ECONOMIC CRISIS AND ITS INFLUENCE ON BRANCH OF TRANSPORT IN EUROPE

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Abstract: Financial and economic crisis affected nearly all branches of economy. It express significantly in branch of transport, too. Contribution deal with causes affected crises and their impacts on transport and transport companies.

Key words: financial and economic crisis, transport company

INTRODUCTION

Causes, which could affect financial crisis, were published few months even years ahead. Russian economists Kobiakov and Chazin supposed default of American Economy in the 2004 at latest. And this supposition proves true.

1 CAUSES OF FINANCIAL CRISIS

Primary cause, which eventuated to crisis, was misapplication of risk controls for bad debts, collateralization of debt insurance and miscellaneous frauds on financial markets. Large financial institutions in the United States and Europe faced a credit crisis and a slowdown in economic activity under the impression of these circumstances.

Beginning of current financial crisis is connected with bankruptcy of big companies in the United States of America on Sunday, September 14, it was announced that Lehman Brothers would file for bankruptcy after the Federal Reserve Bank declined to participate in creating a financial support facility for Lehman Brothers. The collapse of Lehman Brothers was a symbol of the global financial crisis.

Following week was marked by extreme instability in global stock markets. AIG, significant participant in the credit default swaps (CDS) markets, had notable share on this situation. CDS was considered the unique tool for liquidity increasing of credit market in the nineties. Unfortunately, their negatives founded from their definition manifested in present time. [3, 4]

CDS is a swap contract in which the buyer of the CDS (issuer) makes a series of payments to the seller and, in exchange, receives a payoff if a credit event occur.

Crisis on real estates market is credit event for current financial crisis. CDS were issued on multi-level obligations CDO (Collateralized Debt Obligation), which are collateralized by mortgage. At the moment of real-estate credits lapse issuer has to pay debts instead of house- or landowner. Thus, credit default swap is equivalent of insurance contract, but it has all features of bonds and it can be sold at stock exchange. This mechanism is shown in next picture.
Here is explanation of reason, why current financial crisis is based on credit default swaps issued on collateralized debt obligation. Value of issued credit default swaps is 58 billion dollars in world economy. If we compare this amount with value of world gross domestic product, we find out, that world domestic product is smaller than value of CDS almost than 4 billion dollars. It argue, that credit default swaps gross up value of banks resources imaginary and in the moment of credit event (pay requirement) banks have no ready money. [5]

2 INFLUENCES ON TRANSPORT

Financial crisis turned in economic crisis and caused problem not only for banks but also for peoples, companies and governments in many countries. There exists spiral: real demand decreases, companies have to reduce production and staff, unemployed have less money to spend, their demand decreases ... These problem affected nearly all branches of economy. [1, 2]

In transport we can see two side of problem. First one is affect on transport companies and second one is affect on transport network.

2.1 Influence on transport companies

Transport is closely associated with traffic needs of industry, mostly metallurgy, engineering and building industry. Economic crisis prove in every transport sector: road, railway, air and water transport.

Road transport

Due to economic crisis, the demand for road freight and passenger transport services has slowed down dramatically. We can record:

- a decrease in road freight transport activity of up to 50 %,
- a decrease in road passenger transport, for example the taxi industry has witnessed 20% decrease in airport pick-up services,
- a doubling of the number of bankruptcies,
- a dramatic increase in unemployment,
- a notable price-cutting,
- a return of means of transport to leasing companies.[6]

Railway transport

World trade slowdown has had an inevitable impact on the movement of goods and people. For example, transport output decrease more than 30 % in Slovakia and more than 20 % in Germany.

Air transport

Negative effects of the current economic situation are also observed for air transport. In the first six months, number of passengers was down by 15 % from the same period a year earlier, in Germany. Situation is worse in Slovakia, where number of passengers descend 25 %.

The air freight volume decreased 14 % on the same period of the previous year.
Thanks to the economic crisis, the demand for transport by barge and ship has been put under pressure in almost all commodity sectors. The greatest fall affects steel transport, which has dropped by between 30 and 40%.

2.1 Influence on transport network
Trans-European Transport Network (TEN-T) envisages coordinated improvements to primary roads, railways, inland waterways, airports, seaports, inland ports and traffic management systems, so as to provide integrated and intermodal long-distance high-speed routes for the movement of people and freight throughout Europe.

Economic crisis has considerable effect on founding of Trans-European Transport Network, too. European commission for transport pronounced in May that they have not enough money to finish construction of network in time. One of solution to solve this problem could be Eurobonds or exploitation of Public Private Partnerships. [7]

CONCLUSION
The global economic crisis is affecting families and economies across the planet. The branch of transport did not elude. Economies have not enough money to found of TEN-T and other highway construction. Transport outputs of transport companies decline and unemployment dramatic increase.

REFERENCES