

PROBLEMS AND PROSPECTS OF RAILWAY PASSENGER TRANSPORT DEVELOPMENT IN KAZAKHSTAN

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ABSTRACT

In this article we will consider what problems railway passenger transportation is experiencing in Kazakhstan, and what development prospects it has. The analysis was carried out for JSC NC Kazakhstan Temir Zholy and JSC Passenger Transportation. The main objective of this research is to suggest an optimal system of railway operation.

Keywords: Passenger Transportation, Railway Passenger, Problems, Development Prospects, Kazakhstan, Optimal System.

INTRODUCTION

Railway transport in Kazakhstan is in an active stage of reforms. One of the main tasks for achievement of this goal is to create a competitive carrier market providing with equal access rights to the backbone railway network. The reform of the industry is based on a model with a vertical separation of potentially competitive transportation activity from the natural monopoly service of the backbone railway network. At the legislative level, there is a clear division of responsibilities between the levels of government control on the organization of passenger traffic. The government of the republic ensures the creation of conditions for the transportation of passengers in interregional communication; local executive bodies are authorized for transportation in intercity and inter-district communications within the boundaries of one region. According to the functional feature, passenger transportation is divided into two blocks: primary activity - passenger transportation and baggage transportation, supporting activity - repair and technical maintenance of the carriages, services for passengers at the railway stations, in the restaurant carriages, laundry services of industrial facilities and others. To carry out this activity in the passenger sector, several specialized companies have been created.

LITERATURE REVIEW

The national carrier of passengers JSC Passenger Transportation is a sub holding company within JSC NC KTZ and provides, together with its subsidiaries and affiliates, the process of passenger transportation. Initially, it was planned that JSC Passenger Transportation

will function as a carrier in international and inter-regional communications, retaining only those routes that private carriers did not get in inter-regional communications. However, practice has shown that such a massive transfer of routes from a state carrier to a private one did not occur. Therefore, as the main activity of JSC Passenger Transportation was restructured, the following activities were carried out with the formation of legal entities engaged in relevant activities: to stimulate competition, a second carrier, LLP Zholaushylartrans Company, was created, which participates in tenders for the right to provide passenger transportation services for inter- and intraregional routes. In the future, as originally planned, this company was to be transferred to the private sector. Let us analyze what kind of problems JSC Kazakhstan Temir Zholy has, which include: the vastness of the territory, the lack of direct access to the sea, poor development of road infrastructure, and the raw material structure of the economy makes the role of railway transport in Kazakhstan's economy extremely important. The government and the leadership of KTZ want to make this railway holding highly efficient, but the situation is deplorable at the moment. Let's look at the statistics (Mamyshev, 2019). Access to the backbone railway network is provided by its operator in the face of JSC National Company Kazakhstan Temir Zholy - NC KTZ, which is a natural monopolist whose tariffs are regulated by the Agency for the Regulation of Natural Monopolies of the Republic of Kazakhstan - ARNM. This Agency, together with MTC, monitors equitable access to infrastructure, approves the technical standards for the expenses of NC KTZ and regulates the level of tariffs for freight transportation, as well as the fare for passenger transportation (Kazakhstan News, 2019). The effectiveness of the holding also raises big questions. In particular, KTZ is the largest employer in Kazakhstan with 136 thousand employees. At the same time, personnel productivity, which is calculated as the volume of tariff freight turnover per full staff unit, is several times behind the world railway counterparts. And this is far from the only example of the operational inefficiency of KTZ (Optimism.kz, 2019). There is also a shortage of tickets. The company noted: in the summer period, the shortage of tickets associated with the growth in passenger traffic is observed annually, zakon.kz reports. This year, KTZ plans to transport over 6 million passengers during the summer season, which is about 30% of the country's total population. For this, a 100% wagon fleet is involved, on an ongoing basis additional flights are organized and wagons are added to popular destinations. Also, in order to meet the needs of passengers and reduce the deficit, JSC Kazakhstan Temir Zholy intends to purchase more than 60 new cars at the end of the year. According to the company's development plan, in the next 10 years, it is planned to purchase 1200 new cars (Nur-Sultan, 2019). Russia could be taken as an example. Net profit of JSC Russian Railways for 2018 according to Russian accounting standards increased by 5.1% to 18.4 billion rubles. Its growth is due to improved operating results of the company, the company's press center explained (RBC TV, 2019). JSC "*Suburban Transportation*" was organized for the transport of passengers, mainly at medium distances in the suburban or intercity zone within the same region. This company participates in competitions held by akimats, including cases where private carriers have not expressed a desire to carry out transportation; responsibility for organizing of intercity and domestic transportation within one region is transferred to local executive bodies, which also transfer this right to regional private companies on the basis of franchising; To reduce entry barriers to the passenger transportation market, the company JSC Passenger Leasing Wagon Company was established, which provides maintenance, maintenance and repair of passenger cars transferred from JSC Passenger Transportation, as well as their leasing to private carriers wishing to enter the market through franchising system. Initially, it was planned to transfer 100% of the shares of this company to the Ministry of transport and communication of Kazakhstan for

the current maintenance and repair of wagons, renewal of the fleet at the expense of the republican budget, as well as ensuring equal and non-discriminatory access to the wagon fleet; for the organization of transportation of luggage and cargo luggage with the prospects of expanding this range of activities created JSC “*Luggage transportation*”. The results of research carried out on the basis of the proposal to improve the efficiency of transport in Kazakhstan limited by the efficiency of transport. The increase in scientific activity, which in the current and prospective activity, doesn’t only grow due to the national activity, but also due to the state research budget, is more than a 5-fold increase compared to the current research (Temirkhanov, 2019). A restructuring of the auxiliary activities of the passenger sector was also carried out. In particular, work on the overhaul and maintenance of cars was transferred to the private sector to serve carriers on a contract basis. Routine maintenance and uncoupling repairs along the route, which for technological reasons cannot be transferred to the competitive sector, as they are carried out on the main lines, are transferred to JSC Wagon Service; On the basis of the buildings of railway stations to provide services to passengers, JSC “*Station Service*” and others. Centobelli et al. (2020) examined blockchain technology and recommended pivotal insights for the policy makers. Altarawneh et al. (2020) reviewed few existing literatures on the characteristics of CEOs and suggested that these characteristics might enhance the performance of CEOs and also the quality of the reporting.

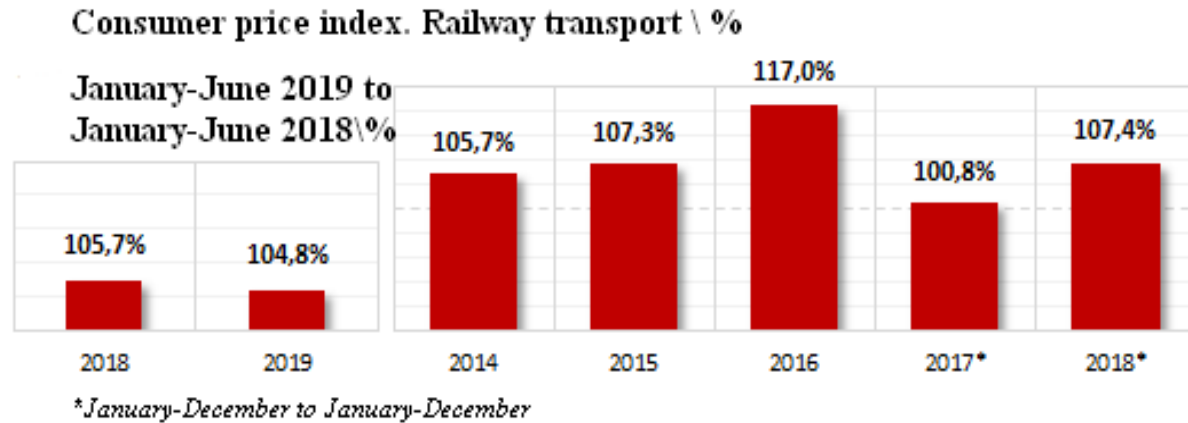
METHODOLOGY

This research is an empirical research. Few literatures have been reviewed on Russian and Kazakhstan perspectives. Secondary data have been used to carry out this research. Data have been collected from several web sites of Russia and Kazakhstan.

RESULTS & DISCUSSION

Summing up the results of 2018, KTZ has a debt of 86.5 billion tenge, and for 6 months of 2019 the loss amounted to 2.9 billion tenge. Such a situation in 2018 is mainly due to a large weakening of tenge and a high level of foreign currency debt, due to this, KTZ had a loss on foreign exchange revaluation of 112.5 billion tenge. If we remove the exchange rate difference from the profit and loss statement, then all the same the profitability of KTZ will be much lower in comparison with international railway counterparts. The total income of Russian Railways in 2018 increased by 5.9% to 1.8 trillion rubles. At the same time, revenues from freight transportation increased by 6.4% to 1.5 trillion rubles, which is also due to the growth in cargo turnover. Revenues from passenger transportation increased by 14.3% to 24.9 billion rubles. In the first half of 2019, the company's profit amounted to 107.1 billion rubles compared to 64.8 billion rubles for the same period in 2018, thus, 65% growth so far. In 2018, the payroll number of employees of Russian Railways decreased by 0.4% to 752.2 thousand people. Thanks to an effective social and personnel policy, the employee turnover rate decreased by 0.3 percentage points as compared to 2017 - to 6.4%. In 2018, the educational level of staff increased. Thus, the number of employees with higher education amounted to 32.2% of the total number, increasing by the end of the year by 0.7%, with secondary vocational education - 27.8% (growth by the end of the year - 0.3%). Today it is possible to purchase travel documents - tickets - through 233 ticket offices of JSC Passenger Transportation and in more than 4.5 thousand private ticket offices, as well as through more than 4 thousand self-service terminals. In addition, tickets can be purchased on 10 online resources, including through the official website for the sale of tickets

without commissions epay.railways.kz and bilet.railways.kz. Note that according to the results of the first half of 2019, ticket prices on trains increased by 5.7% compared to January – June 2018 (Figures 1 & 2).

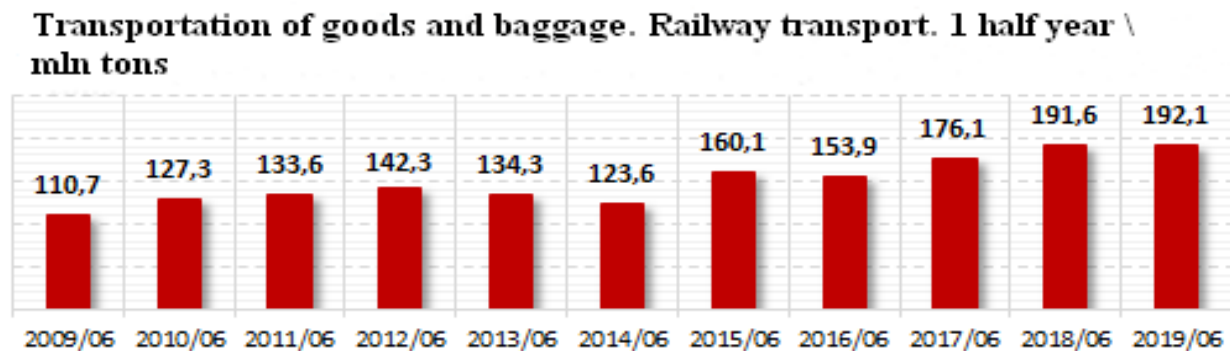


Calculations Ranking.kz based on SC MNE RK

Source: SC MNE RK

**FIGURE 1
CONSUMER PRICE INDEX: RAILWAY TRANSPORT**

As for freight transportation, in January – June of the current year, the volume of goods and luggage transported by railway increased slightly - by 0.2% per year (from 191.6 million to 192.1 million tons). Also, cargo turnover increased by 0.2%.



Calculations Ranking.kz based on SC MNE RK

Source: SC MNE RK

**FIGURE 2
TRANSPORTATION OF GOODS & BAGGAGE: RAILWAY TRANSPORT**

For comparison: in the same period a year earlier, the volume of transportation of goods and luggage for the year increased by 8.8%.

CONCLUSION & POLICY IMPLICATIONS

Changing the principles of subsidizing carriers' losses, taking into account the necessary level of profitability, ending the practice of cross-subsidizing passenger transportation at the expense of freight and allocating additional funds to update the rolling stock. This requires regular research by the state authorities of the republic to study the demand for transportation and assess the real need for passenger railway services. Strengthening measures to monitor and control compliance with the contractual obligations and preventing violations by carriers. In this regard, the formation of an appropriate institutional base is necessary to ensure constant contact between providers of railway passenger transportation services in the person of state bodies, direct executors of the order of state bodies in the person of carriers and consumers of their services in the person of passengers.

In the passenger transportation business, the competition and private sector participation are enhanced through franchising and access to passenger rolling stock of state and independent carriers. The significant number of financial resources is allocated by the state for these purposes annually. The main objectives of the reform in this sector of the railway industry are: financial and organizational separation of passenger transportation from freight, achieving transparency of financial flows, reducing losses, enhancing the role of the private sector and introducing competition in the organization of passenger transportation.

The Ministry of Transport and Communications of Kazakhstan, which is the central executive body responsible for state policy in the transport sector, holds tenders for the right to provide services for the organization of passenger transportation by railway transport and provides subsidies from the republican budget for transportation on interregional socially significant communications.

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