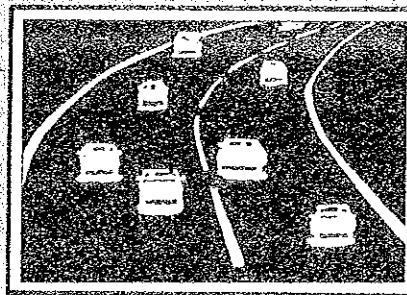
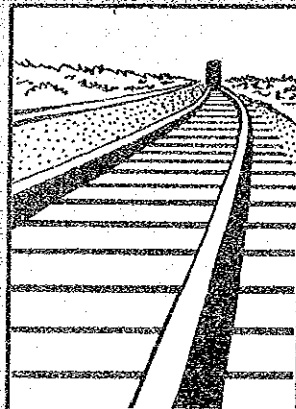
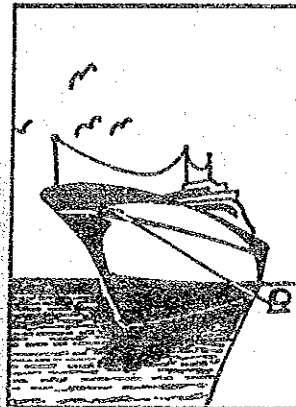
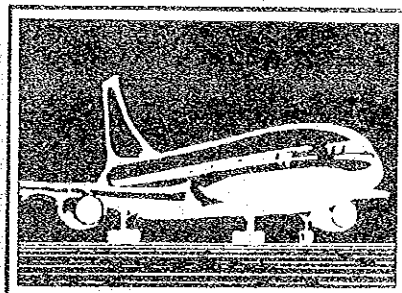


THE REPUBLIC OF POLAND  
MINISTRY OF TRANSPORT AND MARITIME ECONOMY

STUDY  
ON  
THE NATIONAL TRANSPORT PLAN  
IN THE REPUBLIC OF POLAND

FINAL REPORT

VOLUME 4  
PROJECTS AND PROGRAMS



DECEMBER 1992

JAPAN INTERNATIONAL COOPERATION AGENCY

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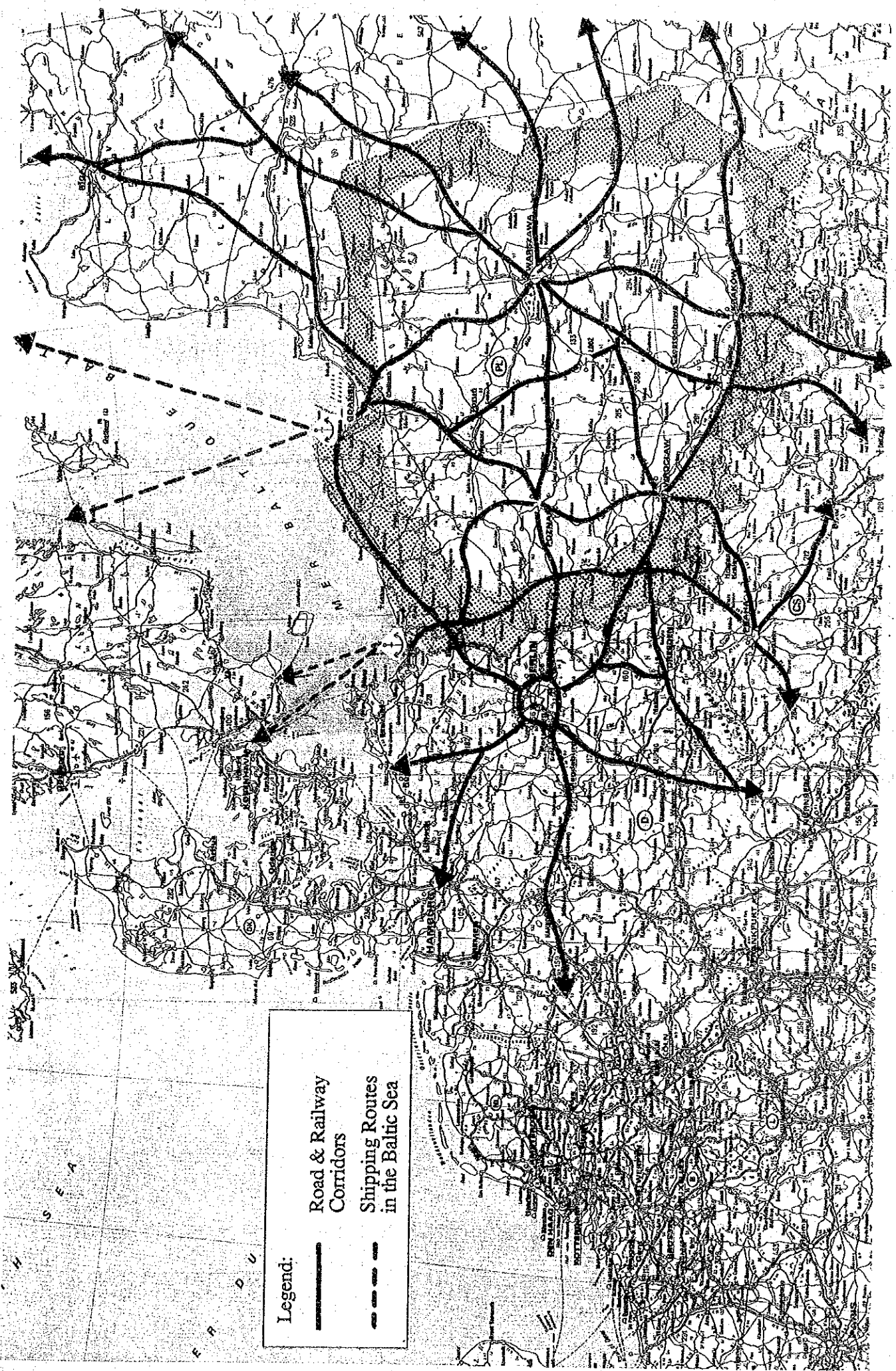
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Legend:

— Road & Railway Corridors

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INTERNATIONAL TRANSPORTATION CORRIDORS CROSSING POLAND





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### List of Important Abbreviations

AADT	Annual Average Daily Traffic
ATC	Air Traffic Control
ATS	Air Traffic Services
BPRSD	The Office for Planning of Road Network Development [Biuro Planowania Rozwoju Sieci Drogowej]
CIQ	Customs, Inspection, and Quarantine
CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance
CMK	[Centralna Magistrala Kolejowa]
CNTK	[Centrum Naukowo-Techniczne Kolejnictwa]
CTC	Centralized Traffic Control
DODP	Regional Board of Public Roads
EAPT	Uniform Air Passenger Tariff
EC	European Community
ECAC	European Civil Aviation Conference
EFTA	European Free Trade Aviation
EIB	European Investment Bank
ETP	Economic Transformation Program
FDI	Foreign Direct Investment
GDDP	General Directorate of Public Roads [Generalna Dyrekcja Drog Publicznych]
GDP	Gross Domestic Products
GICA	General Inspectorate of Civil Aviation
GILC	[Główny Inspektorat Lotnictwa Cywilnego]
GUS	[Główny Urząd Statystyczny]
ICAO	International Civil Aviation Organization
JSC	Joint Stock Company
KERM	Economic Committee of the Council of Ministers
LOT	Polish Airlines
MTME	Ministry of Transport and Maritime Economy
NMP	National Material Products
OBET	[Osrodek Badawczy Ekonomiki Transportu]
PATA	Polish Air Traffic Agency

<b>PBSC</b>	<b>Polish Baltic Shipping Company</b>
<b>PCAB</b>	<b>Polish Civil Aviation Bureau</b>
<b>PKP</b>	<b>Polish State Railway [Polenske Koleje Panstwowe]</b>
<b>PKS</b>	<b>[Panstwowej Komunikacji Samochodowej]</b>
<b>PMS</b>	<b>Pavement Management System</b>
<b>POL</b>	<b>Polish Ocean Lines</b>
<b>PPL</b>	<b>Polish Airports State Enterprises</b>
<b>PSC</b>	<b>Polish Steamship Company</b>
<b>SOEs</b>	<b>State Owned Enterprises</b>
<b>TEM</b>	<b>Trans European Motorway</b>
<b>VAT</b>	<b>Value Added Tax</b>





## **CHAPTER 1 INTRODUCTION**



## **CHAPTER 1 INTRODUCTION**

### **1.1 Objectives of the Study**

The overall objectives of the study are defined by the Scope of Work agreed upon in November 1990 between the Ministry of Transport and Maritime Economy (MTME) and the Japan International Cooperation Agency (JICA):

- 1) Prepare a Master Plan for the National Transport Plan which will effectively encourage the economic restructuring toward free market orientation and the integration of the Polish transport system into European and world systems from long term viewpoints.
- 2) Propose Priority Implementation Projects and Programs in the short and medium terms based on the above Master Plan, bearing in mind the importance of efficient and effective management and operation in the transport sector to support the economic structural transition in Poland.

Technical transfer during the course of the study forms another objective of the study. It can be construed as transfer of "know how" which would help facilitate the transformation of the transport sector from the centrally planned system to a market economy as well as help improve the efficiency of the sector based on the experience of the western world including Japan.

The Polish Steering Committee, headed by Mr. T. Kulikowski (MTME), and the Japanese Advisory Committee, headed by Prof. H. Nakamura (The University of Tokyo), guided the general directions of the study, under which the JICA Study Team and its Polish counterpart groups worked to fulfill the above objectives. The study results could form a base for the "Transport Polish Paper" which the MTME will prepare in the future on a revolving basis.

### **1.2 Implementation of the Study**

The study is divided into four phases as shown in Fig. 1.2.1:

- (1) The First Phase (May - September 1991):  
Analyses of the present situation  
"Progress Report" submitted in October 1991
- (2) The Second Phase (October - December 1991):  
Analysis of problems and formulation of basic strategies
- (3) The Third Phase (January - March 1992):  
Preparation of the national transport plan  
"Interim Report" submitted in February 1992
- (4) The Fourth Phase (April - October 1992):  
Further study on projects and programs  
"Draft Final Report" submitted in October 1992
- (5) The Last Phase (November - December 1992)  
Finalization of the study  
"Final Report" submitted in December 1992

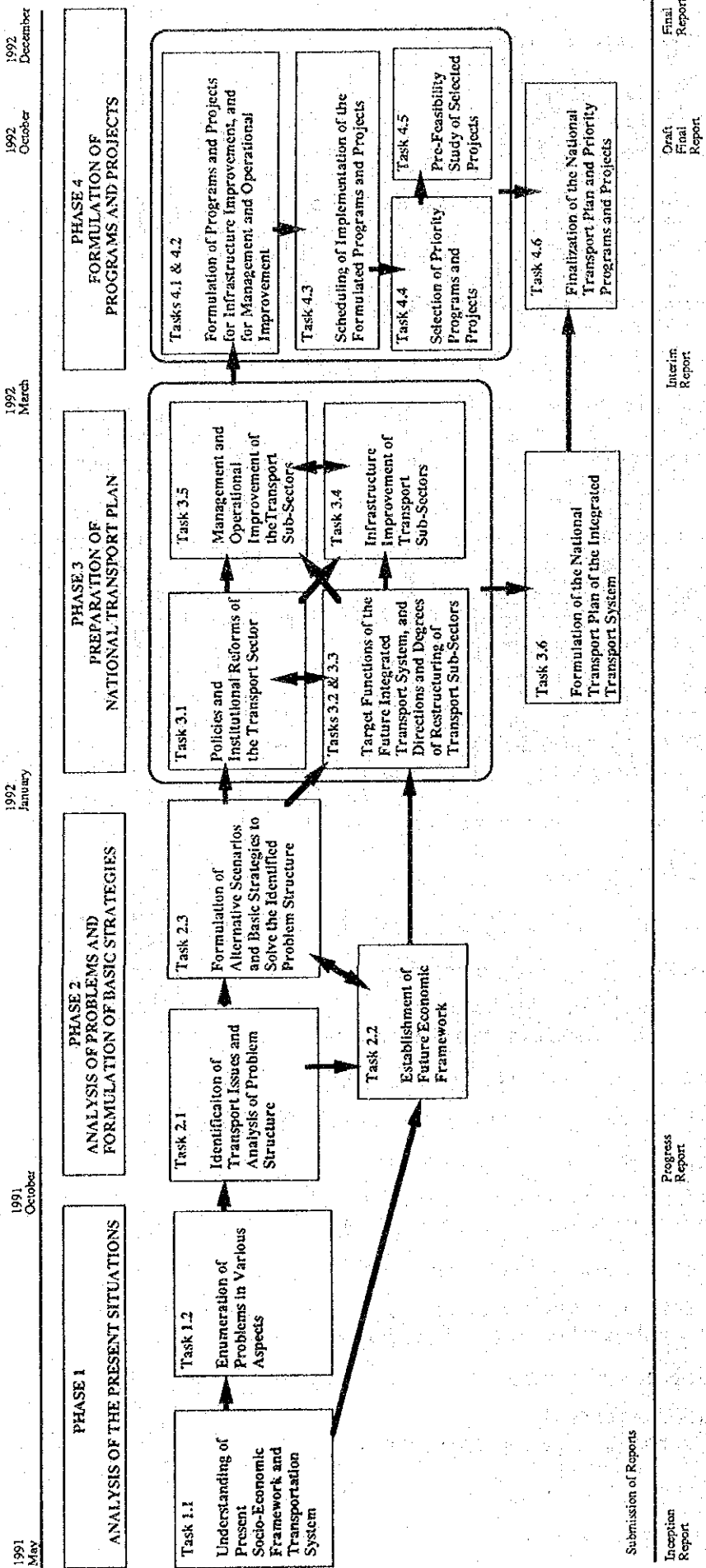


Fig.1.2.1 General Flow of the Study

The Final Report comprises four volumes:

- Volume 1 : Policy Guidelines for the Transport Sector
- Volume 2 : The National Transport Plan (Main Text)
- Volume 3 : Present Situations
- Volume 4 : Projects and Programs

### 1.3 Participants of the Study

Participants of the study are: (1) Polish members of the Steering Committee; (2) Japanese Advisory Committee members; (3) JICA Study Team; and (4) Polish Counterparts to the JICA Study Team.

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#### (2) JAPANESE ADVISORY COMMITTEE MEMBERS

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Note: MTiGM - Ministerstwo Transportu i Gospodarki Morskiej  
PKP - Polskie Koleje Panstwowe  
CNTK - Centrum Naukowo-Techniczne Kolejnictwa  
OBET - Osrodek Badawczy Ekonomiki Transportu  
GILC - Glowny Inspektorat Lotnictwa Cywilnego  
BPRSD - Biuro Planowania Rozwoju Sieci Drogowej  
GDDP - Generalna Dyrekcja Drog Publicznyc





## **CHAPTER 2 IMPROVEMENTS OF TRANSPORT ADMINISTRATION**



## CHAPTER 2 IMPROVEMENTS OF TRANSPORT ADMINISTRATION

### Summary

Poland is now rigorously proceeding with the economic system's transformation from the centrally-planned and command approach to the market-oriented approach, which necessitate a transformation in the organization of the central government and in the role and competence of the civil service. However, lack of experience in the new approach hampered the effectiveness of the public sector as a whole and of the transport sector administration. Framework for a new transport administration must be developed and established urgently, taking the experiences in other industrialized countries into account.

This study covers selected major aspects including monitoring, planning and policy formulation, and state intervention to the transport market. It also referred to the possible reorganization in the central administration of the transport sector.

#### 1) Strengthening the Function of Monitoring

The Polish transport administration faces lack of sufficient and reliable data which are indispensable for the efficient monitoring activities of transport users and enterprises. In order to strengthen the monitoring function, the following policy measures are recommended:

- (1) To set up an inter-ministerial working group in order to review and remedy the existing centralized system of data collection and distribution.
- (2) To transfer functions of transport-related data collection and distribution from the GUS to the MTME.
- (3) To set up an inter-departmental working group within the MTME for reviewing the problems in inter-departmental flow of information and to propose a comprehensive system of information flow within the MTME.
- (4) To establish a better linkage of information exchange with other ministries and agencies.
- (5) To strengthen and utilize the existing research institutions outside the MTME through the commission of policy-oriented studies to those institutions.
- (6) To publish an annual "Transport Statistics in Poland" and annual white paper, "Report on Transport in Poland" by the MTME for the purpose of informational feedback to the general public.

#### 2) Strengthening the Function of Planning and Policy Formulation

The scarcity of raw materials, insufficient qualified manpower, shortage of funds available to materialize future possibilities, all those matters constitute the need of plans even in the countries of market economy principle. The basic characteristics of plans in market economy countries are its indicative nature, while those in former socialist economy are of a commanding nature. The following actions will improve the existing

system of transport planning and policy formulation in the Polish transport administration:

- (1) To set up an integrated Department of Transport Policy and Planning rather than the separation of transport policy by Department of Transport Systems and transport investment planning by Department of Technology.
- (2) In formulating the transport policies and future development plans, more attention should be paid to the inter-linkage of activities in productive sectors and in regional dynamics with transport infrastructure provision.
- (3) As a possible and desirable transport planning system, a two-tier planning system, consisting of modal planning systems by each mode and an integrated and inter-modal transport planning system, is recommended.
- (4) A deeper analysis of financial arrangements in future development plans is required.

### 3) State Intervention in the Transport Market

The state intervention in the transport market can be justified even in the market system, if its aims are: (i) to protect the benefit of transport users from abuse of market forces by providers of transport services; and (ii) to promote sound business environment by regulating operations and management of transport undertakings which are proper and reasonable. In order to proceed with these orientations, experience of applying state intervention measures in developed market economy could be transferred to the Polish transport administration.

- (1) To request the technical cooperation of EC countries, which comprises MTME staff's dispatch to Ministries of Transport in those countries for the purpose of technical and on-the-job transfer of administrative measures for state intervention to the transport market.
- (2) To establish an inter-departmental study group on transport laws and regulations in market economies and their effectiveness for regulating the transport market.
- (3) To analyze the modal structure of transport administration for the effective use of regulatory measures. The modal structure of Ministries of Transport in major market economy countries should be studied in detail.

### 4) Possible Revision of Organizational Structure

Currently, demonopolization and privatization are proceeding in the Polish transport sector. In accordance with this process the Minister's role of MTME has also changed and the number of economic units for which the Minister of MTME is authorized as the founding body of transport enterprises in the public sector has increased substantially. In accordance with this process of changing roles and competence of the administrative authority in the transport sector and coping with the resultant institutional problems, needs for introducing modal administrative elements to the existing structure are sought and the following alternative directions for the possible revision of departmental structure in the MTME are examined.

Alternative 1: to set up sections which handle modal issues within the Department of Transport Policy and Planning (minor revision)

Alternative 2: to reorganize the departmental structure of the MTME and set up modal departments, which will work with revised functional departments (fundamental revision).

Taking into account the aforementioned needs for the improvement of administrative functions for monitoring, policy formulation and planning, and regulating transport market through state intervention measures, as well as the experience in developed market economy countries, the adoption of Alternative 2 is recommended.

## 2.1 Introduction

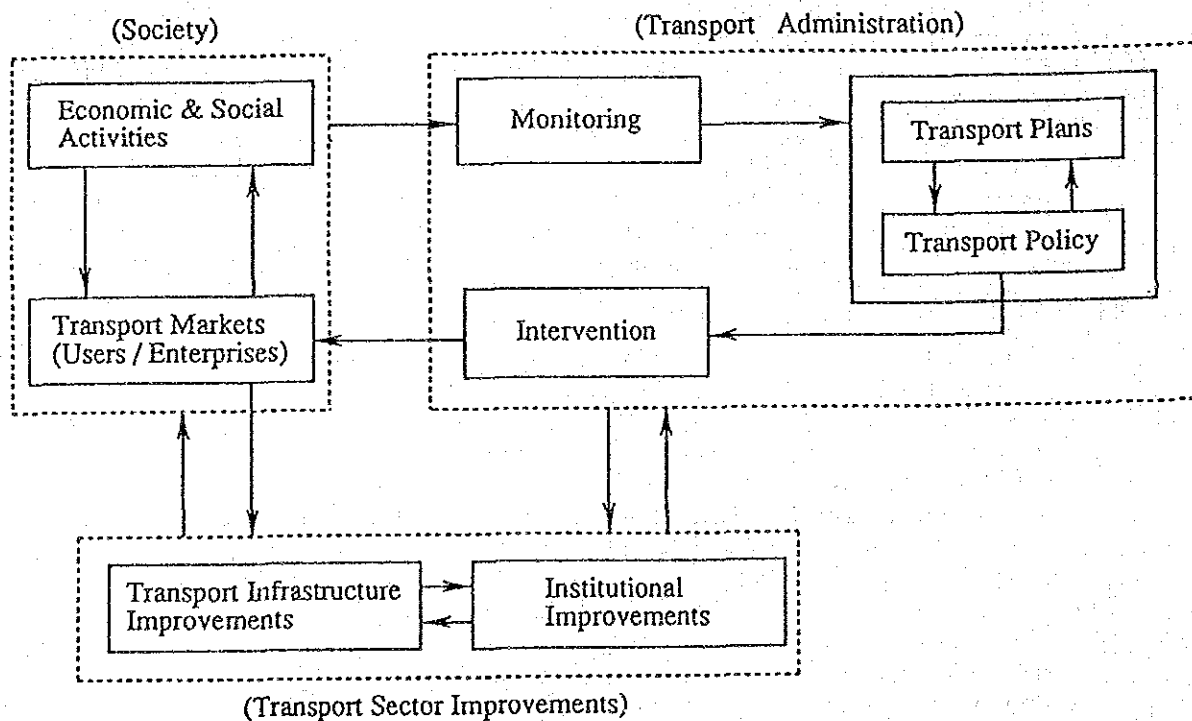
Since the implementation of the "Stabilization and Adjustment Program" in January 1990, Poland has been under the process of economic system's transformation from the centrally-planned and command approach of the past to the market-oriented approach. This change of approach requires reforms in the role and function of the public sector, which further necessitates improvement of the transportation sector in the organization of the central government and the competence of the civil service. This is a key issue that is becoming increasingly crucial. The effectiveness of the public sector as a whole seems to have sharply declined because of the inexperience with administrative works under new circumstances, having to do with factors associated with the former system of government, the erosion of pay, and competition for capable staff from the private sector. Nevertheless, lack of efficient and effective public service capacity may become a major bottleneck to the implementation of the Stabilization and Adjustment Program, and thereby the transformation of Polish economy to a market-oriented one.

The same situation applies to the transport sector in its administration. Framework for a new transport administration should be developed and established urgently, taking the experiences in other industrial countries into account. However, there exist difficulties in selecting the "best practice" in other countries. The composition of transport network depends on each country's geographical position, and its administrative systems based on traditional background, thereby each country's transport network and its administrative systems are, notwithstanding transport activity's international nature, different county by county. Therefore, following sections of this Program introduces typical and general administrative measures based on the experience of several industrial countries.

It may be mentioned that the Program does not cover the whole aspect of transport administration but selected aspects including monitoring, planning and policy formulation, and state intervention in the transport market. It also makes reference to the possible organizational changes in the central administration of transport sector. The transport administrative issues of importance are of course not restricted to the above aspects, but they are selected as key issues for the successful implementation of transport sector reforms under the present process of economic transformation in Poland.

The inter-linkage of those selected aspects in the transport administration are shown in the Figure 2.1.1. The transport administration constantly monitors the present situation and future direction of economic and social activities in the society including its international communications and those of transport markets which consist of users and suppliers of transport services. The transport administration receives factual information from the society and markets, converts them into statistical and analytical information which are analyzed by the transport ministry itself and other ministries and research agencies, and integrates them for the formulation of transport policies and future transport systems development plans. In order to obtain useful and sufficient

information for the effective transport administration, one of the essential factors for the receiver of those information is that it should handle them in a comprehensive manner, because information of various sources and nature are in many cases inter linked each other whether they are economic, financial, or technical kinds of information. Based on those information the transport administration intervenes in the transport market if the efficiency is hampered by the market failure of various nature. The efficiency of transport market would be restored by such intervention and further development of the society resumes. The transport administration is also required to review the effectiveness and efficiency of its institution and the quantity and quality of transport services. If the improvements of systems are felt necessary the transport administration should try to initiate those improvements subject to fiscal or other various constraints. This Program deals with the improvements of Polish transport administration taking into account of inter linkages in those components of transport administration.



**Fig. 2.1.1 Markets and Transport Administration**

## 2.2 Market Monitoring

### 2.2.1 Monitoring of Transport Activities in the Market Economy System

#### 1) Importance of Information

The transport administration in the market economic system starts from the monitoring of various information related to the economic, social and transport activities in the society. Those information are sent by individuals and institutions which constitute the society and are perceived by the transport administrative organs, some of them are directly collected by the transport administrative organs but many are indirectly collected through the exchange of information with other administrative organs. Needless to say the adequacy of the transport administration depend on the quality of the monitoring function of the information received: i.e. how the necessary information are collected, analyzed and made use of.

Since transport services are the infrastructure of the economic and social activities of the society, monitoring of only the transport-related information is not good enough to the transport administrative organs. All the information related to the present situation and future direction of economic and social activities should also be collected, taken into account and used for the decision-making of various phases of transport administration including the formulation of long-term transport development plans and the day-to day maneuver and guidance to the transport enterprises. In order to utilize this information of various sectors effectively and efficiently to the transport administration, the quality and the timing of the supply of information are particularly important factors. If the collected information are inaccurate it will naturally lead to an incorrect decision, and if the collected date are out of date the best timing of decision-making could be lost. At the same time the amount and variety of information to be taken into account are always increasing in pace with the ever-growing complexity and globalization of economic and social activities. On this aspect, however, the increase of information at hand can be sufficiently handled, thanks to the recent development of computer systems.

The collected and analyzed information must not only be utilized for the transport administration but should be fed back to individuals and institutions in the society. In the countries of market economic systems, the establishment of this information feed-back system is considered particularly important. The Transport ministries publish the results of monitored information and their analyses in the form of transport statistics or white paper of the Ministry of Transport or other various statistical and analytical documents. The receivers of those documents and information dispatched by the transport administrative organ, i.e. general public and enterprises, also depend on their decision-making of activities on the supply of information from the Ministry of Transport as far as the transport-related information are concerned. The frequency of mutual exchange of information between individuals and institutions in the society including the Ministry of Transport is ever-increasing and is a characteristic phenomenon of modern society.

In addition the role of research institutions to translate those statistics and factual information to the analytical information become important. Ministries of transport in advanced countries have this function more or less within the ministry, but many private institutions are specialized for the analyses of those information work outside the ministry and extract meaningful recommendations out of those raw information. The growth of those think-tank activities are another characteristic aspect of modern society.

## 2) Information to be Monitored for the Transport Administration.

As is mentioned in above 1) of this Section, monitoring of economic, social and transport-related information, their analyses, and provision of analyzed results to the general public is becoming more and more important in recent years among western countries. In the following we shall see two cases of the United Kingdom and of Japan in this respect.

### (Case of the United Kingdom)

Among the Western market economic countries, one of the most comprehensive transport statistics is prepared by The Department of Transport (DOT) of the British Government. The DOT annually publishes transport statistics-titled "Transport Statistics Great Britain, which incorporate not only tables and charts of transport statistics with international comparisons but also (i) several short articles on special transport issues (in case of 1991 publication, four articles were contained), (ii) analytical commentaries on the performance of transport sector as a whole and of each mode of transport, (iii) detailed note on the source of information and definitions of terminology used, (iv) organizational chart of DOT, (v) calendar of events for the last ten years, and (vi) publication list by Directorate of Statistics of DOT. Tables and charts contained in the publication are also very detailed (c.f. Annex 1 for its list of tables and charts) and very good for the readers to grasp the whole picture of traffic situation in the transport sector of Great Britain with analyses of backgrounds and trends of such performance.

Publicized information in Britain is not limited to the overall transport statistics. The DOT publishes following reports and bulletins annually other than Transport Statistics Great Britain, some publications jointly with other organizations.

- Road accidents Great Britain, the casualty report
- Transport of goods by roads in Great Britain
- Heavy goods vehicles in Great Britain
- International road haulage by UK registered vehicles
- Road accident statistics English regions
- UK shipping industry -- international earnings and expenditure
- Road length in Great Britain
- Seaborne trade statistics of the United Kingdom
- Bus and coaches statistics Great Britain
- Merchant fleet statistics
- Transport statistics for London
- Local road maintenance and expenditure England and Wales
- London traffic monitoring report
- Annual vehicle census
- Quarterly road casualties Great Britain final figures
- National road maintenance conditions survey report
- Port statistics (jointly with the British Ports Federation)
- Port statistics bulletin: provisional traffic statistics (jointly with the British Ports federation)
- Waterborne freight in the UK (jointly with MDS-TRANSMODAL)

In addition to the above annual publications, some basic statistics are published monthly and quarterly, other publications based on special, and not yearly, surveys are published occasionally after final outcomes of such surveys are compiled. There is also a substantial amount of unpublished information which, provided confidentiality is maintained, can be obtained on request.



Interesting aspects of statistical services in the UK is that a Transport Statistics Users Group was organized in 1985. The aims of the Group are:

- To identify problems in the collection, provision, use and understanding of transport statistics, and to discuss solutions with responsible authorities.
- To provide a forum for the exchange of views and information between users and providers of transport statistics.
- To exchange the proper use of statistics through publicity and education.

The Group holds seminars about every two months on topical subjects connected with the provision and/or use of transport statistics, including traffic forecasting, topics from recently conducted surveys, etc.

The importance of the exchange of views between users and providers of transport statistics are understood and organizational arrangements for such exchange of views are made in the U.K.

Another important provision of transport information in the U.K. is the publication of "The Government's Expenditure Plans for Transport", which is the DOT annual report on the past and planned (Three fiscal years ahead) expenditure of the DOT. The aim of its publication is to explain how and why taxpayers' money has been used and will be sent by the DOT and to announce what the DOT has done to obtain good value of money. The report is presented to Parliament jointly by The Secretary of State for Transport and The Chief Secretary to the Treasury. The explanation is made mode-by-mode of transport and each section on the mode of transport contains not only the past and planned figures of expenditure but also detailed explanation of justifying the expenditure plans. For example, a part is devoted to the plan of British Rail, which contains analyses and explanation on (i) Objectives, (ii) Safety, (iii) Financial Performance, (iv) Investment, (v) Sources of Funds, (vi) Private Sector Involvement, (vii) Output and Productivity, (viii) Quality of Services, (ix) Fares, and several other issues. It emphasized on the analyses of performance using performance indicators and concerns much about the general publics, the tax payers' understanding on the present situation and future plans of the transport sector development. The support from general public on the future expenditure plans is certainly considered indispensable in the U.K. transport sector administration, which is well reflected in the explanation of the future expenditure plans as well as transport statistics published by the DOT of U.K. government.

#### (Case of Japan)

The monitoring activities in the transport market is done by the Japanese Ministry of Transport in a mode-by-mode basis since the administrative structure of the ministry is basically in a modal set-up with coordinative functions held by secretariat to the Minister and Transport Policy Bureau. The administrative structure of transport sector in major western countries including U.K., France and Germany seems to be in a modal set-up rather than functional. Japan follows the same line and all modal issues in the transport sector are monitored, supervised and administered by six modal bureaus. The policy-related coordination among Bureaus and monitoring supervision and administration of inter-sectoral issues are handled by the Transport Policy Bureau. Each modal bureau is subdivided into divisions of different responsibility and those divisions are entrusted roles of monitoring, supervision and administration of their own.

The factual information is collected by the responsible division summed up into certain statistical forms and circulated to the concerned divisions, bureaus and institutions inside and outside of the Ministry including Information and Research Department of Transport Policy Bureau, which has a data bank of transport statistics and compiles the Transport Economy Statistics Handbook annually. The Handbook is sold at bookstores and utilized by enterprises, academics and general public quite extensively.

The role of Statistics Bureau in the Prime Ministry's Office, which is synonymous with the Polish Central Statistic Office (GUS), is restricted to the collection of nationwide and basic statistics such as population census, household economy and so on. Other sectoral information are collected and compiled by each sectoral ministry, exchanged among concerned ministries and agencies, and fed back to the general public. One of the most important information feedback from the Ministry of Transport to the general public is its publication of white paper, "Annual Report on Transport Economy". The Report contains major topics in transport sector and commentaries on them, analyses of trends in the transport sector development, and detailed account on new direction of Ministry's policy. The publication of the Report functions not only for the information feedback but for useful and effective means of guiding the understanding of general public toward Ministry's policy direction using the readily readable document. On the contrary, the general public, particularly economic units in the society, perceive the policy directions of the Ministry and take them as an important information source for their business decision-making.

## 2.2.2 Present System of Monitoring in Polish Transport Administration

### 1) Kinds of Transport-Related Information Currently Circulated

Under the former system the informational exchange between central government and transport enterprises had been a practice of random, highly detailed in many cases, and yet incomplete nature, which mainly took a form of submitting statistical information from transport enterprises to the central government. During the reform in 1980's, this deficiency of informational exchange was understood and a fundamental reduction in information transmitted from transport enterprises to the center was tried. In addition, an idea of establishment of horizontal informational links was evolved. However, these ideas were implemented only partially. As a consequence, the Central Statistical Office (GUS) in the center and the Voivode Statistical Office (WUS) in each voivodeship are now practically monopolizing reports from enterprises which are submitted from enterprises to the statistical authorities compulsory within a definite time.

Present system of information collection is based on the Act of 1982 on state statistics (Dz. U. No. 40, item 221 - 1989), which was amended several times in accordance with the Sejm Resolution of 1990 on Simplification and Constraining of Reports and Statistical Research. Basic information sent from transport enterprises to the GUS and WUSs are grouped into four categories:

- annual reports on transport enterprises' activities using Forms T-01 ~ 13 prepared by transport enterprises of various modes;
- annual reports on specific transport enterprises by using Forms M-05, LOT-1, 2 and PKP-5;
- monthly (cumulative from the beginning of the year to the end of month to be reported) and annual financial results of enterprises by using Forms F-01, 02 and 05; and

- monthly reports on business activities of transport enterprise by using the Form DG-1t ~ 3 for different employment size of enterprises. Additional monthly reports are required for ports, PZB, and PKP by using specific Forms.

The details of the above reporting Forms are listed in Table 2.2.1. The information covered by these forms are very detailed and will be useful information for guiding the structural reforms of those enterprises if systematic analyses of traffic and financial performances are made for enterprises under restructuring and those for which restructuring are planned.

After all those performance data collection by the GUS, annual statistical information on transport sector is compiled and published by the GUS, which consists of two parts:

- Part I: means of transportation, production of transport services by mode of transport
- Part II: sales, costs and financial effects, employment and remuneration's

Comparing with contents of individual survey forms, only a segment of information on transport activities are compiled and covered by the annual statistics.

## 2) Insufficiency of Information Supply for the Transport Administration

Since the enforcement of successive intructions by the President of GUS, the MTME has been deprived of information on traffic and financial performances by each transport enterprises for the purpose of further reporting system simplification and reduction. For example, Instruction No.58 changed the reporting procedure of information on wharfs, transshipment, ship and passenger traffic at seaports, and marine transit, which until the end of 1990 have been collected by the MTME, to be processed by the GUS. Starting with statistical date for year 1991, GUS took over the task of collecting information on network of public roads. Information on the traffic and financial performance of transport enterprises are available to the MTME after the consolidation is made by the GUS, which inevitably causes a considerable delay. Furthermore, the available data are only consolidated figures. Provided information by the GUS are over simplified and insufficient for the use of monitoring and supervision of each enterprise and guiding the structural reforms of those enterprises.

Faced with the lack of more comprehensive information on the traffic and financial performance of each enterprise, the MTME now uses information from informal sources. Some departments of the MTME pressurize transport enterprises, to which the MTME is the founding body, demanding similar reports or even copies of Forms sent to the GUS. Such procedure of getting in obtaining necessary information is arduous and contradictory to the law in principle. But the real problem is the situation that the MTME has been cut off from access to the necessary information source for the transport administration and formulation of national transport policy.

**Table 2.2.1 Forms Submitted by Transport Enterprises to the Gus and WUSs**

FORM	CONTENTS	PERIOD OF OBSERVATION	LEGAL BASIS
T-01	National and voivodeship roads/included dual-carriage, expressways, motorways divided into off city roads and urban roads, as well as repairs of these roads and expenditures for their maintenance	Annually	-Instruction No.58 by the GUS President (Oct.1990) -Instruction No.47 by the GUS President (Nov.1991)
T-02	State-owned services in transport and communication/kinds of services incomes, own cost, object-related subsidies	- do -	- do -
T-03	Registered motor vehicles, tractors and trailers/with division into public sector and private sector, cooperatives included	- do -	- do -
T-04	State of motor truck fleet work in public specialized transport/state of fleet, purchase in number and load capacity, distance covered, load carriage in tonne and tonne-km, etc.	- do -	- do -
T-05	State of motor truck fleet work in company-owned transport/state of fleet, purchase in number and load capacity, distance covered, load carriage in tonne and tonne-km, etc.	- do -	- do -
T-06	State of bus fleet work in public motor transport/state of fleet, purchase of buses and bus-trailors, distance covered, total passenger volume in international and domestic traffic and in regular and irregular traffic, etc.	- do -	- do -
T-07	Network of regular PKS bus transport/voivodeships, length of network, bus stops, bus terminals	- do -	- do -
T-08	Sea shipping transport/regular and irregular shipping, cargo carriage by routes and groups, freight service of the Polish foreign trade, passenger transport, etc.	- do -	- do -
T-09	State of fleet and transit freight carriage serviced by sea shipping/vessel type, deadweight, inland-sea transit, etc.	- do -	- do -

Table 2.2.1 Forms Submitted by Transport Enterprises to the Gus and WUSs (continued)

FORM	CONTENTS	PERIOD OF OBSERVATION	LEGAL BASIS
T-10	Reloading operations and length of wharfs in sea trade ports/cargo groups-sea turnover, domestic turnover, transit reloading operation in tonne and by transiting countries, wharfs, etc.	- do -	- do -
T-11	Fleet and carriage in inland waterways transport/fleet group, cargo carriage, passenger transport	- do -	- do -
T-12	Length of inland waterways/navigable total and in operation, rivers	- do -	- do -
T-13	Vessel and passenger traffic in sea ports/vessels under Polish flag and foreign flag, arrivals and departures of passengers, etc.	- do -	- do -
M-05	Report on urban transport/length of bus, tramway and trolley bus routes, state and fleet operations, etc.	Annually	-Instruction No.57 by the President of GUS (1990)
LOT-1	Composition on fleet, network and transportation in air transport/inventory state, number of passenger seats, transportation volume	- do -	- do -
LOT-2	Composition on passenger traffic in airport/arrivals and departure of passengers	- do -	- do -
PKP-5	Composition on railway network/length of network, freight carriage volume, etc.	- do -	- do -
F-01	Report on costs and financial result/kinds of incomes, costs of getting them, gross and net profit, gross and net loss, turnover property and financing sources, investment expenditures, etc.	From beginning of the year to the month Annually	-Instruction No.50 of the GUS President (1991)
F-02	Statistical financial report/assets, liabilities, and financial result	- do -	- do -
F-05	Report on state and fixed assets changes for entities acting on basis of self-supporting run principle/value of fixed assets, depreciation and repairs, etc.	- do -	- do -
DG-1t	Economic activities of transport enterprises including revenue from sales, sale of properties/number of employees/income tax paid etc.	Monthly	-Instruction No.42 of the GUS President (Oct.1991)

Table 2.2.1 Forms Submitted by Transport Enterprises to the Gus and WUSs (continued)

FORM	CONTENTS	PERIOD OF OBSERVATION	LEGAL BASIS
Special Form	Applicable for port enterprises and Polish Baltic Steam Ship Co. (PZB) on activities at commercial seaports/items of loading and unloading cargoes, etc.	- do -	- do -
DG-2	Economic activities of entities employing more than 20 persons/income taxes, cost structures, profit/loss, no. of employees, etc.	For 2 months a year	- do -
DG-3	Economic activities of entities employing more than 5 persons/incomes, cost, investments, wages, etc.(sample survey)	- do -	- do -

Source: GUS, OBET.

### 3) Identified problems

As is analyzed in the above 2), information supply for the transport administration faces lack of sufficient and reliable data indispensable for the efficient implementation of monitoring activities of transport users and enterprises and thereby effective transport administration. The major problems to be tackled for the strengthening of monitoring function in Polish transport administration are as following:

- (1) Existing system of information collection and flow of collected information is deficient and the MTME does not have access to information necessary for the day-to-day supervision of transport enterprises;
- (2) Departments within the MTME are not conscious enough to the needs of inter-departmental information exchange, which seems to be one of factors of lack of information drought within the MTME. Strong leadership for the standardization of information exchange and change of attitude of MTME staff for the inter-departmental information exchange are required;
- (3) For the formulation of transport plans and policies, information on the future direction of industrial and other sectoral direction and their geographical distribution are required. Establishment of stronger information linkage with other ministries and agencies is needed;
- (4) With reference to the above (3), analytical skills for information within the MTME seems to have room for further improvements. Organizational stability of transport-related research institutions seems to be hampered by the current economic crisis; and
- (5) Feedback of transport information to the general public including private enterprises seems at present to be virtually non-existent. Users of transport information are not restricted to the MTME.

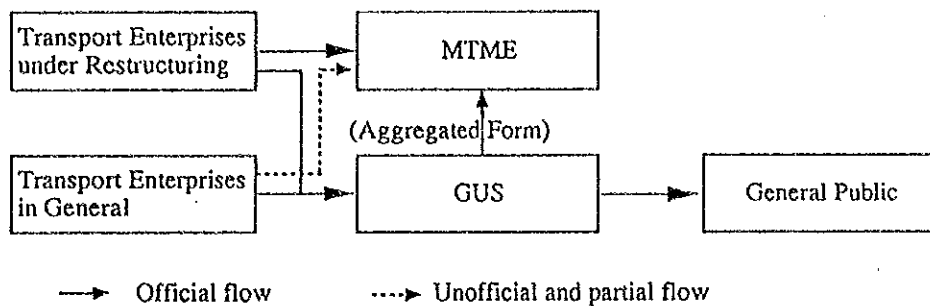
#### 2.2.3 Policy Measures for Strengthening the Monitoring Function

##### 1) Strengthening of Monitoring for Transport Enterprises

Existing system of data collection is strongly centralized to the GUS. The extent of centralization to the GUS is rather stronger than the data collection system in the state before the reform and is certainly stronger than the general data collection procedures performed in western industrial countries. The provision of aggregated statistical data with some delay in the supply is far from the ideal situation and should be altered as soon as possible. The present data collection system should not be considered as a given condition. If the change of system is felt necessary for establishing the efficient and effective transport administration, immediate action should be taken in order to alter the deficient system of data collection and provision. Data collection should be designed and implemented by their immediate users. The following program of action are recommended to be considered.

- (1) To propose the establishment of inter-ministerial study group to review the existing centralized system of data collection and provision.
- (2) If the decentralized data collection system is considered necessary, legislative action of changing the existing system of data collection and provision should be taken. In such a case the following exchange of information flow is suggested as an alternative to be considered.

(Existing Flow of Information)



(Suggested Flow of Information)



**Fig. 2.2.1 Existing and Suggested Flows of Information**

If the suggested actions are taken, the GUS's role of data collection and provision would be concentrated to the nationwide surveys such as population census, and the sectoral data would be collected and provided by respective sectoral ministries.

- (3) When the MTME is entrusted to collect the transport-related information by itself, the establishment of Department of Transport statistics will be required.

## 2) Information Exchange within the MTME

Although the opinions on sufficiency of information flow are different within the MTME, many departments are feeling the shortage of information, at least a lack of regularity in the distribution of information. Almost all departments claim the personnel shortage as a basic reason for lack of information or of its regularity. But the fundamental problem seems to be the lack of comprehensive system of information flow within the MTME. To remedy this situation, the following actions are suggested.

- (1) To set up inter-departmental working group of reviewing:

- each department's needs for the information and existing situation of availability; and
- existing inter-departmental and inter-ministerial flow of information.



- (2) The above working group would further work out the comprehensive system of information flow within the MTME and with other ministries and agencies.

### 3) Information Exchange with Other Ministries and Agencies

Departments in the MTME focus on the shortage of information on transport enterprises and the lack of policy for inter-departmental information exchange. However, the shortage of information exchange with other ministries and agencies must be attended. The recommended actions are simple and precise.

- (1) The concerned Departments in the MTME should recognize the shortage of industrial and regional economic information for preparing the transport plans and policies.
- (2) The MTME should propose to other ministries and agencies to establish better linkage of information exchange including contents and format of information, timing of distribution, etc.

### 4) Strengthening of Research and Development Function in the Transport Sector

The MTME requires to be more conscious to the needs of transport users, which are currently scarce, and reflect them to the transport plans, policies and administration. These are two alternative directions of strengthening this function.

- To strengthen the internal function of research and development within the MTME's sphere.
- To strengthen the policy-oriented research institutions outside the MTME.

A good example of the former case is the Transport and Road Research Laboratory (TRRL) in Britain, which is under the Department of Transport and conducts mainly technological research and development activities but socio-economic analysis as well. The latter example includes use of think-tanks in the United States. Japan utilizes both - the MOT's internal research and development functions as well as commissioning various studies to outside research institutions.

Since the MTME does not currently have the internal research and development function while there exist several research institutions outside the MTME such as OBET or CNTK, it is advisable to strengthen and utilize these existing research and development function outside the MTME. Therefore, the recommended action on this issue is straight forward.

- (1) To strengthen and utilize the existing research institutions by the commission of studies and surveys of specific issues including needs of transport users and other policy-oriented issues.
- (2) In the above case, an appropriate rate of fees, which reflect the actual cost for the studies and surveys and certain amount of profit for the commissioned institutions, should be applied.

## 5) Feedback of Information to the General Public

The need for the distribution of transport information to the general public is obvious. For this purpose the publication of transport statistics, a good example of contents is that of the Department of Transport, U.K. (See Annex 1), and the annual report of transport sector development. The following actions are recommended.

- (1) To publish annual "Transport Statistics in Poland", which is to be managed by Department of Transport Statistics (tentatively named). The volume should contain not only tables and figures but also their analyses of implications for the convenience of users.
- (2) To publish annual "Report on Transport in Poland (a white paper)". The report should be written in a readable manner and contain accounts of major transport-related topics, and MTME's policies for future development.

## 2.3 Policy Formulation and Planning

### 2.3.1 Transport Planning and Policy Formulation in the Market Economy System

#### 1) Medium - and Long-term Plans as a Guidepost

Countries of former centrally-planned economy were not the monopolist of plans. Countries of market economy have also depended on various types of plans. The scarcity of raw materials, the shortage of qualified manpower, and the shortage of funds available to materialize future possibilities all those things constitute the limiting factors or constraints. In addition, the availability of all those factors changes over time, which necessitate reallocation of resources, results in changes in cost structure and thereby brings about changes in the economic structure of the society: All those aspects necessitate a plan.

Such changes of factors will have wide implications for the transport sector, because transport infrastructure projects require long period of preparation and implementation. Because of this long gestation period for transport improvements, transport plan is basically a medium- or long-term one. The difference of transport plans in the centrally-planned economies and in the market economy are their functional nature; i.e. the former is of command nature while the latter of its indicative nature. The medium- and long-term transport plans indicate the future direction of transport development and the function of plan is basically a guidepost for the future orientation.

#### 2) Modal and Comprehensive Transport Plans: A Two-Tier Planning System

There is a wide range of transport planning systems in countries of market economies. However, since the administration of transport sector is conducted by modal departments of the Ministries of Transport in many countries of market economies, plans are at first prepared by modal basis, which are further integrated into a comprehensive plan taking into account of the inter-modal issues and of consistency among modal plans. In this sense a typical planning procedure in the market economies can be called a two-tier planning system.

#### 3) Consistency with the Comprehensive Socio-Economic Plan

The new provision of transport infrastructure and its services provide new opportunities of social and economic activities for the users of transport system. In many cases the types of socio-economic development and regional land-use are greatly influenced by the availability and quality of transport services. This means that transport systems and services can guide users. A country which aims its regional development with dispersed economic centers and another with a few concentrated economic centers must develop the completely different network of transport systems. To this end, a transport development plan, whether it is a short-, medium- or long-term perspective must be consistent with the nation-wide comprehensive socio-economic development policy and plans. It is even desirable that the transport plan would be formulated simultaneously with the comprehensive socio-economic development policy.

#### 4) Transport Plans and Financial Arrangements for Their Implementation

Even transport plans in the market economy are indicative in their basic nature, implementation of programs included in those plans must be backed up by the availability of funds for public investment. Otherwise, the plan will lose even its indicative function. In the case of post-war Japan, the economy was firmly controlled by the strict policies of fiscal balance, just like the current Polish economy under the economic stabilization program, in order to subdue the inflation. Even under this situation the renewal and modernization of infrastructure were considered as a necessity for the future development of the economy. Various schemes of financing industries and economic infrastructure were worked out to provide long-term and soft interest loans to enterprises. Particularly, shipping industries are considered to be a priority sector for reestablishment and funded through a newly-established Japan Development Bank of those long-term and soft interest loans as well as through tax relief measures. Those support by the financial measures are indispensable for the modernization of transport facilities, which are the basis of establishing competitive economic system.

#### 2.3.2 Present Procedure of Planning and Policy Formulation in the Polish Transport Administration

##### 1) Present Procedure of Transport Planning and Policy Formulation

The task of formulating transport policies and of planning transport systems are also in the process of transition. The institutional structure has not been fully adapted to the new market-oriented circumstances. In practice estimation of future demand and supply of transport services seem to have been carried out in accordance with the old national law.

In the MTME transport policies and concept of future development orientation for transport systems are prepared by the Department of Transport Systems, and the actual investment plans of development are prepared by Department of Technology. As is mentioned above, transport policies and transport plans with investment programs are inseparable and must be consistent each other. From this viewpoint, the functions of these two Departments might be united into one, which will ensure a better result of consistency between them.

##### 2) Identified Problems

In comparing the current difficulties of transport planning and policy formulation in Polish transport administration with the experience of those in the market economic countries, the following problems can be pointed out:

- (1) All transport issues are handled by functional departments of the MTME except those on the road sector, which are handled by the GDDP, and imperfectly those on the sea transport, which are handled by Departments of Sea and Inland Waterway Administration and by Shipping and Sea Ports, worked out policies sometimes lack the intra-modal consistency.
- (2) As is mentioned-above, preparation of transport policies and of investment plans are handled by different Departments of the MTME and, furthermore, those two Departments are supervised by the different Under-Secretaries. This division of roles brings about the further difficulties of coordination and the inconsistent treatment of issues.

- (3) The weakness of inter-ministerial linkage is reflected in the worked-out plans and policies. They rarely refer to the needs of transport services by productive sectors or regional economic activities.
- (4) Although it is understandable that the current fiscal difficulties hinder the reliable estimation of available funds for the upgrading and modernization of transport facilities, any plan including transport plans must be backed up by the financial availabilities.
- (5) Current planning and policy formulation process reflect opinions of general public users of transport services and providers of them only in a limited extent. In order to obtain their support for the implementation of worked out plans, their ideas and views should be reflected in the plans and policies.

### 2.3.3 Policy Measures for Strengthening the Function of Planing and Policy Formulation

#### 1) Modal Planing and Modal Formulation of Transport Policies

A lack of modal structure in the MTME also hampers the effective formulation of transport plans and policies. As is repeatedly referred in the precedent Section, every kind of transport problems, whether they are technical, economic, legal or organizational, are intra-modally linked to each other and, hence, require modal monitoring and modal assessment. This will necessitate to work out the first-hand solution of those problems by modal unit of the transport administration, which will further secure the inter-modal consistency by the functional unit of integrating transport plans and policies. The needs of such treatment for transport problems will suggest the following actions.

- (1) To establish a two-tier transport planning and policy formulation systems as follows:
  - to prepare a model plans and policies based on the monitoring of modal activities by modal units;
  - to work out inter-modal plans and policies by functional unit; and
  - to exchange information between modal and functional units on transport plans and policies, and finally formulate consistent and effective plans and policies of both modal and inter-modal nature.

This is a reiterating feedback process of information exchange and can be summarized as Fig. 2.3.1.

- (2) In order to make the coordination of modal planning and modal policy formulation more effective and efficient, to reorganize Department of Transport Systems and investment planning function of Department of Technology into one Department.

#### 2) Other Actions Related to the Improvement of Transport Planning and Policy Formulation

In the process of formulating transport plans and policies, following actions are advisable.

- (1) To set up an inter-departmental working group to study the planning and policy formulation systems in the industrialized market economic countries, which would include the dispatch of the MTME officials to those countries. Ideally, they would stay in those countries for certain periods and experience the actual planning process through participating the process.
- (2) Concerning the present procedure of transport planning and policy formulation in Poland, attention should be paid to the following elements:
  - to strengthen the inter-ministerial linkage in the information exchange and reflect other ministries' policies and development plans into transport plans and policies in a more positive manner; and
  - to incorporate the financial requirements of development programs into the plan.
- (3) To establish a "Transport Policy Council" as an advisory body to the Minister of TME, which is composed of members from a wide range of the society in order to obtain their views on important policy matters and strategic issues. (the details on this recommendation are incorporated in the separate volume of National Transport Master Plan.)

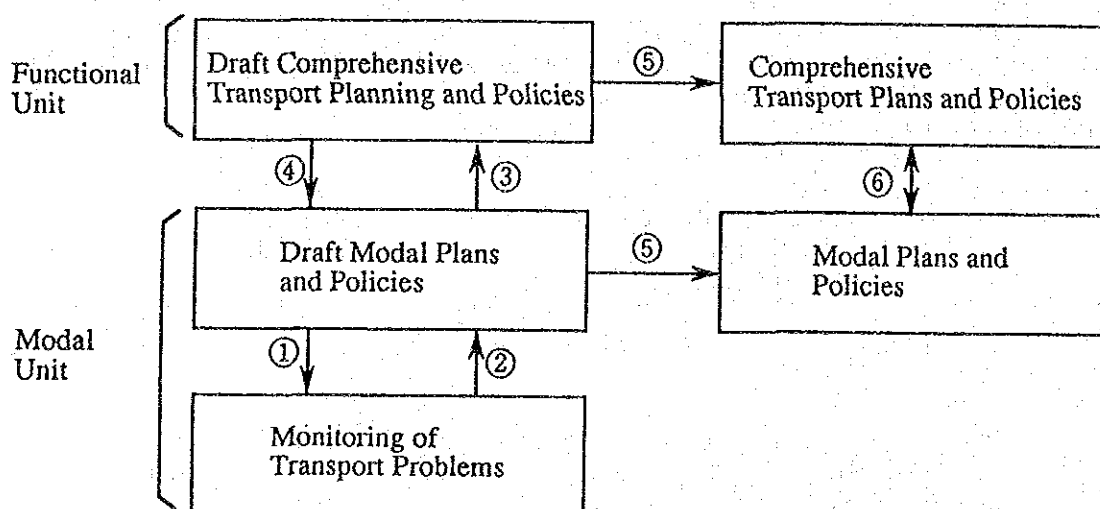


Fig. 2.3.1 A Two-Tier Transport Planning System

## 2.4 Government Intervention to the Transport Market

### 2.4.1 Justification and Means of Government Intervention in the Market System

#### 1) Aims and Justification of Government Intervention

Generally, Government intervention implies that the Government authority, whether it is a judicial, or a legislative, or an administrative body, regulates economic activities of an individual person or an organization in a society or a market, by certain legal action or by other means. In this program, we shall deal only with the cases of Government intervention by the administrative authority of the Government, particularly those by the transport ministry.

The aims of implementing the market intervention in the market system where free market competition guided by the price mechanism and the profit maximization motives without any forcible economic interference is the fundamental principle, are generally accepted as:

- to protect the benefit of consumers (users of transport services) from abuse of market forces by suppliers (providers of transport services); and
- to promote sound business environment by regulating operations and management of (transport) undertakings proper and reasonable.

This expression of aims of state intervention contains several theoretical characteristics to be noted.

Firstly, a phrase of "regulating operations and management of undertakings proper and reasonable," which aims primarily to prevent the abuse of monopolistic control of the entire market by a small or simple number of enterprises, concerns natural monopoly. The abuse of monopolistic power specifically includes the monopolistic setup of tariff rates, discriminatory price setting and discriminatory treatment of certain users when services are provided. If this kind of situation occurs in the market, the allocative efficiency of resources will not be attained. The objective of the Government intervention in this case is its intervention to the improper and unreasonable situation of market by restricting the monopolistic setting of tariff rates and to regain the normal state of market and allocative efficiency.

Secondly, the same phrase in the above indicates that there is no incentive to improve the internal efficiency of the enterprise if the market structure were monopolistic and the competition in the market did not work. The internal efficiency of providers of transport services should be realized through:

- (i) production efficiency under the best suited production scale;
- (ii) technological efficiency through the appropriate combination of inputs under the given set of technologies; and
- (iii) operational efficiency through the best use of available facilities.

Thirdly, the phrase "to protect the benefit of consumers" means that, if the monopoly of supply would exist, it will not only harm the efficiency of resource allocation but also the equity among members of the society. The monopolistic enterprise may supply its services to users discriminatively, while the existence of competitive enterprises ensures the discriminated users for the consumption of alternative services. However,

the excessive competition among suppliers of transport services may force them unprofitable provision of services and will make the enterprises difficult to secure the funds for new investments for modernization or renewal of obsolete facilities, which is in turn the cost and disadvantage to the users. In this case the role of administrative authority is to protect the benefit of consumers through regulating the monopoly of suppliers and the excessive competition among suppliers.

Market economies are based on market mechanism where private enterprises and individuals produce and sell their products and services under the profit maximization principle within the private ownership system and aim stability and growth of their economic activities coping with various economic and physical uncertainties. Through the mechanism of competition in the market, economic resources of capital, labor, land, and natural resources are efficiently distributed among individuals and enterprises, and their technologies development, which bring the upgraded standard of living of the society. If this mechanism would be perfect without any deficiency, it is not necessary to bring the administrative authority as a neutral mediator between users and providers of transport services and not required to bring about Government intervention to the market. The market is, however, far from perfect. It needs to be monitored, guided, administered and, to be intervened to the appropriate extent in case the abuse of market forces becomes evident.

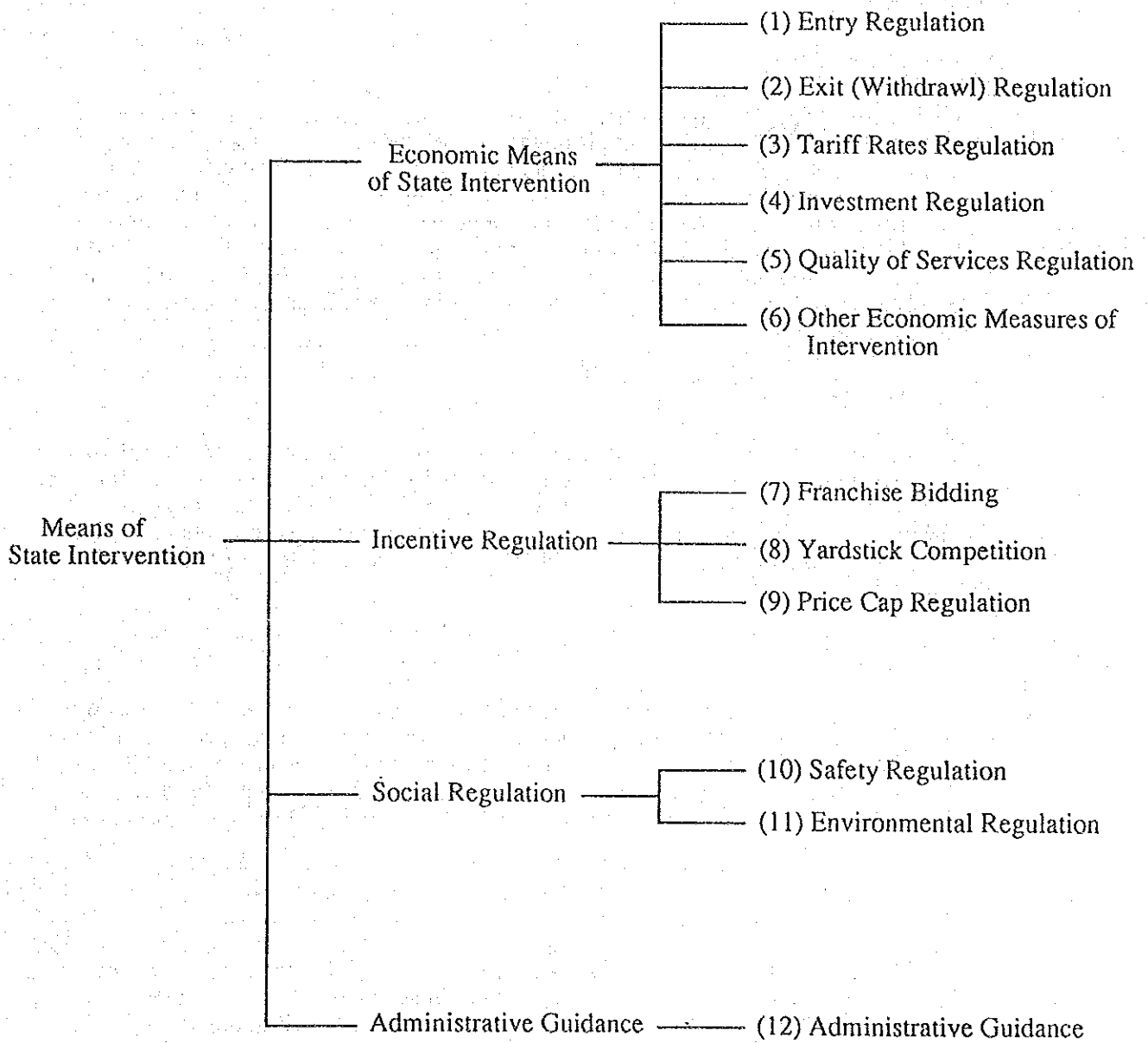
## 2) Alternative Means of Government Intervention

Although a number of countries have in general adopted a deregulated approach to transport policy, it can be widely seen that systems of regulating the economic aspects of transport sector are commonly employed by those countries applying various sets of intervening measures to the market. Those intervention measures are devised to promote more effective competition among operators. Therefore, there is more likely to be less governmental intervention in many aspects of transport administration, and they may be applied in specific spheres such as securing the safety of transport users, enforcement of anti-trust laws, protection of the environment, etc. The relevance of alternative means of state intervention depends on the circumstances of each country's market situations, and their application should be considered as means of a temporal nature and reviewed from time to time with the possible effect of deregulating those intervention measures. For this purpose the need to monitor the market conditions and to intervene to the situation of foreseen crisis are the important roles of government in the market economies.

Those intervention measures can be broadly classified into following four categories (Fig. 2.4.1);

- economic means of Government intervention — the authority regulates the entry to and withdrawal from the provision of services, the quality and quantity of services, investments of enterprises, etc. by issuing permits and giving approvals based on its legal competence in order to prevent the allocative inefficiencies and to secure the equitable usage of services where natural monopolies or omnipresence of information exist;
- incentive regulations — the authority provides incentive measures for upgrading of the productive efficiencies and managerial efficiencies to regulated enterprises in the broad framework of economic means of intervention;
- social regulations — the authority regulates externalities of economic activities by enterprises in order to secure the safety of general public and to prevent the pollution, environmental degradation and natural disasters; and





**Fig. 2.4.1 Means of State Intervention**

- administrative guidance — the authority induces the enterprises to cooperate voluntarily to the authority's policy orientations without legal enforcement, which take the forms of recommendation, advice, guidance, instruction or warring from the authority to enterprises.

The following measures of (1) through (12) are utilized for intervening in the transport market at the various stages of transport administration by the administrative authorities in market economic countries.

(1) Entry Regulation

The administrative authority regulates and admits the entry into provision of transport services for one or small number of enterprises in order to secure the scale merits of the provision of services and to raise the productive efficiencies of those enterprises in services. In the case of competitive market condition, the authority regulates the entry in order to prevent the excessive competition. In both cases, the authority should carefully monitor the actual balance of demand and supply conditions of markets. Generally, the authority regulates the entry into services through the issue of licenses to the enterprise which satisfies certain basic qualification.

(2) Exit (Withdrawal) Regulation

The authority regulates the exit from the provision of transport services if the concerned enterprise would have been protected from competition by the entry regulation. If such enterprise are allowed to withdraw from the provision of services, the basic needs of transport service users cannot be secured and, therefore, the authority enforces the enterprise to provide services as its responsibility.

(3) Tariff Rates Regulation

The tariff rates of monopolistic transport enterprises are regulated by the authority in order for those enterprises to provide their services in reasonable price securing the efficient allocation of resources and the equitable provision of services. Tariff rates regulation can be enforced even in the case of competitive market from the viewpoints of securing the efficient allocation of resources and equitable provision of transport services.

(4) Investment Regulation

In both cases of natural monopoly and competitive market, excessive investment can be regulated in order to avoid the abrupt change of prices. Particularly in the case of competitive market, investment plans can be submitted to the authority in advance and is obliged to be approved by the regulatory body, the purpose of which is also to prevent the excess competition among competitive transport operators.

(5) Service Quality Regulation

The monopolistic enterprise may provide low quality services because it does not face the competition from other enterprises. The competitive enterprise may provide low quality services because of excessive competition among competitors. In order to avoid such a situation the regulatory authority monitors the quality of services and regulates the problematic enterprises to upgrade the quality of services.

(6) Other Economic Measures of Intervention

The above measures (1) through (5) can be imposed to both public and private enterprises. The public enterprises can be further regulated for their budgets, settlements of accounts, financial transactions, appointments of executive staffs, etc., in order to secure the proper management of public funds.

(7) Franchise Bidding

Conferment of monopolistic franchise to certain enterprise will bring the neglect of efforts for realizing internal efficiency in the operation and management of undertakings. In order to avoid such tendency, franchise is conferred to concerned enterprise for a limited period and, after complying with the period successfully, the franchise is awarded to the enterprise which bids the lowest price and provides the best services.

(8) Yardstick Competition

To separate a nation-wide monopolistic enterprise into several regional entities, each regional enterprise is stimulated from another enterprise's managerial performance, and the best performance will be treated as the yardstick for other enterprises' management by the regulatory authority. This is a measure to bring about the competition among regional monopolistic companies and not necessarily guarantee the effective competition among them. The subdivision of Japanese National Rail into six regional passenger transport companies is partly based on this measure.

(9) Price Cap Regulation

This measure of price regulation was devised when the British Telecommunication was privatized. The regulatory authority and the regulated enterprise negotiate and decide certain level of tariff rates, which are treated as the maximum rates, and the regulated enterprise is free to decide the actual rates within this limit. The introduction of this measure is expected to stimulate the enterprise for its internal efficiency which the regulatory authority is able to reduce its administrative cost substantially.

(10) Safety Regulation

This measure is to secure the safety of public users and of workers engaged in the transport services. It takes forms of various legislation's such as Road Transport Act, which regulates the enforcement of safety measures to transport operators, and Labor Standards Act for the safety of transport workers, etc.

### (11) Environmental Regulation

Environmental issues are now of universal concern and each country tries to introduce measures for preventing pollution and protection of environment through various legislative means. In the transport sector, it generally regulates the level of emissions and noise from vehicles, design standards and so on, but their contents and regulatory levels are not yet standardized and different country-by-country.

### (12) Administrative Guidance

The "administrative guidance" means an administrative authority's approach to the other party, that it would cooperate voluntarily to the authority's policy directions which the authority wishes to realize without founding any legal basis. Since the authority's action is not based on laws and regulations of the other party, public or private, is not obliged to follow the policy directions. Whether the other party will follow the guidance or not is free to choose. However, since the public authority has many measures of legal and financial competences, it is actually very difficult for the other party to reject the authority's administrative guidance. This is one of the means widely used in the Japan's public administration including transport administration. Since it is not based on legal regulations and rules, the abuse of those measures by the administrative authority should be strictly checked.

The above measures are typical means of regulating transport activities in many countries. Each country's regulatory measures consist of a combination of several measures, but the composition of combination shows substantial varieties. Table 2.4.1 summarizes Japan's legal system of regulating transport activities, but other than this legal system the above administrative guidance is widely used, which can be considered as a means of general administrations for the state authority as well as that of state intervention to the market.

### 3) Norms of Intervention

Conditions of ordinary trade of goods and services are determined by the negotiation between sellers and buyers. While in the case of regulated industry, conditions of trade are not determined by direct negotiations between them. The enterprise under regulation submits its proposal of conditions for transaction to the regulatory authority and receives the approval for the conditions from the authority. Then the enterprise announces the conditions as a stipulation to the consumers, and the actual trade is made under the stipulation. In this situation the regulatory authority is expected to as an "agency" of consumers and protects their benefits. On the contrary there is a possibility that the regulatory authority may act as an "agency" of regulated enterprise, which might infringe on the benefit of consumers. Therefore, the regulatory authority must make the maximization of economic welfare of both enterprises and consumers as its norm of intervention.

**Table 2.4.1 Major Laws Regulating Japanese Transport Activities and Their Regulatory Means**

Regulatory Law	Regulated Transport Activities	Entry to Business	Withdrawal from Business	Tariff	Change of Plans	Stipulation
Rail Transport Act	•Rail transport service	Licence	Permit	Approval	Approval	
Road Transport Act	•General passenger transport services (bus) •General passenger transport services (chartered bus) •Taxi business	Licence	Permit	Approval	Approval	Approval
Truck Terminal Act	•Public truck terminal •Truck terminal for exclusive use	Licence Notification	Permit Notification	Approval	Approval Notification	Approval
Forwarding Business Act	•Forwarding business	Licence	Permit	Approval	Approval	Approval
Coastal Shipping Act	•Coastal passenger shipping -100 GT or more Length 30m or more -99 GT or less Length 29m or less •Coastal cargo shipping	Approval Notification Permit	Notification Notification Notification	Fixed standard rate Fixed standard rate Fixed standard rate	Approval Notification Approval	
Sea Transport Act	•Liner service for general passenger •Overseas liner services for general passenger •Regular ferry services •Overseas liner freight transport •Overseas tranper freight transport	Licence Notification Permit Notification Notification	Permit Notification Notification Notification Notification	Approval Notification Approval Notification Notification	Approval Approval Approval Notification Notification	Approval
Port Services Act	•Loading and unloading services	Licence	Permit	Approval	Approval	Approval
Air Transport Act	•Regular air transport service •Non-regular air transport service •Air transport agency service	Licence Licence Notification	Permit Permit Notification	Approval Approval	Approval Approval	Approval Approval
Warehousing Act	•Warehousing	Permit	Notification	Notification	Approval	Notification

Source: Extracted from, "Economic Theory of Deregulation", Economic Planning Agency, Japan, 1989.

However, it is not guaranteed that the regulatory authority will act in accordance with the norm of welfare maximization of both enterprises and consumers. In addition, the regulatory authority has a strong power of legal competence. The regulatory authority is empowered to act as a legal monopolist to the regulated enterprises and consumers. Therefore, it is necessary to have a system to monitor the activity of regulatory body whether it does not abuse the position of legal monopolist. In Japan, there are five institutions to monitor and control the possible abuse of monopolistic power by the regulatory authority as follows:

- Parliament as a body of monitoring administration;
- Court of Justice as a body of lawsuit;
- General Affairs Agency as a body of administrative inspection;
- Council which is consisted of experts and academics and recommends to the Minister in charge on the appropriateness of the intervention measures taken by the regulatory authority; and
- Public hearing organized by the Ministry in charge.

#### 4) Deregulation

Since Poland is an associate member of EC and in around the year 2000, will obtain a full membership, the existence of the single European market as from 1993 means the necessity for the deregulation of Polish transport, once the stability of restructured transport market is established in Poland. The deregulation of international transport will have spill-over effects on the domestic transport and the deregulation and competition will in due course win through the all transport market.

Taking such situation into consideration, the state's tasks on a liberalized and deregulated transport market should be reviewed. It might be thought that the state's role would be reduced to a minimum. However, since the transport services have a tendency to leave themselves to natural monopoly, deregulation will not always have a positive influence on productivity and growth. Therefore, the precautionary measures will need to be taken to foster fair competition market. This means:

- the motives to institutionalize of a liberated market condition requires close administrative supervision; and
- the state has to be prepared to intervene to the transport market through employing various intervention measures, when deregulation seems to have a negative influence on market.

The fundamental aim of deregulation is to achieve greater economic efficiency in the transport sector. The following impacts of deregulation on markets can be envisaged:

- deregulation makes easier to set up new undertakings, or to adopt existing enterprises in response to market opportunities;
- it makes competition keener, leads to lower service prices and a better range of choice for transport users;
- it gives rise to both job creation and job losses, and the results should be assessed on a net basis; and

- it encourages transport enterprises to rationalize their operations since it brings pressure to existing operators who are threatened by the possibilities of new competitors' entry into the market.

The regulatory authority has to provide and ensure competition through market rather than the detailed regulatory system and the control of competition. The UK has pioneered deregulation in the transport sector. It formally deregulated road freight transport in the Act of 1968, the long-distance road passenger transport in the Act of 1981, and the short-distance passenger transportation, outside London, in the Act of 1985.

## 2.4.2 Present Situation of Government Intervention

### 1) Existing Means of Government Intervention in Poland

The strong reaction to the former regime of centrally-planned and command system seems to have brought the situation of uncontrolled freedom in some enterprise activities, while hesitant and indecisive attitude in the state administrative side aggravates the administrative confusion in the process of economic and administrative reform. The Polish state administration recognizes that the state intervention to some extent is necessary in order to keep the market stable and to guide it to the desirable direction. But it is not convinced that to what extent the state administration should intervene to the market, which makes the attitude of some state administrative bodies hesitant and indecisive.

The act on the Minister of Transport and Maritime Economy office establishment (Dz. U. No.33, item 174 - 1987) states briefly that they are the body to perform the state policy regarding transport and maritime economy's operation and development which competence is endowed to him on behalf of national economy and society and in their interest. The Minister of Transport and Maritime Economy is responsible for the national objectives and should take care about effective system of transport services and public safety on behalf of transport users. At the same time, they must act for the benefit of transport entities by arranging rational conditions of operation and development and providing maximal range of economic self-management for them. The dual tasks are basically in trade-off and harmonization of them is not at all that easy. The necessity of endowing means of state intervention comes partly from this dual roles of the transport administration for the general public and transport enterprise.

The state intervention means which are currently adopted by the MTME are not so much different from those adopted and implemented in the western countries. The Minister is the founding bodies of various transport entities. His influence extends to the following;

- sharing of entity-ownership transformation;
- licensing;
- approval of tariff rate changes; and
- subsidizing the operation of transport enterprises and financing of infrastructure investments.

The problem of rather weak intervention by the MTME seems to stem not from the founding body's defective authorization but they are not fully utilized. This is discussed in the following part of this section.

## 2) State Intervention in the ownership transformation process

The MTME's authorizations are placed in the acts on state-owned enterprises such as PPL, LOT and PKP. They include the right to the establishment of enterprises and their merger, annexation or division by the MTME's own initiative or by the enterprise's proposal. The MTME as a founding body can impose liquidation of enterprises. On-going reorganization of railway and road transport enterprises has been implemented by the MTME using authorization as a founding body.

In the current reorganization process, the reforms of transport enterprises are not proceeded solely by the MTME. Basic tasks in the process are transferred to the parliament, Council of Ministers, and particularly to the Ministry of Ownership Changes by the Act on State-Owned Enterprises. Nevertheless the MTME as a founding body has an opportunity to influence the process effectively through (i) formulating proposals of the enterprise's privatization after receiving opinion of the employees' general meeting; (ii) giving opinion to such proposals submitted by these entities and to the Ministry of Ownership Change's proposal; and (iii) taking part in privatization process of enterprise using the way of liquidation.

## 3) State Intervention through Licensing

Licenses are at present required for providing air transport service and international road transport service. They are issued by the MTME, which are stated in the Aviation Law Amendment (the former) and in the Act on International Road Transport of 1990 (the latter) in order to regulate the possible unfair competition on the market. Licensing is further considered to be necessary on domestic road transport and now under the preparation of implementing the scheme.

## 4) State Intervention through Tariff Rate Changes

At present following rates and charges of transport services are set and publicized by the MTME :

- passenger and luggage tariff of the PKP and express tariff of the PKP;
- passenger and luggage tariff in inter-village bus transport of the PKS ;
- freight tariff of the PKP and inter-modal freight shipment tariff in railway-shipping transport; and
- instructions related to military transportation.

Concerning the freight tariff of the PKP, it has been the characters of price cap regulation, which is set to the maximal rates and allows the PKP to apply commercially reduced charges for freight transport of bulky and long-distance carriage since 1990. In 1991, passenger transport by the PKP and partially by PKS has introduced similar price cap regulation.



Principles of acts on tariff settlements are not consistent with each other. The Transportation Law dictates that all tariffs are settled by the MTME, or the Council of Ministers regarding the services of special importance for the national economy, while modal transport acts such as the PKP Act states in a different way.

#### 5) Provision of Public Services through State Subsidy

Passenger transportation by the PKP is currently subsidized by the national budget in such a way that the difference between revenues obtained from fares described in tariff and transportation costs with profit surcharges is compensated. Also in the bus transport, elderly, school and employee services are socially protected and thus to be subsidized. There is a plan to withdraw all of subject related subsidies of this kind. However the subsidies which cover the losses caused by free and reduced fares for particular groups of population may be admissible. In addition the number of people privileged with reduced fares of social character is now decreasing considerably, which is implemented by the independent of the plan of subsidies' withdrawal mentioned above. Although the MTME has means to intervene the market through subsidizing the transport enterprises there is no any precise and stable principles of implementation. Amount of subsidies are often determined by the fiscal conditions of the government and the strength of lobbies in the process of formulating the annual budget.

Provision of public services through infrastructure investments by the state budget is another form of state intervention. Currently, construction and/or maintenance of railway infrastructure, port infrastructure, airport infrastructure (Okecie International Airport) and road infrastructure are partially or entirely subsidized by the public funds. Apart from the direct investment by state budget, granting the government guarantee to individual transport enterprise by the MTME is another form of state provision of public services. Such guarantee was required for obtaining the IBRD credits to railway and public roads investments.

#### 6) Identified Problems

Polish transport administration has already been adopting various intervening measures which are commonly employed in the market economic countries. But its grip of the market to secure the stabilized operation and provision of transport services seems rather weak, and the attitude of state administration is, as mentioned above, hesitant and indecisive to the state intervention. Such an attitude of administrative bodies causes problems and raises issues to be solved.

- (1) Although Polish transport administration employs various means of state intervention, they are often insufficiently utilized. Particularly, the MTME's authority as a founding body of transport enterprises are not fully utilized. This situation arises partly from the insufficient understanding of both authoritative body and regulated enterprises on the principles and mechanism of market economic system.
- (2) Legal arrangements for the use of intervening measures by the state are also insufficient and sometimes contradictory each other. For example, the entry into taxi services and domestic freight transport services are not regulated. The right of the MTME to settle tariff rates is basically founded on the Transportation Law, while the Act on the PKP admits budgetary authority's responsibility.