggest city without railway transport has about 90,000 inhabitants. This is the city of Jastrzębie Zdrój. Last passenger train in Jastrzębie Zdrój was seen in 2002 (Zajac, 2015).

Another problem of Polish rail transport is the advanced age of vehicles. The average age of Polish trains is about 30 years and many vehicles need to be exchanged. Nowadays vehicles are modernized and also new vehicles are bought. Modernization and new purchases are co-financed by the European Union. The most popular train Poland has is electric multiple unit – EN57. Most of passenger regional companies are the owners of the vehicles of this brand. Nowadays all trains of this brand are modernized. Funds for repairs come from the European Union, budgets of voivodships and commercial credits.

Credits are the most difficult way of raising funds, because of indebtedness of companies created by division of PKP. Przewozy Regionalne are now modernizing their EN57 units inherited after PKP (Szymajda, 2015b), and Koleje Mazowieckie are buying new push-pull trains. Even though good movements are undertaken by operators, railway transport in Poland is still not as popular as in other EU members. The main problem now is low technical speed of trains. The main reason is low quality of railway infrastructure. It is all caused by many years of underinvestment. In recent years the main investment was installation of system ERTMS in CMK (Central Main Railway). CMK is one of the most important rail lines in Poland used by passenger trains. Nowadays it is rebuilt for trains running faster than 160 km/h. In these fast trains, like Pendolino, signals have to be put directly into engine driver. Using light railway signals is impossible because of the high speed (Drewnowski, 2012b).

Also some small companies have some innovations implemented. Koleje Dolnośląskie and Koleje Śląskie reactivated some lines that had to be cancelled according to Przewozy Regionalne. But, in many opinions, the biggest innovation is starting a train “Słoneczny” (in Polish it means “Sunny”) by Koleje Mazowieckie. “Słoneczny” connects Warsaw with Ustka – Baltic health resort. It is the first commercial train operated by a local company. It operates only in summer season. In many opinions it is lauded, but the biggest disadvantage of this trains is lack of reservation of seats (Szymajda, 2015a).

Modifications in Polish cargo railway transport

PKP Cargo is a Polish cargo operator which was created in 2001, as a successor of former state company – PKP. PKP Cargo has a dominant position in Polish freight market. It competes with CTL, DB Schenker and some other foreign companies, as well as Polish private companies like Kolej Bałtycka (Baltic Rail), Lotos Kolej and other. In 2015, PKP Cargo has about 48% share in this market and this indicator is lessening. The main reason for this phenomenon is full liberalization in this market. Growing competition forces operator to reduce their cargo fees. According to all operators the main problem in Poland are high fees for access to infrastructure. The main way to reduce these fees is stronger cooperation with central administration.

According to PKP PLK and freight operators, infrastructure needs more funds for modernization. In some local lines rails have not been repaired for 30 years and more. The main reason for this situation is lack of funds and stronger co-financing in road transport. Strong impact of EU institutions forces Poland to upgrade its railway transport services. The best way to reactivate railway transport for Poland is to promote intermodal transport. Intermodal transport consists of two branches: railway and road transport which cooperate together. The longest distance is operated by train, and the beginning

and the end of the road are operated by trucks. The main advantage of this transport is that it is less harmful to environment, it helps to save fuel, but unfortunately, because of small speed of cargo trains, it is not fit to compete with road transport. The main problem is that intermodal transport has to be co-financed by public sources, because of its low profitability. In some Alpine states like south Germany, Austria and Switzerland, trucks are forbidden to travel through mountains and they are forced to use intermodal trains. On the other hand this kind of transport is co-financed by state. These states belong to the wealthiest group of states in Europe. Poland is not wealthy enough to participate in this kind of innovation. The main task for forthcoming years is to repair railways, railway sidings, cargo stations and other elements of infrastructure. It is possible to confirm that good conditions to develop public transport exist in Poland, especially in demand side (Wronka, 2001). In some lines railways had to be closed because of devastation of infrastructure. Another reason for collapsing of train transport was the closing of heavy industry in the 90s. Train transport is used mainly to transport heavy loads like coal and other materials used in heavy industry. Nowadays, in times of development of sector of services and industry of high technologies which produces other kind of loads, utility of this branch of transport is lessening. Self-contradictory, all these changes are associated with joining of Poland into developed countries. Nowadays the main task is to promote sustainability, which requires balancing between environment and economy interests and to include interests of future generations. Promoting sustainability should help to decrease congestion on roads.

Plans for the future

In the forthcoming years full liberalization of railway transport within the EU is expected (Fiszer, 2015).

Interesting part of reorganization is renationalization of Przewozy Regionalne. Until 2015 this regional operator belonged to 15 voivodships. Mazovian Voivodship had their own company – Koleje Mazowieckie. Now 51% shares of this company belongs to ARP. ARP has paid over 770 million PLN for this action (Szymajda, 2015b). Extra funds delivered by ARP let Przewozy Regionalne pay old debts, fight with overstaffing and buy new vehicles. Przewozy Regionalne's debt has been lessening since 2009 and in 2016 this company is expected to be profitable. Renationalization also gave a stronger impact for central administration in organization of public transport. Nowadays government can have a stronger impact on transport politics. It helps avoiding conflicts between several voivodships. Management ruled by one owner – ARP – is expected to be more effective than powdered structure of 15 local governments with opposite ideas. There are many different reasons for this positive situation. Voivodships sign up long-term

deals with this company for organization of public transport, co-financing of public transport by public administration is growing, and company started with overstaffing.

Summary

The reorganization of Polish rail transport is still in realization. All aspects of these changes are not fully implemented. Even though there are still some aspects, which are needed to be implemented, the main task – separation of freight, passenger and infrastructure sector – was fully implemented. Other things, which need to be realized in the future are: full financial independence of PKP Group, full separation of rail companies and, the most controversial, privatization of rail sector in Poland. Some of the tasks were not fully implemented, but it is expected that full liberalization of rail transport within the European Union in 2019 will accelerate these changes. Moreover, competition with foreign operators can bring higher level of customer service.

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Abstract

The article presents the problem of regionalization of railway passenger transport in Poland. The main topic of this paper is to show the problem of the reorganization of the former railway company - PKP and its division into independent companies. There are presented advantages and disadvantages of reorganization of former PKP State Company and possible resolutions which could be implemented in the future. The main task of Polish rail transport in the coming years is to complete reorganization processes, achieve profits and achieve full market liberalization in line with the expectations of EU institutions.

Ekonomiczne aspekty reorganizacji transportu kolejowego w Polsce

W artykule przedstawiono problematykę regionalizacji pasażerskiego transportu kolejowego w Polsce. Głównym tematem tego artykułu jest pokazanie problemu reorganizacji byłej spółki kolejowej – PKP i jej podział na niezależne firmy. Głównym zadaniem polskiego transportu kolejowego w kolejnych latach jest zakończenie procesów reorganizacyjnych, osiągnięcie zysków i osiągnięcie pełnej liberalizacji rynku zgodnie z oczekiwaniami instytucji Unii Europejskiej.