

Deficiencies in Municipal Companies Operating the Public Transport

Municipal companies became a widespread organisational-legal form for medium and large carriers operating the public transport within the municipality or union of municipalities area. The company authorities, i.e. the management and supervisory boards consist of persons appointed by the system of local politicians and the administrative authority of the municipality. The municipal company (operator) shall implement tasks set for it by the municipality authority (organiser) within the determined territory in the form of transport network, timetable and the vehicles capacity. The competition of other carriers is eliminated. The municipality authorities can use services of external carriers, but in such areas of the transport network, which the municipal company cannot service.

Text **WOJCIECH BĄKOWSKI**

A municipal company as an internal entity of the municipality receives tasks ordered without a tender and for their implementation obtains the revenue irrespective of the number of transported passengers and of the deficit in ticket sales. The unprofitability of the public transport results from the activity publicly useful for the community living in the municipality. This condition forbids the company to undertake transport business on a competitive transport market. The municipal company, based on the contract concluded with the local government, has certainty of obtaining specific amount of the transport work and the resulting revenue. This certainty is supported by the determined amount of advance payment and by the payment date of the amount due for the performed transport work. The municipality is a good payer of the amounts due for its internal entity, which ensures a stable inflow of cash to the company.

The legal conditions, under which the municipal company carries out the business, create comfortable conditions for the implementation of internal organisational-technical actions and for precise plan-

ning of fixed and variable costs for the whole year. Fig. 1 presents the relative ease of planning the basic relationships, resulting from the knowledge of the transport work and revenue.

Concise examples of precise cost determination include the fuel consumption, the wear of tyres, the number of technical services, the payroll and pay related items. The conditions, under which the municipal company operates, to a significant extent eliminate the business risk in its business. In the practice, which I know, the performance of the planned tasks does not exceed 2-3% of deviation as against the transport performed throughout a year. Occasional events in the city change a determined cycle of vehicles operation and here the reason appears for the difference between the plan and the actually performed transport tasks.

Without marketing

The risk in the operator's business originates from random events, which disturb the cycle of vehicles operation and from a low level of quality of the current management in the work of dispatchers, technical facilities and organisational behaviour

Streszczenie

Autor zauważa, że komunikację publiczną w gminach lub związkach gmin najczęściej obsługują spółki komunalne. Takie rozwiązanie ma niestety szereg wad. Brak wolnorynkowej konkurencji, wysokie koszty stałe i koszty zatrudnienia, nie zawsze kompetentna kadra kierownicza, opór wobec innowacji i zmian organizacyjnych – to tylko niektóre z nich. Co trzeba zrobić, aby zminimalizować te mankamenty?

Słowa kluczowe: komunikacja publiczna, spółka komunalna, zarządzanie

Summary

Deficiencies of municipal companies operating the public transport

The author notices that the public transport system in municipalities or municipality unions is operated by municipal companies. Unfortunately, such solution has numerous flaws. The lack of free market competition, high fixed costs and labour costs, not always competent managerial staff, resistance to innovation and organisational changes - are only some of them. What should be done to minimise these drawbacks?

Keywords: public transport, municipal company, management

of drivers. The greatest source of risk in reliable operation of the operator is in the overly worn buses (and also trams). In such operational conditions the intellectual effort of the operator management is directed towards three economic targets:

- obtaining profit through economical performance of planned tasks determined in the contract and not via the revenue increase,
- reliable and flexible performance of transport tasks, so as to not incur contractual fines,
- continuous renewal of buses on the level approved by the organiser.

The accomplishment of those targets does not require to apply marketing methods. The municipal company does not handle the tariff prices, the knowledge of passenger behaviour, the passenger information system, the maintenance of stops, the distribution of tickets (it participates in the tickets distribution to a minimum degree), and the tickets inspection. The above targets do not require developing a strategy, entering new markets, increasing the company worth (no municipal company is listed on the stock exchange).

High and costly employment

Beyond the aforementioned economic targets the municipal company accomplishes an additional objective, officially not formulated. This objective is to ensure in 'a permissible dimension' as high as possible employment and distributed in time raising of the employees pay. The accomplishment of this unformalised management objective is guarded by trade union leaders (at least three trade union operate, as a rule) and local politicians. A high as against a rational employment level and relative high salaries generate the highest fixed costs. In a longer-time horizon (a few years) such action results in greater and greater subsidies from the municipality budget to the public transport. The payroll together with related charges resulting from the workforce employment reach sometimes 55% of total business costs.

Substantial labour-intensity of activities, that do not provide an added value for passengers, results from the operation of buses (and trams alike) worn out above an economically permissible limit. Therefore the municipal companies 'developed liking for' strategies of vehicles renewal via repairs or purchases of second hand vehicles on foreign secondary markets.

Politicians and competence

The lack of business risk makes that the process of municipal company management reminds an administrative activity. Supervisory boards of municipal companies are filled by local politicians without competences to fulfil the role determined by the Commercial Code. In turn, as practice shows, presidents of management boards hold their positions for 15-20 years, like it is the case of private transport company owners. The management board of a municipal company shall take care

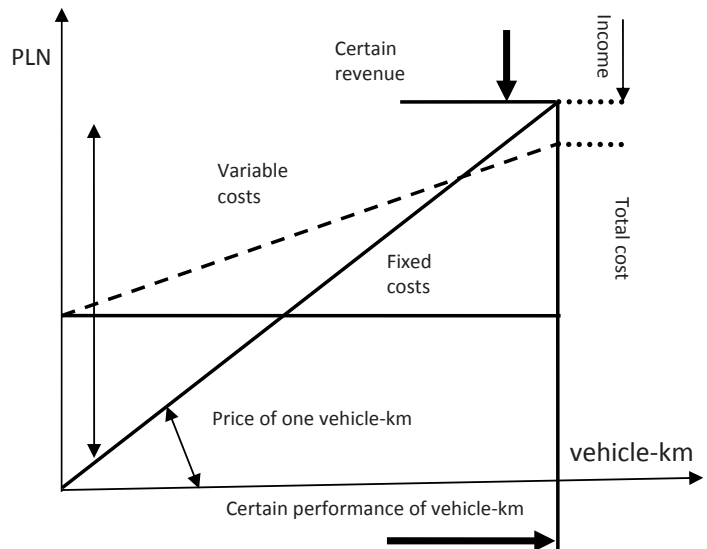


Fig. 1. Relationships between the set mileage and the revenues and costs

of vehicles' technical readiness and shall efficiently manage the cyclical process determined by the organiser. The described organisational-legal system of municipal companies does not motivate the managerial staff to introduce innovative technical and organisational solutions aimed at reduction of fixed costs, like giving up own technical facilities and using an authorised service-repair station or leasing buses from a dealer-intermediary. Such solutions are used by private carriers carrying out goods and passenger transport.

Organisational culture

The provided examples for fixed costs cutting in municipal companies cannot be applied for political reasons, because the employment would be downsized. This raises the question, are there possibilities to activate human resources in a municipal company to change a traditionally developed organisational culture. A change of the organisational culture in each conditions is a long and difficult process, and even more difficult, where the nearest environment (local government authorities, local politicians, trade unions) opposes positive changes. For effective changes it is necessary to apply three actions: to introduce regulated competition, to determine and improve standardisation of basic processes and to use an independent audit of similar scope, as in the case of quality management. An effective scope of conditions forcing the improvement in a municipal company operation can be carried out by the organiser possessing a significant human and organisational potential. ■



Wojciech Bąkowski |
Faculty of Management and Economics of Services,
University of Szczecin