



Study on providing public transport in cross-border regions – mapping of existing services and legal obstacles

Case Study report

Bus line Suwałki (Poland) – Kaunas (Lithuania)

Contract: 2019CE160AT093



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1 Introduction

This case study report presents the business model for the cross-border public bus service between Suwałki (Poland) and Kaunas (Lithuania). This report is part of a series of 31 case studies developed in the framework of the study 'Providing public transport in cross-border regions – Mapping of existing services and legal obstacles'. Spatial Foresight in cooperation with TCP international, TRT trasporti e territorio and EureConsult completed this study for the European Commission's DG REGIO.

The case studies highlight a variety of business models for cross-border public transport services. This includes governance arrangements and operational provisions to develop the service and address demand in border regions. These aspects will be introduced in section 2, as well as the territorial scope of the service. Section 3 presents key obstacles related to the business model as well as solutions. Section 4 is about lessons learnt from this case.

The following case study presents main features of a cross-border public transport bus connection between Suwałki (Poland) and Kaunas (Lithuania) provided by a private limited transport company Ecolines Estonia established in 2007. The specific connection described in this case study is a short part of the regular long-distance route Riga – Bonn – Riga. Taking this into account and after analysing existing information materials and performing interviews with staff and passengers of the bus connection, the general findings show a picture of a purely business-driven example of public transport service following market rules and lacking any anchoring to the regional cross-border strategy aiming at socio-economic development. Although there is no direct link to the political agenda that could exploit existing potential of the region, there is a long-lasting effect caused by independence from any public funds. Thus, even if the cross-border connectivity is a by-product, the commercial aspects are an important factor in broader planning of cross-border connectivity within the European Union.

2 Features and benefits of the service

Among its wide range of services, Ecolines offers a connection from Riga (Latvia) to Bonn (Germany). The service also stops in Suwałki (Poland) and Kaunas (Lithuania) offering a possibility for cross-border flows between these two towns in close vicinity to the border.

Table 2-1 Characteristics of the business model

Transport service	Suwałki – Kaunas (Riga – Bonn)
Mode of transport	bus service
Service provider(s)(operator)	Ecolines Estonia
Location	Suwałki, Poland to Kaunas, Lithuania
Date when service started	2016 (Comfort + option)

2.1 Geographic context and scope of the service

Suwałki is a regional centre in Northeast Poland with about 69,000 inhabitants that is well connected across national borders. The city is located in the vicinity of the Polish national border with Lithuania, Belarus and Russia. From Suwałki one can reach three large urban centres in these countries in less than two hours, namely Białystok (Poland), Kaunas (Lithuania) and Grodno (Belarus). National road No. 8 passes through the city and connects to Augustów - Białystok - Warsaw - Wrocław - Kudowa Zdrój (border crossing PL/CZ). These connections are also important to link Suwałki to other transport hubs. Kaunas airport is for example easily accessible from Suwałki (Suwałki 2030

Strategia rozwoju, 2021). Moreover key transport flows to the Baltic states Lithuania, Latvia and Estonia pass through Suwałki. Regional roads (in Podlaskie voivodship) complement Suwałki's connectivity and include among others:

- provincial road No. 652: Kowale Oleckie - Suwałki,
- provincial road No. 653: Sedranki (near Olecko) - Bakalarzewo - Suwałki - Sejny - Poćkuny,
- provincial road No. 655 Kap (near Giżycko) - Wydminy - Olecko - Raczki - Suwałki - Rutka-Tartak (Strategia Zrównoważonego Rozwoju Miasta Suwałki do roku 2020, 2014)

With over 315,000 inhabitants, Kaunas is the second largest city in Lithuania and the centre of the Kaunas administrative district (Kaunas, 2021). The city has a broad economic profile and is an education centre (Kaunas, 2021). In 2019, there were almost 40,000 students (of which 2,567 foreign students) in about 13 higher education institutions.

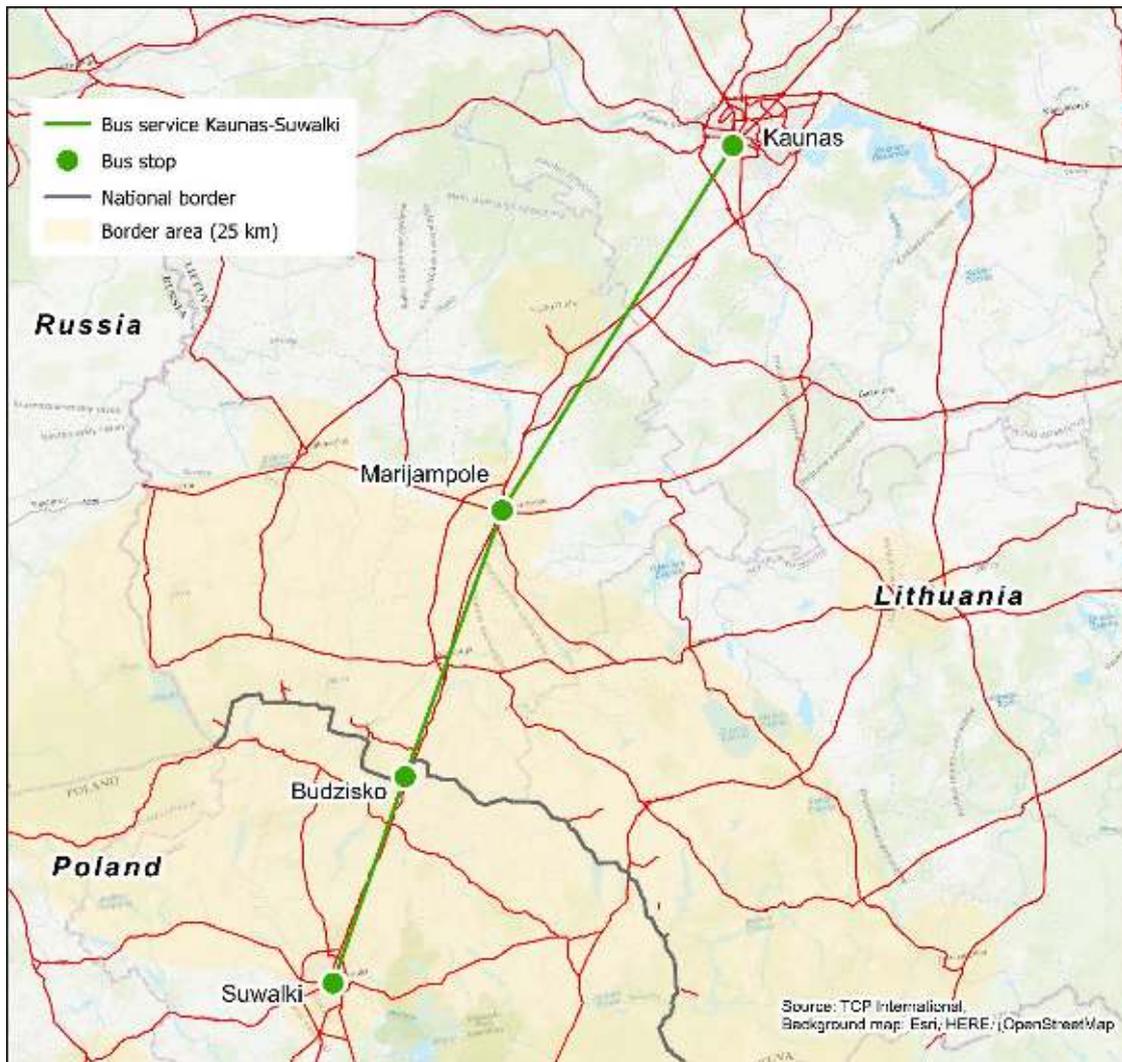
As Lithuania's second largest city and known student town, Kaunas is well connected by transport services. There are long-distance bus connections to all major Lithuanian cities and many small towns, as well as to all neighbouring countries and many larger cities in other countries of the European Union. The buses to Vilnius run every 30 minutes during the day. The bus station is just a few minutes' walk from the Lithuanian Railway Station (Kauno diena 2017).

Passengers have a daily bus connection between Suwałki and Kaunas (see also Figure 2-1). The international bus connection by Ecolines between Riga and Bonn connects Suwałki and Kaunas twice a week. Other services from Ecolines connecting cities in the Baltic States to other cities in Europe complement this, so that one service is operated per day in both directions.

Apart from the Ecolines connection between Kaunas and Suwałki, the same route is also covered by inter alia LUX Express, FLIX Bus, TOKS, EuroLines and Biacomex – different bus transport companies offering long-distance journey.

The connection takes about two hours and 15 minutes and has one intermediate stop in Marijampole, Lithuania, halfway the route. In Suwałki and Kaunas the bus stops at bus stations close to the train stations of both cities. As such Ecolines aims to increase the accessibility to the service.

Figure 2-1 Map of the Suwałki and Kaunas bus route



Source: TCP International

2.2 Demand for and benefits of the service

Cross-border flows between Suwałki and Kaunas are low due to multiple factors including relatively low population density, relatively long distance to the border and comparable supply of public services in the two cities as well as in Marijampole, halfway the connection. As a result, cross-border travel for work, access to public services and leisure activities is limited (European Commission, 2019).

Ecolines staff members confirm this low level of cross-border flows between Suwałki and Kaunas. They estimate about three passengers per day between these two cities, while most passengers use the connection for its long-distance function. Other travellers across the Lithuanian and Polish border use their cars, for example inhabitants from Suwałki going to Kaunas airport. Thus, there may be some latent demand but at low level.

Most passengers of the connection represent tourists and students travelling between cities in the Baltic States and Germany. In addition, inhabitants from Suwałki request sometimes to use the service to reach other Polish cities. This is however impossible as the bus service is provided following EU Regulation (EC) 1073/2009¹ (see also section

¹ International bus and coach services are permitted as long as they do not intervene with domestic services following EU Cabotage rules as set out in Regulation (EC) 1073/2009.

2.3). The cross-border aspect is thus rather a side effect and was not a determinant for starting its operation and the socio-economic impact on the cross-border region is limited.

2.3 Governance

Ecolines provides the bus service between Bonn and Riga following the conditions set out in EU Regulation (EC) 1073/2009 on common rules for access to the international market for coach and bus services. Ecolines is a private limited transport company established in 2007 in Tallinn and with current headquarters in Riga, Latvia.

Ecolines operates as a network of various European bus companies, offering international long-distance bus routes to 20 European countries and around 200 cities (Ecolines 2021). Ecolines acts as one-stop-shop for passengers and provides the overall brand, marketing, ticketing services and discusses with local public administrations on the use of stops and routes. Sub-contractors operating services in different countries are used as interlocutors between Ecolines and local public administrations. These subcontractors are also responsible for operational provision (such as employment contracts of staff), following the EU regulation on international coach and bus services.

Local public authorities in Suwałki and Kaunas are thus only involved to a minor degree. They are mainly involved as owner of bus stations when allocating possible stops and timeslots to the service.

2.4 Operational provisions

As a strictly commercially acting (business-oriented) service provider, Ecolines acts responsively to the market needs and prices. The long-distance service between Riga and Bonn, with stops in Suwałki and Kaunas is provided twice a week. A single ticket costs about EUR 11 one-way. Prices may however vary depending on time and location from which passengers buy the ticket, due to different tax levels and exchange rates. Tickets are available in different currencies. Exchange rates applied for tickets bought at the bus ensure that the provider does not suffer losses. Online tickets are subject to banking exchange rates and are offered in local currencies (Ecolines 2021).

Ecolines aims to keep the prices low, given the level of competition on the route segment (see section 2.1). At the same time prices shall cover costs as the company does not receive any subsidies. To do so, Ecolines decided to stop at a public bus stop in Suwałki, rather than at the central bus station which use is more costly for the provider.

The timetable for the Riga – Bonn connection is mostly adapted to the need of long-distance travellers. Therefore, the timing of the service between Suwałki and Kaunas is not adapted or aligned with other services in these places, for example, connecting services to Kaunas airport or Vilnius.

Working with sub-contractors in the different countries also facilitates service provision in the languages as required. Online ticket and timetable information is available in all languages relevant for the countries served by Ecolines.

3 Obstacles and solutions

Limited demand for the CBPT defines the main obstacle for the service. A lack of cross-border flows, limits the service's focus on the cross-border region. Instead, service provision, including ticketing and timetables as well as the service's amenities focus on long-distance travel, e.g. from Latvian and Lithuanian cities to Warsaw and Germany cities. As a result interviewees of the service provider did not encounter major obstacles when setting up or operating the cross-border bus line serving Suwałki and Kaunas.

Demand may however be stimulated on the service, which indirectly may also support cross-border flows. Passengers may use the service more if they could use it for domestic travelling, according to interviewees. Currently cabotage rules limit these possibilities.

Since 2009, international bus services in Europe are regulated by **Regulation 1073/2009** of the European Parliament and of the Council. This Regulation defines conditions to limit competition from foreign players for domestic public passenger transport. That is, the international service may not be used for domestic transport, e.g. from Suwałki to Warsaw. Being an Estonian company, Ecolines as non-resident carrier for the link between Suwałki and Kaunas is subject to these cabotage rules and may thus not provide services for domestic passenger transport on Lithuanian or Polish sections of the line. The regulation makes such cabotage possible in urban areas, by applying the exception of Article 15(c) for urban conurbations. However, the low population density and relatively long distance of the main cities in Polish-Lithuanian border area does not allow using this exemption.

Opening up these cabotage rules may increase overall profitability of the long-distance service and offer benefits of the service for inhabitants in the border area. The number of passengers of the long-distance service may for example increase (e.g. between Suwałki and Warsaw or between Marijampolė and Kaunas). This increased demand may stimulate more frequent operation of the service (see Section 2.4). Local and regional authorities on both sides of the border may include requirements for the service to maintain the cross-border character of the line.

Thus, for improving the demand and benefit of cross-border public transport along the route Suwałki – Kaunas would require a more flexible approach to obtain exceptions from cabotage and especially a closer involvement of regional stakeholders in developing demand-oriented solutions for the citizens of the cross-border area.

Apart from cabotage related challenges, approaches are adopted to continuously improve the service and addressing the demand. This concerns mainly needs for long-distance passengers (from Germany to the Baltics). Low passengers numbers between Suwałki and Kaunas and low perspectives to increasing them limit possibilities to adjust service provision to the needs of the border region (Chapter 2).

4 Conclusions and lessons learnt

The Suwałki (Poland) – Kaunas (Lithuania) cross-border public transport case presents an interesting perspective of a privately held company following market rules in its policy. This delivers a different picture of a public transport service that can catalyse a discussion on the roles of public transport operators from both policy and business model perspectives.

This example is strictly driven by the market, including competitors, and depends on a level of demand that makes the service financially profitable. The purely business-driven character of the service requires flexible and market-oriented decisions by Ecolines. Information from digital sources and personal communication with Ecolines representatives changed during the time when conducting the case study. This illustrates the relatively short life cycle of information about the service and the flexibility of such services' adjustments.

Following this, it is worth to underline that the supply side of the offered service validates the existing need. A lack of relations between the commercial service provider and regional decision-makers / stakeholders seems to be an untapped element in the creation of a business model for cross-border transport. Local and regional stakeholders cooperate on cross-border measures (e.g. related to the Interreg programme), with much more focus on enhancing institutional capacities, protecting nature, social inclusion, combatting poverty and labour mobility, following potentials and challenges the regions on either side of the border have in common. Although enhanced public

transport could benefit each of these activities, so far, cross-border public transport is not a significant topic in local / regional strategic documents (except major transport corridors like Via Baltica).

Looking into the existing challenges, the strong transnational character of this service has strengthened cross-border cooperation between Suwałki and Kaunas in other areas (as mentioned in the strategic documents). More 'neighbourhood' joint actions for instance in tourism, using a 'pull' marketing strategy can increase interest in regional cross-border public transport. Moreover, increased passenger numbers on the Suwałki – Kaunas segment of the service's route may enhance contributions of local authorities to adjust to the connection to their needs, e.g. improved connectivity to local transport services in Suwałki and Kaunas (e.g. to Kaunas airport).

The simplicity of governance and management structures of this service is a key-factor that allows fast and flexible reactions to market needs. On the other hand, this kind of approach will not take into consideration social or economic exclusion in the cross-border regions where a critical mass for commercial operations cannot be assured (and the service must be funded from public sources). The other point is the long-distance character of this connection. Covering a broader geographical area can increase profitability, however this case shows that the goal of increasing cross-border connectivity is marginal and positive socio-economic effects do not play a role during the planning process.

This shows, it is important to distinguish between public and business interests when developing strategies for cross-border public transport for the benefit of border area residents.

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