



**TRANSPORT SERVICES IN PASSENGER TRANSPORT
IN POMORSKA KOMUNIKACJA SAMOCHODOWA SP. Z O.O.
(POMERANIAN CAR TRANSPORT LTD) IN WEJHEROWO - CASE
STUDY**

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Key words: car transport, passenger transport, restructuring.

Abstract: The paper presents a brief history of road passenger transport in Pomerania. It takes into account stages of development of PKS (Pomeranian Car Transport) Wejherowo. The issues related to the participation of PKS in passenger transport market in Puck and Wejherowo regions are also raised. Changes that occurred in the company in its restructuring are described. Referring to the research carried out in the company, the author indicates its financial position in the years 2001 - 2009.

ECONOMIC ISSUES OF TRANSPORT

1. INTRODUCTION

According to official statistical reports Pomorskie (Pomeranian) Voivodship covers 5.9% of Poland's area. At the same time the area is inhabited by 5.9% of the total population of the country.

In respect of population density - 125 people per 1 km², Pomeranian Voivodship took the sixth place among all the sixteen provinces¹. Undoubtedly, the nerve of economy in the region is therefore car transport. It constitutes an important component of the overall structure of transport in the region. Its specificity relies on the development of all modes of transport: road, rail, water (sea, inland) and air transport, including passenger and cargo traffic. In the region there are local public roads, but also roads of national and international importance (S6 - to Berlin)². Thus the discussion on the effectiveness of transport, in legal, organizational and

¹ Raport on The Socio-Economic Situation Of Pomorskie Voivodship in 2012 – publication available at <http://www.stat.gov/gdansk> -25.05.2013

² K. Kubiak, A. Makowski, P. Mickiewicz: *Polska wobec zagrożenia terroryzmem morskim*, Wydawnictwo Trio, Warsaw 2005, p. 73.

economic contexts seems to be necessary. The most important transitions in Polish economy in the years 1992-2002 related to ownership changes, which included the department of transport, also road transport. These changes included the ownership structure and the legal and organizational forms of companies, till then located in the state sector.

The article aims at analyzing the mechanisms which determine the full success of the privatization process in the Pomeranian Car Transport based in Wejherowo - heirs of the former National Car Transport Company in Wejherowo. The author's intention was also to present the company's adaptation to the rules of a commercial enterprise.

Completed in 2002, the privatization of the company was a turning point in its development. In pursuing the accepted objectives the author indicates the historical, legal, organizational and economic conditions, having a direct and indirect impact on the process of privatization and the present shape of the discussed transport enterprise.

2. HISTORICAL PREMISES

First years after World War II were ones of the hardest for land passenger transport. This referred also to rail transport. Because of the damaged railway tracks and the lack of rolling stock, rail could not do its job properly everywhere - also in Pomerania. The necessity to rebuild cities, settlements, as well as industry destroyed by the war, extorted the need to create and rebuild the public road transport³.

Państwowa Komunikacja Samochodowa (National Car Transport) in Poland was founded in 1946 with a mission to develop bus and freight transport. In the same year the outpost in Gdansk was created. On 1st January 1950 Field Station (Stacja Terenowa) in Wejherowo was established. It had one truck, an office in a store room and 6 employees (two drivers, two loaders and two office workers). Field Station (Stacja Terenowa) in Wejherowo was supervised by Ekspozytura PKS Gdynia. On 1st January 1962 Oddział Mieszany PKS (PKS Mixed Department) in Wejherowo was founded and it involved the operation in Lębork, Kartuszy, Puck and Wejherowo powiats*. Apart from their transport trucks, this Department had 12 buses with a total number of seats 560. The following years brought progress to the Department. Some investments were completed in Wejherowo and in Puck, where in 1962 a new depot was opened.

Year 1975 was a peak torque of the company's development. At that time the company employed 873 operatives and had 467 vehicles including: 151 buses, 21 bus trailers, 206 trucks, 83 truck trailers and 6 mobile cranes.⁴

In 1983, Krajowa Państwowa Komunikacja Samochodowa (National Automobile Communication) was founded with its Directorate. Dyrekcja Okręgowa Krajowej Państwowej Komunikacji Samochodowej (KPKS) (Regional Directorate of National Automobile

Political and economic transitions in Poland after the year 1989 meant changes in the organizational structure and the operation of PKS units, also in Pomerania. The Regional Directorates KPKS were abandoned, and each of the companies in their composition obtained separate legal personality. Thus, it became an independent contractor. Facing the need to adapt to the requirements of market economy National Car Transport Company in Wejherowo also reorganized its business profile. The transport of goods was abandoned, eliminating truck

³ J. Jabłonowski, E. Uziębło, *40 lat działalności PKS*, Kieleckie Zakłady Graficzne, Kielce 1986, p. 11.

* powiat – Polish administrative unit corresponding with 'district'. Voivodships are divided into powiats.

⁴ Ibidem. PKS, About us, para 2 - 4: publication available on http://www.pksw.pl/PL/o_firmie2.html - 23.05.2013

transport⁵. The main profile of the company's business remained transport services in intercity (long distance) passenger traffic.

Bus transport PKS Wejherowo met mainly the needs of society, commuting people to work, young people to schools and in summer also served tourists in the region.

Since 1992, in consultation with the Board of Public Transport in Gdynia, the company expanded its activities for the provision of transport services in public transport, and in 2005 also on buses of Miejskie Zakłady Komunikacyjne Wejherowo (Public Transport in Wejherowo).

A significant change in the activity of the company took place in March 2002. With accordance to Art. 39 paragraph 1 point. 3, Art. 51 paragraph. 1 and Art. 52 of the Act of 30 August 1996 on Commercialization and Privatization of state-owned enterprises⁶ and Ordinance No. 207/2001 of Pomeranian Governor of 27 December 2001 on the privatization of state-owned enterprise named Przedsiębiorstwo Państwowe Komunikacji Samochodowej in Wejherowo (State Enterprise of Car Transport in Wejherowo), the Treasury gave the company to the employee-owned company Pomorska Komunikacja Samochodowa Sp. z o.o. based in Wejherowo (Pomeranian Car Transport Ltd) to be used for consideration. Thus, the first stage of privatization of the company ended. On 8 October 2009, after the payment of debts to the State Treasury, the whole of the business assets became the property of the Company.

3. PARTICIPATION OF POMERANIAN CAR TRANSPORT LTD IN PASSENGER TRANSPORT

Many years of tradition and experience of Pomeranian Car Transport Ltd in regional passenger transport strengthened the position of the carrier in communication market of Gdansk Pomerania. However, it was a long-term process. Since the company's inception in the early 90s, the policy of central control over economy limited the independence and freedom of performance. According to the Act on road transport and domestic freight forwarding, by the end of 1988 road transport operations were possible only after the authorization of the Minister of communication. These permits were given almost exclusively to state-owned enterprises. Other entities had limited, almost marginal access to passenger market⁷. It was not until 1 April 1998 when the Law on the admission to national road passenger transport liberalized transport market. Nevertheless, it re-introduced the need for a permit to operate in the domestic carriage of persons, and obliged to coordinate schedules. The Law together with privatization of the National Car Transport Company in Wejherowo carried out in 2002 forced the rationalization of the offered services, and resulted in a profound restructuring of the company. The company extended the scope of its activities within suburban communication, including poviats of Wejherowo, Puck Kartuszy, Bytów, Kościerzyna, Lębork as well as Gdynia. At the same time other companies providing substitutable (in respect of Pomeranian Car Transport in Wejherowo) services entered the market. On 15.06.2009 there operated 10 competitors all together⁸. This did not prevent PKS the maintenance of a dominant position in passenger transport. The market research

⁵ B. Woźniak: 25-lecie oddziału PKS Wejherowo (1962-1987), Gdańskie Zakłady Papiernicze, Gdansk 1987, p.5.

⁶ Dz.U. z 1996 r. nr 118, poz. 561 z późniejszymi zmianami (OJ from 199, No. 118, item. 561, as amended)

⁷ J. Chodakowska: Zmiany na rynku przewozów samochodowym transportem zbiorowym w wybranych miastach Polski - publication available on: http://www.igipz.pan.pl/wydaw/PRZEGLAD/Przegląd_z_2006/Artyk6_z_2-06.pdf – 21.02.2013

⁸ Internal data of Pomorska Komunikacja Samochodowa Sp. z o.o. (Pomeranian Car Transport Ltd)

conducted by the Pomeranian Automobile Communication shows that the share of individual carriers in the passenger transport market is conditioned by two factors⁹:

- the region of activity,
- seasonality of transport services.

Participation of Pomeranian Car Transport in passenger transport market is diverse due to the area of operation and presents as follows: in the region of Puck - 8% of the supply and 76% of the total number of passengers carried, the region of Wejherowo and others - 90% of the supply and 85 % of the total number of passengers carried. However, the factor associated with the seasonality of transport services is conditioned by the specific geographical location (coastal region), which results in an increased demand for passenger transport in summer. While in the region of Wejherowo the participation in the supply and in the general percentage of passengers does not change significantly, Puck region is characterized by a large dynamics of changes and in summer amounts as follows:

- 57% of the supply
- 81% of the total number of passengers carried.

Seasonality, however, shows that tourism has little effect on the size of the supply and demand of transport services¹⁰

4. THE IMPACT OF RESTRUCTURING ON THE COMAPNY

In Polish conditions, the process of restructuring of a state-owned enterprise resulted from the necessity to adapt to the requirements of constantly changing market environment after removing the "protective umbrella" of the state¹¹. This implies continuous activity of the company in creation and change of expansiveness on a specific market. Restructuring grounded on a new legal basis refers to the four areas of business activity: production (services), organization, finance, and marketing. Improving the company's value chain in form of a transformation of management systems, management, work organization, information flow, control over the structure of revenues, costs, liquidity, production processes and services, and the potentiality of their sales as well as marketing efforts affect its value. In my opinion Pomorska Komunikacja Samochodowa Sp. z o.o. (Pomeranian Car Communications Ltd) based in Wejherowo reached such value. As a result of long-lasting and gradual changes in all spheres of its activity, the company has successfully undergone a complete transformation from a typical socialist state enterprise to a private operator of public.

The achieved economic rates prove the condition of the enterprise. In the light of the available literature, the finance of a business are primarily "a description and analysis of the financial mechanism of the company, and the financial management constitute the realm of current and development decisions - made with use of appropriate formal tools"¹².

Depending on the size of the company and the industry in which it is located, different types of rates can be applied, which enables to assess its ability to settle its current liabilities¹³. In majority of transport companies, and thus the Pomeranian Car Transport Ltd., the possibility of regulating the obligations is illustrated by current and quick ratio calculated

⁹ Ibidem.

¹⁰ M. Gromadzki, Badania marketingowe wielkości popytu na usługi PKS Wejherowo w sezonie letnim 2009 - dokumentacja wewnętrzna spółki, niepublikowane.

¹¹ A. Czermiński, M. Grzybowski, K. Ficoń: Podstawy organizacji i zarządzania, WSAiB Gdynia 2001, p.120.

¹² S. Okólniak: Podstawy nauki finansów, Polskie Wydawnictwo Ekonomiczne, Warsaw 2002, p. 26.

¹³ B. Pomykalska, P. Pomykalski: Analiza finansowa przedsiębiorstwa, Wydawnictwo Naukowe PWN Warsaw 2007, p. 76.

as the quotient of total current assets and current liabilities. The rates are presented in Tables 1 and 2.

Table 1.

Current ratio in Pomeranian Car Transport Ltd in Wejherowo in the years 2001 – 2009

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
Current ratio	0.85	0.94	0.63	0.46	0.36	0.36	0.29	0.33	0.3

Source: based on the auditor's opinion for the years 2001-2009. Additional reports from the course and the results of audits of financial statements for the years 2001 to 2009.

Table 2.

Quick ratio in Pomeranian Car Transport Ltd in Wejherowo in the years 2001 – 2009

Source: see Table 1

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
Quick ratio	0.85	0.84	0.56	0.41	0.31	0.3	0.24	0.31	0.27

The optimum value of the total liquidity ratio is within the range of 1.2 - 2, while the standard level of liquidity quick ratio is 1.0. The values stated in Tables 1 and 2 show that they systematically decrease every year. This situation is usually identified with problems in the timely payment of obligations. However, it is the result of effective management of current assets and current liabilities. This means that the Board of Directors adopted a long-term policy of financing the company's operation, supported by foreign capital. Hence, there is low liquidity of capital.

Particularly noteworthy however, are the rates constituting the basis for evaluating the effectiveness of the company, such as the gross and net sales, return on assets, and return on equity - see Table 3.

Gross margin indicates profitability of the core business of the Company. This ratio varied by year, reaching its lowest level in 2006, in order to reach the level of 4.61 three years later. However, the ROE has never had signs of deficit of the core business of the observed enterprise. Net margin also placed itself on positive values, and its fluctuations were mainly conditioned by decreasing net result of the basic activity of the company. Return on assets and return on equity indicate that in each period of the analyzed interval, the company achieved positive revenue in 2009 to reach the level of PLN 6.92 from every single zloty on Return on assets and the record PLN 68.51 on Return on equity. This indicates a good performance of the enterprise in the economic crisis.

Table 3.

Profitability Ratios in the Pomeranian Car Transport Wejherowo from 2001 to 2009.

Source: See table 1

Specification	2001	2002	2003	2004	2005	2006	2007	2008	2009
Return on sales before tax (%)	-	3.83	3.54	5.84	2.5	1.64	1.93	2.54	4.61
Return on sales net (%)	-	0.51	0.59	0.18	0.92	1.15	0.97	0.91	3.77
Return on Assets ROA (%)	3.01	0.76	1.12	0.39	1.99	2.28	2.05	2.09	6.92
Return on Equity ROE (%)	3.05	11.09	13.76	4.57	23.32	28.17	26.97	26.05	68.51

5. CONCLUSIONS

The evolution of the Pomeranian Car Transport Ltd (PKS) from the structure of the state-owned transport to the legal form of ownership coincided with a difficult and complex process of adapting the entire national economy to the tough economic rules of free market.

The restructuring process of the company, which started even before the year 2000, brought a lot of legal, socio - political and economic problems.

To meet the customers' expectations and demands in competitive environment, the company introduced previously unknown forms of activity in the form of significant variety of transport services through specific actions from the management sphere. Lowering the cost of rolling stock in turn led to substantial travel price reductions and increased the quality of services. Consequently, this resulted in the company's financial results, guided by the criterion of profit, customer satisfaction, and increasing value of its tangible and intangible assets.

In the future, it is crucial for the company to focus on the guidelines of local governments concerning the forecasts of transport tasks. Regional Transport Development Strategy for 2007-2020 adopted by the authorities of Pomeranian Voivodship, indicates a dangerous lack of stable, long-term funding programme for passenger transport. This will undoubtedly influence the situation of all transport companies, especially in the context of the current economic crisis.

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**ТРАНСПОРТНИ УСЛУГИ В ПЪТНИЧЕСКИТЕ ПРЕВОЗИ
В POMORSKA KOMUNIKACJA SAMOCHODOWA SP. Z O.O.
(ПОМЕРАНСКИ АВТОМОБИЛЕН ТРАНСПОРТ ООД) ВЪВ
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Ключови думи: *автомобилен транспорт, пътнически превози, реструктуриране.*

Резюме: *Статията представя кратка история на пътническите превози в Померания. Тя отчита етапите на развитие на ПАТ (Померански автомобилен транспорт) във Вейхерово. Също така са повдигнати въпросите, свързани с участието на ПАТ на пазара на пътнически превози в регионите на Пуцк и Вейхерово. Описани са настъпилите промени в компанията по време на реструктурирането ѝ. Познавайки се на изследванията, извършени в дружеството, авторът показва финансовото състояние на компанията за периода 2001 – 2009 г.*