



## EVALUATION OF THE CONDITIONS OF FUNCTIONING OF POST-SOCIALIST ENTERPRISES. A CASE STUDY BASED ON POLISH CAR COMMUNICATION ENTERPRISES

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### Abstract

The 1980s was a period of changes in Poland aimed at building a free market economy. This change has greatly influenced the functioning of Polish state-owned enterprises, which had to introduce new management rules. However, many of them found themselves in a difficult economic situation, showing a negative financial result. One of the elements of economic transformation is the construction of a free market based on private property. However, to the present day, not all enterprises in Poland have been subjected to this process. Examples are Polish Car Communication Enterprises (PKS), which still belong to the public sector. Based on previous author's research, it was found that they form a strategic group that cannot cope with free market conditions. In addition, these entities can be treated as social enterprises, whose basic activity is unprofitable but important for the local society. The author, using the economic method of the sector profile evaluates the competitive environment of Polish Car Communication Enterprises which belong to the public sector. The article analyzes a dozen of the most important factors affecting the services offered by the surveyed enterprises. At the end the author presents his own conclusions from the analysis.

**Keywords:** Car Communication Enterprises, PKS, environmental analysis, competitive environment

### 1. INTRODUCTION

At the end of the 80s and the beginning of the 90s in the countries of systemic transformation of Eastern Europe is the period of building a new economic system. The group of countries to which Poland belonged departed from the system of socialist economy and transformed into a market economy [1,2,3]. This change has greatly influenced the functioning of Polish state-owned enterprises, which had to introduce new management rules. However, many of them found themselves in a difficult economic situation, showing a negative financial result. One of the elements of the improvement of the situation supposed to be their privatization [4,5]. Polish firms were not all privatized at the same time [6] and unfortunately, not all entities underwent this process. To the present day, there are enterprises that are not in private ownership and have an ineffective operating strategy. Examples of such entities are Polish Car Communication Enterprises (PKS) belonging to the public sector [7].

Previous research has allowed us to state that these entities constitute a strategic group and, moreover, they can be treated as social enterprises [8], which gave reasons for the topic of the article.

The article puts forward the following hypothesis: "The sector in which PKS's enterprises operate is characterized by the predominance of negative tendencies".

The aim of the article is to identify factors and trends in the sector that determine the current unfavorable financial situation of the PKS enterprises.

### 2. CHARACTERISTICS OF THE POLISH MARKET OF REGIONAL AND REGULAR BUS SERVICES

The activities the PKS enterprises sector is focused in particular on the regional and regular bus transport market. Currently, this market in Poland is completely liberalized and goes through a very deep regression.



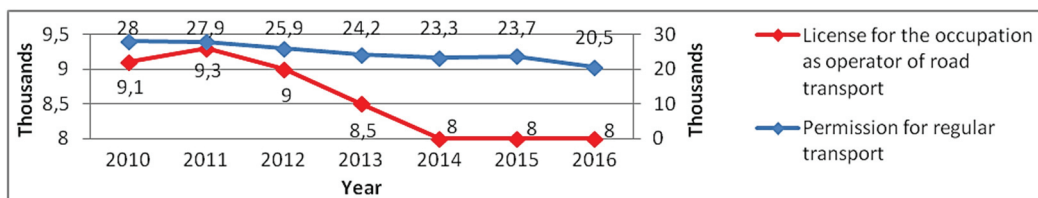
Enterprises operating on this market are struggling with economic and transport problems. Moreover, this market is characterized by the freedom of competition and the activity of an undetermined but significant number of carriers engaged in illegal transport. At the same time, there is "total freedom, the so-called "Wild" competition involving the use of understated prices for services and the omission or full violation of applicable laws "[9]. The effect of this situation is the lack of Polish statistics concerning the data on the number of lines, courses, buses involved in transport, the number of passengers and the transport performance. Therefore, it is estimated that GUS statistics are based on a population of about 4 % of carriers and cannot be a reflection of the analyzed market. In addition, data collected by the Central Statistical Office do not include small enterprises employing no more than 8 employees [10].

### 3. ANALYSIS OF THE ECONOMIC PROFILE OF THE SECTOR OF SURVEYED ENTERPRISES

The main activity of PKS enterprises belonging to the public sector is the provision of passenger transport services. Their activities are mainly focused on regional and regular bus transport as well as on contractual services and occasional services, so-called tourist rentals. In addition, these companies provide transport services, which include, in particular, the services of Regional Vehicle Control Stations (OSKP), repair services, lease of premises and commercial services - fuel station and cargo transport [8].

In order to identify trends occurring in the sector of surveyed enterprises and the factors that characterize it, the most recent data on the twenty most important factors shaping this sector were analyzed. July 1, 2018, the latest information on these factors is valid at December 31, 2016.

Enterprises which run a business related to road transport of people in Poland are required to have appropriate permits [11] (Figure 1).



**Figure 1** Number of permits to perform the occupation of road transport operator in the field of transport of persons and permits for regular transport in Poland [12,13,14,15,16,17]

During the analyzed period, the number of licenses for the occupation as operator of road transport as well as the number of permits issued for regular transport of persons during the period under examination decreased. This indicates a declining number of enterprises dealing with this type of activity in the country.

Until 2007, Polish territorial self-governments statutory entitlements to concessionary bus journeys financed as their own tasks. However, from 1 January 2008, the state budget covers costs related to these rights. From that moment, voivodship governments must apply to the voivodes for subsidy in the amount being a qualified sum of subsidies reported by the carriers and constituting a refund for the sale of concession tickets [18].

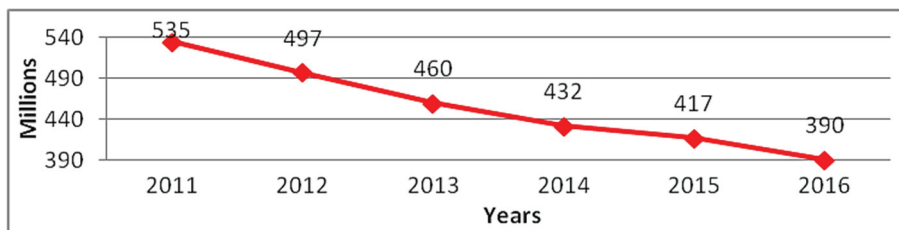
Enterprises providing transport in road passenger transport on the territory of the country are rather small and scattered enterprises. This situation of this important segment of the market concerning passenger transport services is the result of the activities of the Polish state, in particular in the nineties of the twentieth century. These activities were aimed at demonopolizing the market by dividing large enterprises into many smaller ones [19].

The bus transport market in Poland can be characterized by an excess supply of transport services. The symptom of this situation is unused space in buses and downtimes of means of transport caused by the lack of orders for transport. The determinant of the excess supply is the excess capacity of all carriers. High



competition in the bus transport market, mainly regional, often favors the application of unfair competition practices, in particular by small transport companies. With reference to the analyzed PKS enterprises from the public sector, they can include: lack of timetables, no cash registers, collection of fees without registration at the cash register, arrival at the bus stop before PKS, stopping outside stops, using dumped prices, regular transport services without permits, exceeding the speed limit, handling only profitable lines, mutual informing about ITD controls. (Inspectorate of Road Transport), use of heating oil for buses, non-compliance with the labor code, etc. [20].

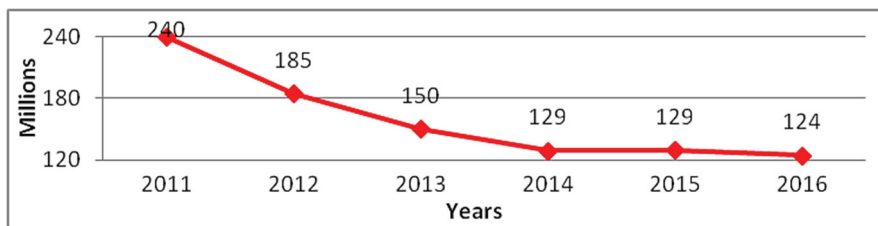
The Polish market of road passenger transport since the beginning of the nineties of the twentieth century and also in the years 2011-2016 is distinguished by the declining trend in the number of passengers (**Figure 2**).



**Figure 2** The number of transported passengers in national transport in Poland [21,22,23,24,25,26]

In the years 2011-2016, the number of passengers transported in domestic transport was constantly decreasing at an average rate of 6 % per year, which indicates a decrease in the number of customers for bus services. One of the reasons for this situation may be better access to goods in the place of residence, caused by constantly emerging large- and small-size shopping centers and supermarkets.

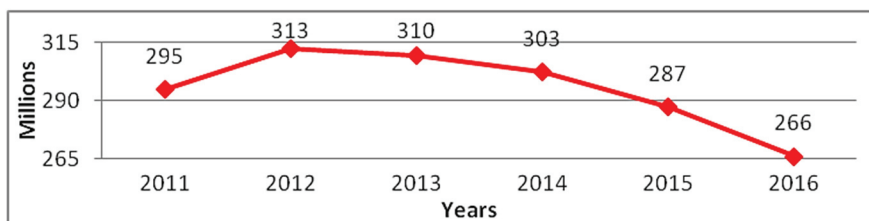
Another unfavorable trend in the bus transport market is the reduction in the number of transported passengers in the public sector (**Figure 3**).



**Figure 3** The number of transported passengers in national transport by the public sector in Poland [21,22,23,24,25,26]

During the analyzed period passenger transport in the public sector decreased by over 48 %.

In the case of the private sector, its share in domestic passenger transport in the same period also decreased slightly (**Figure 4**).

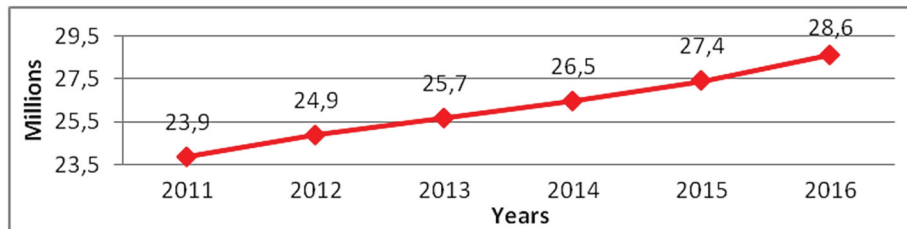


**Figure 4** The number of passengers transported in domestic transport by the private sector in Poland [21,22,23,24,25,26]



Despite the decline in the overall number of passengers in domestic transport, the private sector, unlike the public sector, did not feel it so dramatically, which proves its better functioning and over the years 2011-2016. This share in 2011 was 55 %, and in 2016 increased to 68 %.

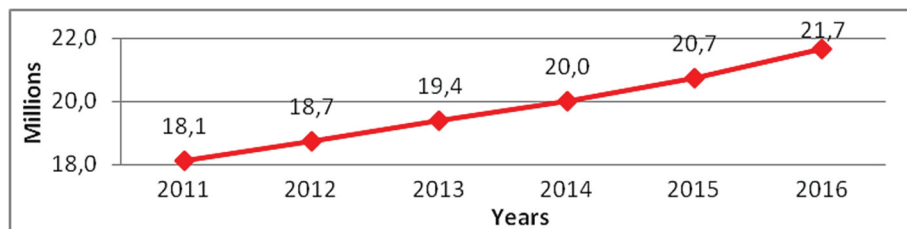
The rapid progress of motorization determines the development and functioning of road transport, and also affects the development of the mobile society. For the analyzed enterprises, the number of motor vehicles determines the size of the market for the operations of the District Vehicle Control Stations and service stations (**Figure 5**).



**Figure 5** The number of motor vehicles in Poland [21,22,23,24,25,26]

The number of cars on Polish roads can be characterized by an increasing trend. In the analyzed period in Poland on average almost 1 million vehicles are registered every year, and over the past five years their number has increased by 15 %. By analyzing this data and observing the situation on Polish roads, it seems to be obvious to say that the demand for the OSKP, service station and petrol station services will continue to increase.

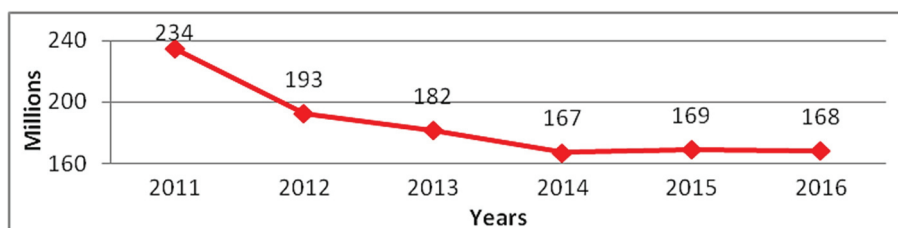
The biggest threat from substitutes for basic services, i.e. bus transport seems to be a passenger car, which is the most popular means of passenger transport in Poland [28] (**Figure 6**).



**Figure 6** Number of passenger cars in Poland [21,22,23,24,25,26]

The number of passenger cars in Poland is growing rapidly, as over the years 2011-2016 it has increased by almost 20 %. The determinants of this position include enrichment of the society and increasing availability of used cars, which are very often imported from abroad.

One of the many reasons for the decreasing number of bus passengers is the increasing number of passenger cars and decrease in the number of students traveling by bus (**Figure 7**).

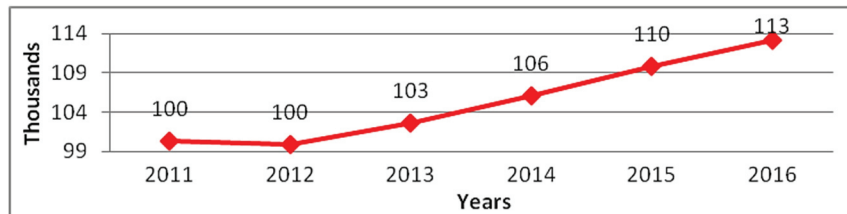


**Figure 7** Number of bus passengers in Poland with school monthly tickets [21,22,23,24,25,26]



School children with school monthly tickets is the largest group of recipients of services that are offered by the surveyed group of enterprises. The reasons for the constantly decreasing number of this group of recipients is not only aging society but more frequent choice of individual transport.

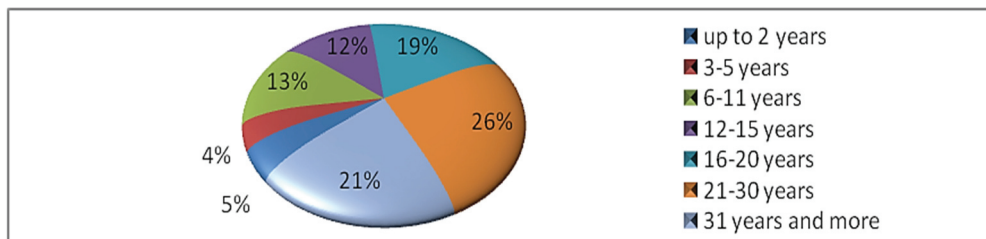
According to GUS data on the number of buses in Poland, it was assumed that buses are motor vehicles designed to carry more than 9 people, including the driver [27] (**Figure 8**).



**Figure 8** Number of buses in Poland [21,22,23,24,25,26]

The growing number of buses registered in Poland is caused by the fact that despite the decline in the number of passengers transported by domestic public transport, the demand for these services is met by the purchase of vehicles, the so-called buses that carry a smaller number of passengers at once. Buses with the number of seats above 15 are in most cases less profitable and are eliminated or replaced with smaller ones. On the other hand, the stagnation of the number of bus vehicles on Polish roads in 2011-2012 may be the result of market saturation due to the declining number of passengers.

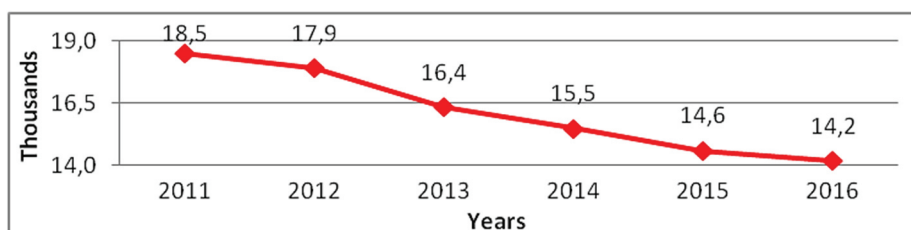
It is also worth mentioning about the age of the bus fleet in Poland in 2016 (**Figure 9**).



**Figure 9** The age structure of the bus fleet in Poland in 2016 [26]

Despite the increase in the number of buses over the analyzed period, in 2016 vehicles up to 2 years old constitute only 5 % of the total number of buses. It means that there are few new buses in Poland. One in four bus on Polish roads is aged 21-30. Over 65 % of buses in Poland are at least 16 years old, and buses that are up to 5 years old account for only 9 %. It is easy to draw the conclusion that bus transport in Poland often does not meet many current requirements not only legal, but also the requirements of customers due to the age of buses.

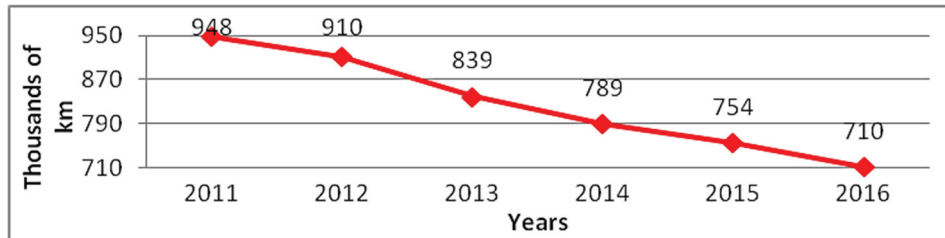
Another factor affecting the regional road transport sector is the number of regular bus lines, which in the analyzed period decreased by over 23 % (**Figure 10**). The reason for this situation is the reduction in the demand for this type of services and subsequent liquidation of some unprofitable lines by PKS enterprises.



**Figure 10** Number of regular bus lines in Poland [21,22,23,24,25,26]



With the decrease of the number of regular bus lines, their length is constantly decreasing over the analyzed period (**Figure 11**).



**Figure 11** Length of regular bus lines in Poland [21,22,23,24,25,26]

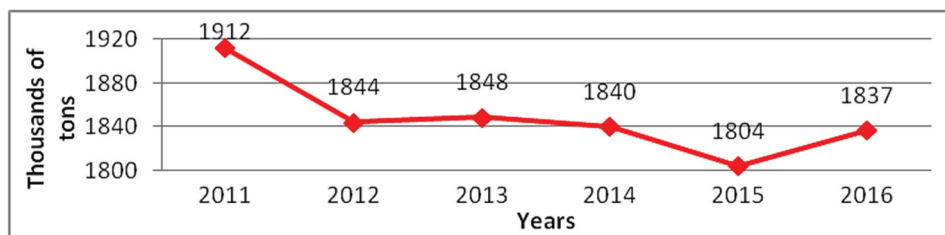
On long lines bus companies are more difficult to fight with competition from substitutes like train or individual transport. In many cases, train travel on these lines takes less time and is more comfortable comparing to bus transport.

In 2011, the Supreme Audit Office reported the results of the audit carried out in the area of "territorial self-governments fulfilling their obligations related to the organization of domestic bus transports", which was carried out in 2009-2010. This research highlights the most important remarks [29]:

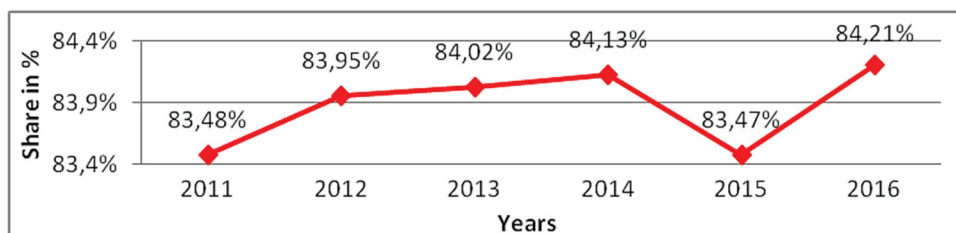
- Failure by local governments to analyze the market situation in the field of regular passenger transport, used to develop instruments to regulate the road transport market.
- Unreliable performance of concession and control functions by self-governments.
- Incorrect settlement of state budget funds intended for reimbursement of costs resulting from the use of statutory discounts by carriers.

The results of the research were identified as negative and this situation was the result of "failure by the local governments to comply with the provisions of the Road Transport Act" [29].

In order to determine the size of the market on which the companies offering freight transport operate, the mass of goods transported in Poland was indicated (**Figure 12**).



**Figure 12** Mass of transported goods in Poland [21,22,23,24,25,26]



**Figure 13** The share of car transport in total goods transport in Poland [21,22,23,24,25,26]

It is stated that the market for the carriage of goods in Poland is a very large market, where more than 1.8 million tones of goods are transported every year. However, its size has decreased since 2011. The sudden

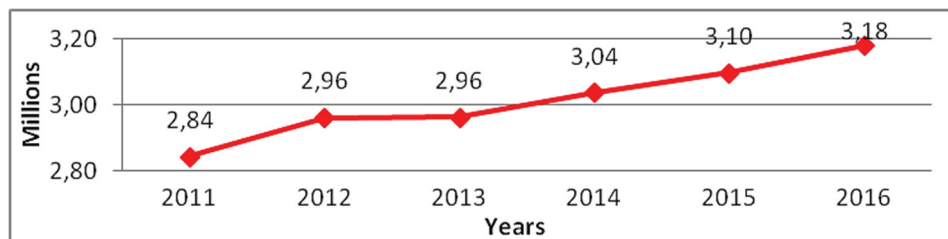


decrease in the mass of transported goods in 2012 was mainly caused by the general trend in the European Union and the associated economic slowdown.

Specifying the above indicator, the author made the analysis of the share of the transported mass of goods by road transport in the total weight of transported goods in Poland (**Figure 13**).

This share in 2011-2016 has steadily increased, despite the fact that in 2015 there was a significant reduction in this indicator. In Poland, more and more goods are transported by road, which indicates a dynamic development of this form of transport of goods.

Another factor related to the market of road haulage, as well as the services of the OSKP, service station and petrol station is the number of trucks registered in Poland (**Figure 14**).



**Figure 14** Number of trucks in Poland  
[21,22,23,24,25,26]

In Poland, only OSKP meet the conditions for carrying out tests on the technical condition of lorries. The increasing number of such vehicles in Poland in recent years is a favorable situation for the services of the OSKP and service stations, as it may result in an increased demand for these services.

For the petrol stations lorries are very important type of fuel buyers. European trucks can refuel up to 1500 liters of fuel at a time. Thus, the growing needs for fuel related to the growing number of trucks may affect the increase in fuel sales at stations of the surveyed entities.

In addition, road haulage services are carried by heavy goods vehicles, and their growing number may indicate the attractiveness of this market as well as the growing competition on it.

#### 4. CONCLUSION

The aim of this article was accomplished by analyzing twenty factors defined as the determinants of the sector of the surveyed enterprises. The hypothesis was verified positively.

From the analyzed factors, only five can be described as having positive tendencies. The decreasing number of licenses granted for the transport of persons and permits for regular transport of persons may result in a reduction of competition on the market. The increase in the number of buses and heavy goods vehicles may lead to an increase in demand for OSKP and gas station services. A positive phenomenon is also an increase in the transport of goods by road.

Unfortunately, the remaining fifteen factors have a negative impact on the functioning of the surveyed enterprises. This impact is very strong on the surveyed enterprises. The result is the current unfavorable situation of the surveyed enterprises. In particular, it can be seen in headlines of local newspapers describing the condition of local PKS companies.

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