

## PUBLIC ELECTRIC TRANSPORT ENTERPRISES: CONCESSION OR BANKRUPTCY?

Housing public service is a multi-branch complex which due to certain reasons doesn't perceive economical reforms and extremely seldom undergoes internal changes. This leads to moral and physical wear of the property of public enterprises which comprise the city housing public service. Let's concentrate our attention on the city electric transport enterprises which are the best indicator of the modern condition of the city property.

In the conditions of the market economy the city electric transport is the most economical, ecological and available kind of transport; the overwhelming majority of population of any city use it. At the same time, the modern conditions of this branch of housing public service can be defined as crisis [1]. The objective necessity of overcoming crisis phenomena in the public electric transport enterprises demands the search for new forms and methods of economy, original decisions and methods of management, directed at providing the stable activity of the enterprises of this branch as well as their further development.

Many home and foreign economists studied and analysed the problems of stable development of public house service (PHS) enterprises. Among them are: I. Blank, A. Gradov, M. Porter, A. Sheremet, A. Agadganov, V. Kuks, A. Melnik, I. Osipenko, A. Sadykov, T. Strokan, A. Fineberg and others.

The problems concerning the reforms in the activity of the unprofitable electric transport enterprises directed at withdrawing of them from the economic emergency are relatively new for economical science. The process of organization and management of the electric transport enterprises in the new economic conditions demands some new approach to their activity because the functioning of such PHS enterprises is quite specific while the positive experience of the branches of industry reforming as well as the foreign firms experience can not be always used unchanged.

The significance of the problem of optimizing the work of tram-trolleybus departments as well as withdrawing them from the stage of bankruptcy caused the necessity of the research and are the subject of this article.

Nowadays the public electric transport enterprises have two variants of development:

1) optimization of the enterprise expenses and the search for some new sources of income;

2) giving the electric transport PE (public enterprises) facilities to concession.

According to the first variant, the personnel and economic reform is the simplest of all possible directions of the PE management from the economical point of view.

The personnel reform should be directed at the working places optimization, i.e. at the mass reduction of workers to eliminate duplications of the jobs performed. The economic reform assumes the inventory of all PE facilities. It makes it possible to revile and cut off some considerable expenses sources and look for some new sources of revenue. But the given reforms will not cause the surplus in the balance. The car fleet comprised at the disposal of PE is the major source of income and as a rule is in the condition of complete physical and moral wear and is extremely rarely renewed. One more "dept pit" for PE is the transportation of privileged categories of passenger the compensation for which (in the form of subventions) the tram-trolleybus departments either don't receive from the state budget at all or receive it extremely seldom and not in full amount.

Thus, the tram-trolleybus departments of Ukraine with their great capacities, areas, material-technical base eventually come to the stage of bankruptcy and get the status of a morally obsolete way of transportation.

The second variant of the electric transport PE is giving the state facilities to concession to business structures or private entrepreneurs.

The logic of the concessional agreement is simple: if the state has some property it must have the right to sell it or to give it into a temporary control on the compensation basis [2]. At this the state controls itself, without releasing the property, without losing its controlling functions.

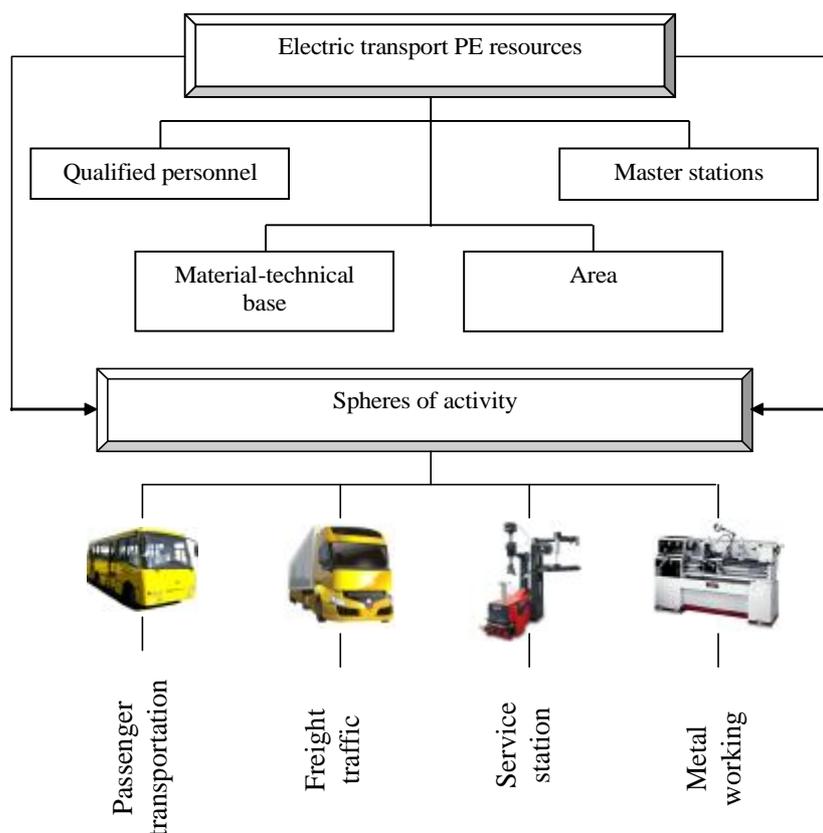
With concessional agreements, it's important to find a competent manager, to determine the order of the concessioner's actions, the size of payments and their structure, but the property stays in the states ownership. Hence, if the manager occurs inefficient, the state has the right for its move right up to the annulment of the agreement with maintaining all the allocations invested at the moment [2]. Thus, concession is advantageous both for the state and entrepreneurs.

With a competent concessioner, the tram-trolleybus enterprises would not only survive, but would bring great revenue catering in the sphere of the city passenger transportation since this kind of transport has a number of advantages:

— it does not pollute the air with the products of combustion;

— it can work in the system of many units;

— its rolling-stock lifetime is longer than that of buses;



**Fig. 1. Electric transport PE resources and their spheres of application**

— the expenses for the electric transport fleet maintenance are lower than for the maintenance of the bus fleet;

— the system of regeneration can be installed on the electric transport; it saves and redistributes energy especially at the sections with difficult relief [3];

— the electric transport PE is the only kind of passenger transport which carries the privileged category of passengers free of charge.

Let's analyze the possible directions of the development of the electric transport enterprises given to concession.

Firstly, let's define the available resources and, accordingly, the probable spheres of these enterprises activity. The spheres of activity depending on the resources the electric transport public enterprises have are shown in figure 1.

The next step is to consider in detail the probable activity for the concessioned electrical transport enterprises.

One of the major directions of the activity of the electrical transport enterprises is the cooperative bus passenger transportation. In Ukraine the bus passenger service is either in private property or in the property of the tram-trolleybus department (TTD). The belonging of the bus passenger business can be defined by the availability of the permissions for this activity issued by city executive committees. The most acceptable variant for the

concessioned electric transport enterprise is to concentrate all the business of passenger service in the same hands. Otherwise private transporters should be involved.

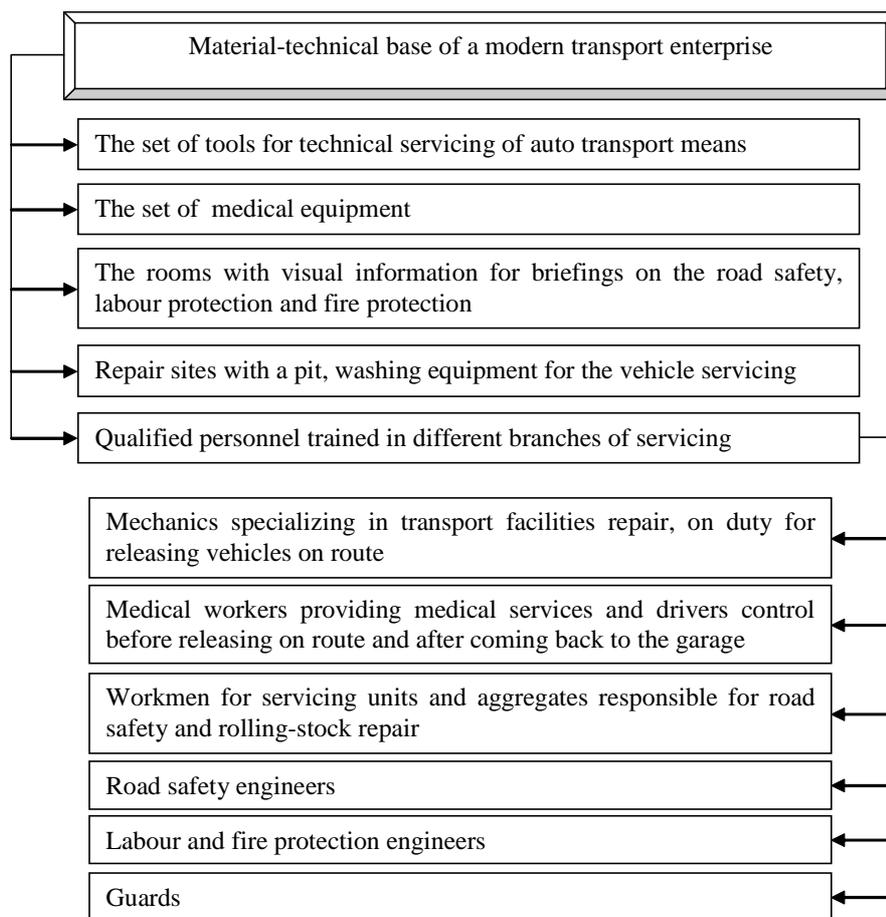
Let's reveal the needs of private transporters in their mutual work with the public electric transport enterprises in case the bus passenger service is not in the competence of the tram-trolleybus departments but in private property.

The rapid development of passenger service led to the saturation of this market segment of the city infrastructure with private transporters and transport enterprises whose buses work on the common routes in express mode. These transporters have either their own material-technical base or work on the contract basis.

But as practice shows, the proper basis or the basis given for servicing is often unable to meet all the transporters demands. The legislation of Ukraine in the sphere of passenger transport [4] requires from the transporters material-technical base the availability of the resources shown in figure 2.

The material-technical base as a whole together with the qualified personnel is more than some private enterprises can afford as there appears an expenses item for maintaining the base and paying wages.

Thus, the resources of a public electric transport enterprise, namely: the material-technical base, the qualified personnel, the car park, the master stations for controlling the schedule of transporters facilities moving



**Fig. 2. Material-technical base of a modern transport enterprise**

and routes completely meet the requirements of private subjects of management on the city transport market.

Simultaneously with the work of the bus fleet, the electric transport rolling-stock should be loaded with passengers as much as possible. That is to provide passengers with more comfortable conditions for lower prices which will attract passengers from the private bus transport to the public electric transport. And this will accordingly lead to the increase of the electric transport revenue.

As the price policy of passenger transportation in the electric transport is much lower than in the private transport, there is no problem of the price. The most significant is the question of comfort of the public electric transport rolling-stock given to concession. The question is being solved in two directions: renewing of the fleet and reconstruction of the available one. The fleet renewing can be referred to the variants requiring some expenses because the cost of new units of electric transport is very high. The idea of reconstruction looks more realistic and attractive as the capital repair and modernization of the electric stock appearance requires less money than buying new vehicles. The example is the PE “Kharkov wagon repairing plant” which deals with modernization and refreshing of the old transport units. Although this process also requires deposits.

The next direction of using the TTD resources is freight transport. As for the freight traffic, it’s very difficult to find the repair depot and the parking place due to vehicles great size. The repair depot and the car park of the electric transport PE have all the resources and means for servicing large facilities. Thus, the TTD material-technical base also fills the market segment of lorries servicing and repair.

Metal working. Practically every public electric transport enterprises has a mechanized shop which is completely equipped with the tools for metal working, and with competent management the PE can get a certain niche on the market of metal working.

Hence, with some investments and competent management the concessioned electric transport enterprises go beyond the “economic depression” habitual for the given branch of economy and find their realization in the directions shown in figure 3.

Thus, to provide the due level of passenger transportation in the public transport it is extremely important to ensure the proper work of the corresponding public enterprises without loss, and first of all — the city land electric transport [5]. The public electric transport enterprises of Ukraine can be given “the second breath”

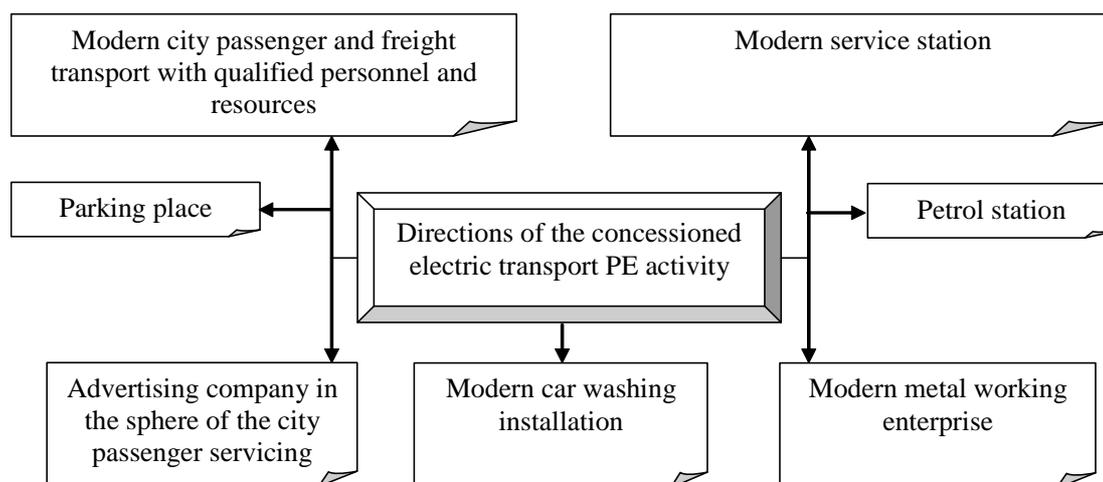


Fig. 3. Directions of the concessioned electric transport enterprises activity

and put into the proper state at the condition that these enterprises are given to concession.

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### Melentyev D. Y. Public Electric Transport Enterprises: Concession or Bankruptcy?

The article presents the systematized study of some variants and probable directions for the development of the public electric transport enterprises. Great attention

is paid to giving these enterprises to concession as the only possible way of financial sanitation of the municipal transport service and the development of private business on the tram-trolleybus department basis.

*Keywords:* concession, public enterprises (PE), electric transport, city passenger transport (CPT), tram-trolleybus department (TTD), material-technical base (MTB).

### Мелентьев Д. Ю. Комунальні підприємства електротранспорту: концесія чи банкрутство?

У статті здійснене систематизоване дослідження варіантів і можливих напрямів розвитку комунальних підприємств електротранспорту. Велика увага приділена питанню передачі цих підприємств в концесію як єдиному можливому варіанту фінансового оздоровлення муніципального транспорту та розвитку приватного бізнесу на базі трамвайно-тролейбусних управлінь.

*Ключові слова:* концесія, комунальне підприємство (КП), електротранспорт, міський пасажирський транспорт (ГПТ), трамвайно-тролейбусне управління (ТТУ), матеріально-технічна база (МТБ).

### Мелентьев Д. Ю. Коммунальные предприятия электротранспорта: концессия или банкротство?

В статье проведено систематизированное исследование вариантов и возможных направлений развития коммунальных предприятий электротранспорта. Большое внимание уделено вопросу передачи данных предприятий в концессию как единственно возможному варианту финансового оздоровления муниципального транспорта и развития частного бизнеса на базе трамвайно-тролейбусных управлений.

*Ключевые слова:* концессия, коммунальное предприятие (КП), электротранспорт, городской пассажирский транспорт (ГПТ), трамвайно-тролейбусное управление (ТТУ), материально-техническая база (МТБ).

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