



METHODOLOGY OF THE REGIONAL TRANSPORT SERVICES AND ITS FINANCING

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The short characteristics of the transport systém. The assumed development of the demands of the personal (passanger) and goods transport. The transport services in the territory and regions of the Czech Republic. The specification of the necessary social level of the transport service in a territory. The objective of this article is to create the methodology of the transport function based on the hamonising conditions on the transport market and to make possible rational transport services in the territory of the Czech Republic.

Key terms: Transport, competition, market, hramonising conditions, social aspects, subsidy.

Introduction

The document entitled The Transport Strategy of the Czech Republic, which was published, by the Ministry of Transport and Communications in 1998 provides the general guidelines for the transport system in the country and the provision of transport services. One of basic principles of the transport strategy is its strong support of public transport, good connectivity to the European transport network, transformation of railways and harmonization of conditions on the transport market.

Considering the transport service in the territories and regions there is an important effort to keep the individual car transport within reasonable limits in view of its negative impact on the environment.

The following measures should be taken:

- support of public passenger transport to such an extent as to make it an attractive alternative to other forms of transport for individual citizens
- coordination of transport providers with the aim of active cooperation of unification elements (for example: integrated transport system, shared information systems, timetables etc.)
- harmonization of approaches to different kinds of transport in subsidizing and their support from public funds and also in tax, tariffs and duties and technical policies
- steady internalization of individual car transport externalities by implementation of stricter technical conditions for road motor vehicles
- restrictive policies in individual car transport in cities, especially Prague, and providing parking lots at the city outskirts (park and ride)

The density of the railways and roads expressed in the ration per square kilometer ranks the Czech republic to the top position in Europe. On the other hand this country lags behind in the length of double tracked and electrified railways and motorways.

Similarly to the situation in other European countries the carrying load of transport infrastructure is quite uneven. About 25 % of railways bear the burden of 90 % of transport and 25 % of the roads carry the 90 % of the road transport.

Current situation and analysis of the problem

Transport system in the Czech republic is typified by its high dependence on subsidies. It is quite probable that the project of development and integration of transport network into the EU, the state ownership roads and railways, and the necessity of operational and investment subsidies into railway and bus transport will further increase the dependence on subsidies in future.

Subsidies from public funds go into transport infrastructure as well as into providing regional transport services. The flow of finance goes from the state budget through/via the chapter of the Ministry of Transport and Communications but also via other chapters.

Subsidies into infrastructure go from the State transport infrastructure fund. The municipalities and local councils also participate in providing finance for regional transport services. Municipal (urban, city) public transport is supported mainly from municipal budgets and from budgets of neighboring communities.

The total expenses on transport reached almost 30 billion CZK in the year 2000. This sum represents 4.5 per cent of the state budget expenses. High participation of the state in financing railways is caused by construction of the railway corridors and by the fact that the state covers the losses in public transport.

The operational subsidy into personal transport was 6.6 billion CZK. The transport lines cost participation was 3.6 billion CZK while the cover of the personal transport loss was 3 billion CZK. Subsidies into regional transport services that came from the state budget and the districts and communities reached 2.5 billion CZK.

The final annual results of the railway transport after the inclusion of the subsidies show a loss of 1,8 million CZK in costs of providing the transport services. The loss in providing the bus transport service is 44 million. Bus transport system had 37000 bus stops and served 4328 lines and 35000 regular services. The total distance of services was 315 million km. Railway personal transport on the other hand had 2700 stops with 5000 regular services. The distance was 75 million km.

The use of roads is at the moment taxed only by the road tax, which however is paid only by entrepreneurs, not by every citizen. The motorway tax is paid by all drivers (users), who actually use it. In a sense the invisible subsidies are formed by the tax relief for individual car users. This constitutes one of the main **disharmonious conditions** on the transport market. Another discordance is caused by the fact that in road (bus) public transport system there are subsidies only in the regional service, which by their nature are unprofitable while on the railway all personal transport is subsidized.

The extreme losses on the railway are mainly caused by keeping operational lines with minimal transport intensity. The functioning of these lines is motivated by other (non-economic) reasons. On these regional lines 45.5 million passengers were transported (25% of all railway passengers. but the sales were only 200 million CZK (i.e. 4.6% of all sales) and it covered only 13% of the costs. This happens in spite of the well known fact that railway transport is mainly profitable on high intensity lines. It would be natural to replace these services by buses. As most of these railway lines are operated by diesel engine trains there wouldn't be any extensive damage to the quality of the environment.

Two models of financing personal transport

The comparison between the numbers of passengers transported by different kinds of transport shows that public transport (excluding the city / municipal transport) is used only by 3.35% of employees who use railways and 9.66% employees who use buses. This means that only 13% of the 4 608 171 employees in the Czech Republic travel to work by public transport (excluding the city transport).

Train was used by 3.03% of pupils and students and bus by 14.03% of them. Out of the total 1 919 132 pupils and students only 17% used public transport to get to their schools.

It is evident that there is a need to reconsider the reasons for the unspecified subsidies to transport services.

The following reasons should be considered:

- these services are used by passengers for their trips to authorities offices, law courts, and health care centers
- subsidies ensure transport services in distant regions and small villages
- subsidies provide an automatic support socially weak groups and ensure easing of social conflicts and strengthen social cohesion within the society

The following facts on the other hand speak against the system of unspecified subsidies:

- the financial resources do not reach those who need them
- people don't usually decide about the form of transport according to their income
- transport companies don't behave as enterprising bodies and don't fight for their customer and don't flexibly react to the changes in customer needs
- tax payers should not subsidize trips that are not necessary (entertainment, shopping)

Unspecified subsidies support those who don't need support.

Targeted, specified and direct subsidies are the opposite of the previous.

When we compare the share of the passengers divided according to the aim of their trips we find that about half of them use public transport (excluding city transport) to get to work or school. The other half of the passengers use for other purposes. Most use the public transport for private reasons.

It is evident that the free market solution should be specified **direct subsidizing of the taxpayer**.

Current taxation system views taxes as money transfer from the private sector to the public sector. From the taxpayer point of view it is unspecific non-equivalent payment. By the word unspecific we understand the fact that the specific tax in defined value is not used as a source of financing of a specific public project but becomes part of public budget revenue and is used for financing various activities. By the term non-equivalent we understand the situation when the taxpayer doesn't receive equivalent service for his tax.

If the transport market should work as any other markets there are too alternatives how to pay for transport:

- a) the customer pays the full (economic) price which completely covers the cost and includes a reasonable rate of profit. Supply and demand balance is rationally established on the market.
- b) the transportation price which the customer pays is subsidized and this subsidy goes either to the transport company or to the customer. The height of the subsidy depends on government social policy. The taxpayer participates in covering the cost and the price.

The subsidies are reasonable if they are used effectively. Following subsidies could be considered effective:

- the subsidy will bring greater beneficial effects than its value

- the subsidy which was not provided causes greater damage than its value

The taxpayer usually requires the lowest taxes which mean the lowest expenditure from public funds. The taxpayer cannot objectively judge. A methodology for evaluating the effectiveness of subsidies from state and other public funds is missing.

Conclusion

The current system of financing transport services allows the optimisation of transport services in regions and territories. However the extent of these services depends on the disposable resources (of state, regions or communities). At the moment the limited resources and budgets cuts can lead to elimination of services that the passengers would be willing to pay for even at much higher unsubsidized price

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