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Results so far and prospects of Kazakhstan passenger rail franchising

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ABSTRACT

From 1991 till 2004 passenger rail transportation in Kazakhstan was organized by a public company without financial contribution from the state budget. As in any post-Soviet country losses from passenger sector in the integrated rail company were covered at the expense of the freight transportations. From 2005 the Government is trying to introduce competition in passenger rail industry by competitive tendering rights to operate on particular route and providing subsidies.

This paper reviews the Kazakhstan passenger rail franchising policy from statement and implementation with analysis of results so far. To get sense about the current policy's perception survey among managers of the government bodies and railway companies had been performed. It indicates respondents' opinion about main concerns and suggestions for improvement in passenger rail industry. According to provided analysis there are opportunities for improvements in operation of public and private companies as well as in the Government policy.

1. Background

With length of more than 14500 km (4700 km – double track, 4200 km – electrified lines) the Kazakhstan railways provide region-to-region connection and joint with neighboring states via 15 border points (map of the railways provided in Appendix 2). According to the basic indexes of railways technical equipment (operating length, extent of electrified lines, working fleet of rolling stock, etc.), Kazakhstan occupies the third place after Russia and Ukraine among the Republics of the former USSR (KTZ, 2009).

In 1990s as all railways of Commonwealth of Independent States (CIS), the Kazakhstan industry faced the problems of asset deterioration, lack of investments, reduction of productivity and overall efficiency.

Fig. 1 shows changes in passenger rail turnover and number of passengers carried by railways during 1991–2009.

Figs. 2 and 3 show evolution of the Kazakhstan rolling stock availability in 1995–2008. In that period a number of locomotives reduced from 3045 to 1720 (more then by 40%), fleet of passenger cars decreased by 20% from 1995 to 2005 and increased in 2006–2008 till 2188 cars.

In 1995–2008 the number of freight cars reduced by almost 14% (from 109,555 to 94,917 units) but share of private car operators and industrial companies with own rolling stock increased from 10 to 37% (see Fig. 3).

Fig. 4 shows share of railways in total passenger turnover (in mln passenger-km) which declines over the last 18 years: in 1990–1993 it grew up from 19.7 (28% of passenger turnover by all kinds of transport) to 20.5 bln passenger-km (42%) and then dropped to 8.8 bln passenger-km (13%) in 1999 with subsequent growth till 14.1 bln passenger-km in 2008 (or 12% of total turnover).

Share of railways in freight transportation was changed dramatically. Fig. 5 shows that from 407 bln tonne-km (86% of all freight turnover) in 1990 it dropped to 215 bln tonne-km (58%) in 2008 mostly due to increased share of pipelines and road transport.

Performance in 1990–1995 was deteriorated mostly due to the collapse of the USSR with further bond cutting among the former Soviet Republics which became independent states. For passenger transportation these trends are still continuing and parameters for passenger performance are still lower in 2008 than in 1990–1993.

In these conditions changes were essential and rail restructuring was aimed to transform relationship in the industry which based on the post-soviet practice with the centrally planned economy to a new market conditions involving private initiative and efficiency amelioration.

In 2001 the Government started restructuring aimed at solution of raised problems and introduction of competition (where it was possible). The main target of the reforms was declared as to form optimal system of railways operation for the state and for public. The main objectives of the reforms to get this target were as following:

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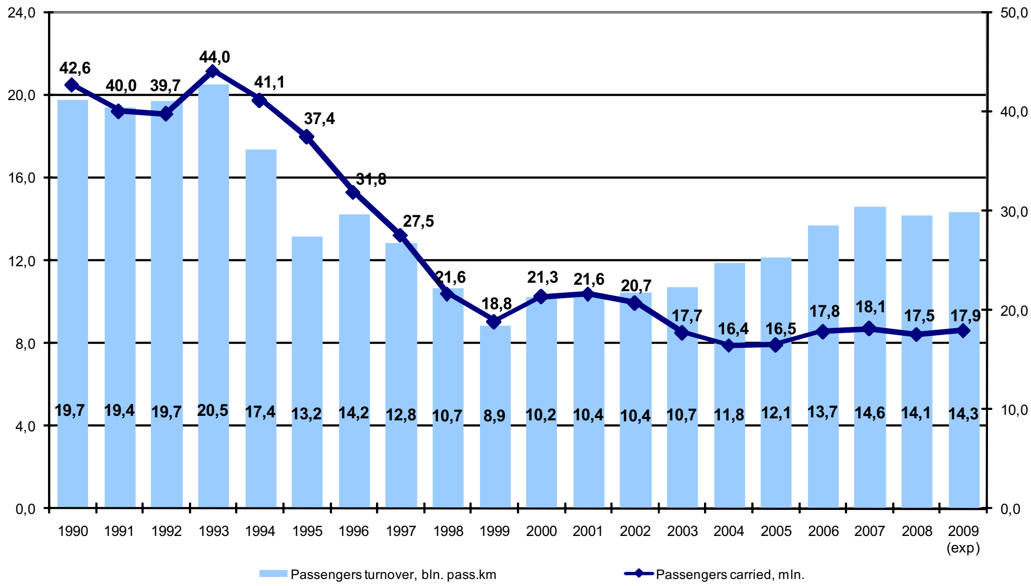

Fig. 1. Number of passengers carried by railways and passenger turnover (1990–2009). Note: Decrease in number of passengers carried after 2002 is due to changes in accounting system. Source: Agency of Statistic of the Republic of Kazakhstan (2009).

- separation of railway maintenance activities from the core ones (transportation process);
- formation of competitive market of carriers with non-discriminatory access to the trunk railway network;
- optimization of productive capacity and increase of railway effectiveness;
- development of normative legal base in the sphere of railway transport.

Passenger services as well were undergone by reforms with the aim to provide better service and to meet requirements of the customers subject to budget and other constraints. In this sector, apart from the referred targets, reforms envisage the following actions:

- financial and organizational separation of passenger services from the freight ones;
- full transparency of the financial flows, decrease in the losses and strengthening opportunity for private sector participation;
- subsidizing passenger services and introduction of competition.

The model of vertical separation of infrastructure from operation has been chosen and the Government believes that the main targets will be achieved and Kazakhstan will have railway system which optimal both for the society and the state (the Government of the Republic of Kazakhstan, 2004a). The next chapters describe in details how implementation was performed.

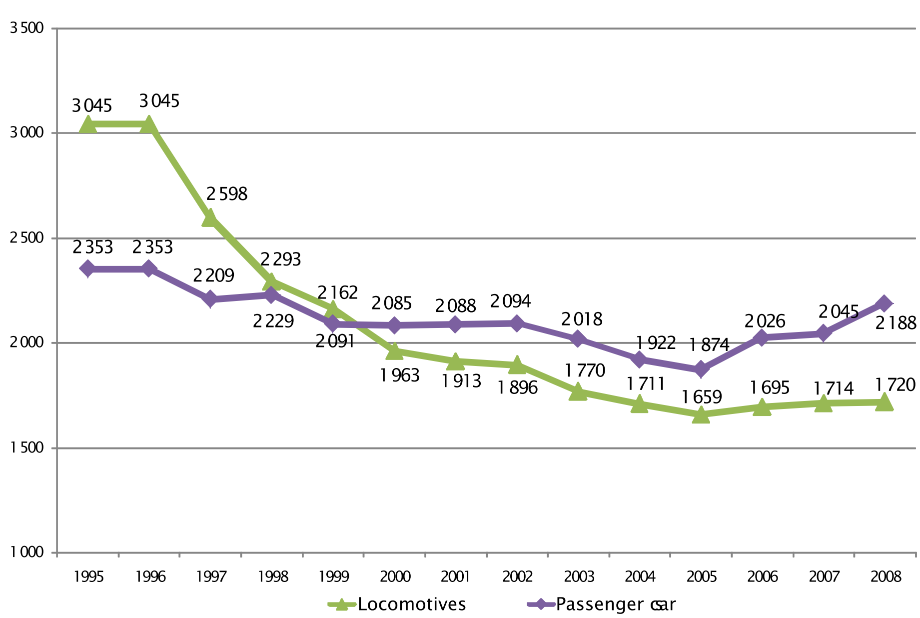

Fig. 2. Number of locomotives and passenger cars, 1995–2008. Source: Agency of Statistics of the Republic of Kazakhstan (2008).