



**Social Assistance Pilots Program  
SA Pilots Seminar**

**Rethinking transport privileges in Ukraine in  
light of international experience**

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March, 2010

## 1) Transport privileges in Ukraine

- Types of privileges and categories of recipients
- Privileges funding, scope, and distribution
- Drawbacks

## 2) Reform experience of CEE and CIS countries

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# Transport privileges in Ukraine. Types of privileges.



Transport privileges are provided within the following categories of transportation services:

- Intracity transportation (tram, bus, trolleybus, metro)
- Local transportation in rural areas (bus)
- Bus, railway, and water transportation of local routes (within oblast)
- Intercity travel by bus, railway, water, and air transport

# Transport privileges in Ukraine. Social categories.



Social categories of privilege recipients	Intracity and local routes		Intercity	
	Rail	Others	Rail	Others
War veterans* (and families in case of death)	+	+	50%/1	50%/1
Chernobyl accident victims (Categories I, II)	+	+	100%/1	100%/1
Individuals with special merits (and their families in case of individuals' death)	+	+	100%/1	100%/1
Individuals with special labor merits	+	+	100%/1	100%/1
Labor veterans	+	+		
Victims of Nazi repressions and their widows (ers)	+	+	50%/1	50%/1
Children of war**	+	+		
Rehabilitated victims of political repressions		+		
Disabled children, eyesight disabled (Group I, II), motor disabled and their attendants**	+	+	50% (1.10 - 15.05)	50% (1.10 - 15.05)
Disabled (except for eyesight disabled and motor disabled)**	+	Except metro	50% (1.10 - 15.05)	50% (1.10 - 15.05)
Orphans (during school holidays)			+	+
Children of large families	+	+		+****
Pensioners	+	Except metro		
Children under 6***	+	+		
Students	50% (29.09-29.06)	50% (29.09-29.06)	50% (29.09-29.06)	50%**** (29.09-29.06)

- income -tested since May, 2008  
(not effective so far)

\* - category includes participants in combat operations, war invalids, war participants, widows(ers).

\*\* - income-tested and multiplied by 1.1 (890\*1.1=979 UAH per family member)

\*\*\* - without occupying an extra seat

\*\*\*\* - only auto-transport

# Transport privileges in Ukraine. Occupational categories.



Occupational categories of privilege recipients	Intracity and local routes		Intercity	
	Rail	Others	Rail	Others
Members of Parliament	+	+	+	+
Members of Parliament (when retired) being pensioners			100%/1	100%/1
Deputies of local radas	+	+		
Military personnel	+	+	50%	50%
Public Prosecutors office personnel	+	+	+	+
Ukrzaliznytsya employees			+	
Judges	+	+	+	+
Veterans of the Ministry of Defense, National Security Service, Ministry of Interior, other executive agencies and military units, veterans of the state fire fighting service	+	+	100%/1	100%/1

Source: laws of Ukraine

# Transport privileges funding



According to the articles 89 and 102 of the Budget Code of Ukraine, transportation service providers receive compensations for free/discounted travel of privileged individuals from the local budgets.

The local budgets, in turn, receive subventions from the State Budget specifically for the purpose of these compensations.

The State Budget financed transport privilege compensations in the amount of 1069,5 mln. UAH (0,11% GDP) in 2008.

The local budgets receive subventions mainly for social categories of privilege recipients.

Funds for privileges based on occupational status are distributed through the corresponding ministries or other state institutions.

# Transport privileges in Ukraine. Distribution.



According to Household Budget Survey 2008 (HBS2008), 896 mln. UAH was received as transportation privileges by almost 5 million of Ukrainian households.

## Distribution of transport privileges by locality

Urban population		Rural population	
Number of households	Amount of privileges received, mln UAH	Number of households	Amount of privileges received, mln UAH
4,205,337	791.7	792,193	104.2

Source: HBS 2008

Only 15,8% of transport privileges recipients reside in rural areas, while the rest 84,2% are urban residents.

# Transport privileges in Ukraine. Distribution.



## Distribution of privileges by type of transport

Intracity and local routes		Intercity	
Number of households	Amount of privileges received, mln UAH	Number of households	Amount of privileges received, mln UAH
4,914,486	876.3	181,219	15.4

Source: HBS 2008

98% of transport privileges received are intracity privileges, the rest 2% - intercity.

# Transport privileges in Ukraine. Distribution.



## Distribution of privileges by expenditure deciles

Decile	Number of hhs- recipients	Share in total hhs- recipients, %	Amount of privileges received, mln UAH
1	500,184	10.01	54.4
2	562,250	11.25	74.0
3	465,751	9.32	65.8
4	460,055	9.21	73.7
5	509,786	10.20	96.6
6	477,937	9.56	88.4
7	440,610	8.82	90.7
8	464,809	9.30	98.8
9	537,445	10.75	109.5
10	578,703	11.58	143.9
Bcero	4,997,530	100.00	895.9

Source: HBS 2008, CASE Ukraine computation.

Transportation privileges are concentrated in richest 30% of population.

# Transport privileges in Ukraine. Drawbacks.



- Too many privileged categories
- For some categories privileges are extended by 'family' or 'occupational' principle; this concerns, for example, retired members of Parliament or family members of privileged individuals
- The majority of privileges are in a form of 100% discount (free-of-charge travel)
- The actual amount of transportation services consumed by privileged individuals cannot be exactly determined
- Non-transparent mechanism of privilege funding
- Poor targeting
- Too many different laws regulating transport privileges

# Reform experience of CEE and CIS countries



The need for reform was mainly driven by the financial difficulties characteristic for the transition years.

Main reform components:

- Reducing transport subsidies (the most significant reductions were observed in the Baltic countries, Poland, and Slovenia)
- Reducing cross-subsidization
- Increasing user fees

## Legislative changes

- Reducing social privileges (both the number of privileged categories and the discount level)
- Drastically reducing or abolishing occupational privileges
- Unifying all transportation privileges under one law
- Decentralizing privileges (the responsibility for privileges and their financing partially or fully shifted to the local authorities)

# Reform experience of CEE and CIS countries. Lithuania.



Reform took place in 2000:

- Reducing transport subsidies
- New law on transport privileges:
  - Occupational privileges abolished (7 categories)
  - Free of charge travel for social categories replaced by discounted travel (80% or 50% discount depending on category)
  - Carriers' expenses related to privileges for travel by regular service ships and ferries and local (urban and suburban) regular service buses and trolleybuses are compensated from the local budgets, where the establishments of these carriers are registered, or which have issued licenses to these carriers.
  - Suburban buses which carry passengers through territories of one of the major cities are compensated from the city budget and adjacent municipality budget jointly and according to a mutual agreement
  - The State budget compensates only carriers' expenses related to privileges for travel by passenger trains and long-distance buses

# Reform experience of CEE and CIS countries. Lithuania.



## Transport privileges by category of recipients and type of transport (Law VIII-1605, March 2000)

Categories of recipients	Type of transport				
	Long-distance buses	Passenger trains	Urban buses and trolleybuses	Suburban buses	Ships and ferries
Disabled children, disabled persons (Group 1)	80%	80%	80%	80%	80%
Persons requiring treatment with haemodialysis	80%	80%	80%	80%	80%
Persons of age 85 and older	80%	80%	80%	80%	80%
Defenders of independence of Lithuania during 11-13 January, 1991, who became group II or III disabled persons	80%	80%	80%	80%	80%
Participants in the resistance against the occupations of 1940-90, aged 70 or over	80%	80%	80%	80%	80%
Disabled persons (group II)	50%	50%	50%	50%	50%
Participants in the resistance against occupations of 1940-90, below the age of 70	50%	50%	50%	50%	50%
Victims of the occupations of 1940-90 (political prisoners, deportees, prisoners of ghettos, concentration/ labor camps)	50%	50%	50%	50%	50%
Defenders of independence of Lithuania during 11-13 January, 1991	50%	50%	50%	50%	50%
Family members of the defenders of independence of Lithuania during January 11-13, 1991, who died as a result of aggression committed by the USSR	50%	50%	50%	50%	50%
Persons aged 70-85	50%	50%	50%	50%	50%
University/college full-time students		50% (1.09 - 1.07)	50%/80%		
General education full-time students			50%/80%		
Pupils of the National School of Arts	50% (1.09 -1.07)	50% (1.09 - 1.07)	50%/80%	50% (1.09 -1.07)	50% (1.09 - 1.07)
Children of age 7-10	50%	50%			50%
Children under 7 (2 – free of charge ; for the 3 <sup>rd</sup> and more – 50% discount)	+ /50%	+ /50%	+ /50%	+ /50%	+ /50%
Officers inspecting passenger transport	+	+	+	+	+

# Reform experience of CEE and CIS countries. Other countries of the region.



## Moldova

- In 2000 all privileges were abolished, including transportation privileges
- Instead, compensations for travel in public transport were introduced, but only for the disabled of group I or II, disabled children, and attendants
- Travel compensation are financed from the local budgets
- The size of travel compensations is set by the local administration authorities and is subject to the availability of funds in the local budgets, therefore, it varies from region to region
- The only occupational category that can travel free of charge is Road Police (only covering distance up to 50 km per trip)
- Chisinau retained transport privileges for pensioners, disabled, students, etc., they are financed from the city budget

# Reform experience of CEE and CIS countries. Other countries of the region.



## Russia

- Transport privileges were abolished in the process of monetization reform
- Cash compensations introduced to compensate for a package of several abolished privileges, among which are transportation privileges

## Kyrgyzstan

- In 2007 transport privileges were abolished
- Travel compensation introduced in May, 2007, they are financed by the State budget
- The size of compensation depends on the category of recipient and varies from 330 to 80 KGS (60-15 UAH) per month
- In Bishkek transport privileges are retained, they are financed by the city budget

# Reform alternatives taking into account international experience



## Tightening and modification of the current rules

- Reducing the number of privileged categories (occupational categories should be treated first)
- Reducing/modifying social privileges (for example, free of charge travel can be replaced by a differentiated discounts system (Poland: 95%, 78%, 49%, 37% depending on category of recipient)
- Partial shift of the responsibility for privileges to the local budgets (example of Lithuania: only privileges on local transport)
- Regulation of transport privileges by one legislative act
- Developing a system of proper privilege accounting (for example, via electronic social cards, which allow for keeping records on the number of journeys taken by each cardholder)

# Reform alternatives taking into account international experience



## Implementing targeted compensations

1. Transport privileges can be replaced by monthly travel compensations (only for social categories)
2. Social categories entitled to travel compensations can be reduced - only the most socially vulnerable categories remaining (e.g. disabled, disabled children, etc.)
3. Mechanisms of income-testing can be introduced

The following points should be considered:

- The size of compensations could be differentiated (depending on category)
- The minimum standard size of travel compensation could be based on official standards set for travel per person per month.
- The responsibility for travel compensations should be gradually shifted to the local administration authorities
- A gradual approach is a key factor to the success of such reform scenario (drastic reform process might cause a popular reaction that could block the reform)