Experience of Investment Activity in the Railway System of the Republic of Uzbekistan

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Abstract: This article discusses the investment activities of the leading countries of the world. The main distinctive features of the investment activity of the railway industry in foreign countries, including China, Russia, USA, UK and Ukraine, are given. Displays the opinions of well-known experts and economists who have studied the investment activities in the railway industry for years. The experience of the investment activity of the railway industry of the Republic of Uzbekistan using the information resource of JSC «Uzbekistan Railways» has been performed. According to JSC «Uzbekistan Railways», investments in the railway industry in 2018 decreased significantly distinctive to 2017. Attracted investments should receive a technical, financial and economic justification for each project to have a financial recoupment and economic return. To this end, it is necessary to increase the volume of intensive investments and innovations implemented in the railway industry of the Republic of Uzbekistan. It should be noted that after adding coal production to the structure of railways, the responsibility of JSC «Uzbekistan Railways» to the state and the population increased several times. SWOT experiment of the activities of the railway industry of the country. In certain areas of the railway identified specific problems to solve. At the moment, some issues are not solved in the railway itself and beyond. For example, tariffs for domestic freight and passenger transportation are controlled by the Ministry of Finance, service levels mainly depend on the operation of railways in other countries, most of the problems are external and therefore difficult to solve. In this regard, it is necessary to solve the problems listed below and give even more impetus to the railway system. Having studied the problems of the industry, the conclusions and recommendations for improving the investment activity of the railways of the Republic of Uzbekistan are given.

Keywords: railway industry, railway transport, investment activity, investments, foreign experience.

I. INTRODUCTION

To achieve the required goals and directions in intensive investment activities, the development and implementation of appropriate intensive investment projects is necessary, for this it is necessary to develop the right strategy to stimulate investment attraction. At the heart of this strategy are specific programs to improve efficiency. Basically, when stimulating the attraction of investments, one can understand the process of creating even more favorable conditions, guarantees for the wide attraction of capital in the country's railway industry. In the modern market economy, this task has become key, and its solution requires the development of new methods and mechanisms to stimulate investors.

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Kozachenko D., Verlan A., Kutateladze O. famous Ukrainian experts in the railway sector, having made an
studies of the industry, came to the following thoughts: “Thus, the long-term lack of investment in the industry led
to the fact that the physical depreciation of fixed assets of
the railway industry exceeded 80%, including traction
rolling stock - 94.2%, freight cars - 88.2%, track facilities -
86% [Kozachenko, Verlan, Kutateladze, 2013]. At the
moment, in the Republic of Uzbekistan, the demand for
freight and passenger transportation via rail is very high. But
it is necessary to increase the number of cars. There are a lot
of old wagons in the park. Typically, the life of a wagon is
estimated at about 30 years. It should be noted that in the
country, factories that repair and build cars operate at full
capacity. But since the demand is high, to provide cars to
everyone, they just do not have time.

Russian scientists Galiev I.I., Usmanov Yu.A. studying the
experience of China in the railway system, the following
thoughts on the development of the industry are noted: “Five
large railway companies - industry, engineering,
construction, materials, communications and signaling - are
separated from transport enterprises and are given more
independence. In fact, China is achieving significant
development in the field of railway transport without a
privatization process that would contradict the country's
traditional domestic policy” [Galiev, Usmanov, 2005]. But
at the moment, China plans to build or restore the “Silk
Road”, so to speak, because this will primarily reduce the
transportation time, and secondly, the cost of transportation
will decrease in relation to other types of transportation.
Another need to take into account demand in the
industry is very much studying foreign experience to develop its own options for
the development of the industry and this is helped by the
desire of personnel to develop and reach new heights in the
railway direction.

Having studied several works of leading experts in the
development of railway transport, it is necessary to take into
account economic, social and geopolitical factors that will
affect the railway industry of the Republic of Uzbekistan.
Since the economic situation of the country, transitions to
commercial structures, the social situation of the population,
political ties with neighboring countries can greatly affect
the development of railway transport with our country.
Therefore, in our opinion, it is possible to privatize railway
facilities in part, but maintaining state control. It is possible
to rent freight cars, but with subsequent redemption after a
while. But you need to take into account demand in the
transportation market and repayment maturities with a
longer term.

III. THEORY

The scientific theory is formulated by the fact that at the
moment it is necessary to study the railway industry of the
Republic of Uzbekistan from the inside. After the studies, it
will be possible to make recommendations on the
development of investment activities of the industry and the
country.

IV. METHODOLOGY

The methodology for studying the country's railway
system is carried out by the method of distinctive and
SWOT experiment, to identify specific problems in the
development of the country's industry. At present,
investment activity in Uzbekistan is very stimulated, but
how it is carried out in the railway industry and mainly
which areas are allocated the most investments.

V. DATA

Investment activity of JSC “Uzbekiston Temir Yollari” at
the moment, the amount of capital investments takes into
account the availability of sources of financing and financial
resources of JSC “Uzbekistan Temir Yollari”. Investments
are made in order to ensure continuous operation of railway
transport, improve the state of primary and secondary
activities and increase financial profitability. Attracted
investments should receive financial, technical, social and
economic justification, so that each project has a sufficiently
fast financial return and high economic and social return at
the facilities of Uzbekiston Temir Yollari JSC. Significant
funds are planned to be used to electrify the railway section in
the Ferghana Valley, electrify the railway lines in
Kashkadarya with the organization of high-speed passenger
trains, electrify the railway line from Bukhara to Khiva,
modernize Shargunkumir JSC with an increase in
production capacity up to 900,000 tons of coal per year.

Table 1.

<table>
<thead>
<tr>
<th>JSC “Uzbekiston Temir Yollari”</th>
<th>Direction of the project</th>
<th>Volume of investments by years (million dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>New construction</td>
<td>524.6</td>
<td>521.2</td>
</tr>
<tr>
<td>Modernization and reconstruction</td>
<td>85.83</td>
<td>83.61</td>
</tr>
<tr>
<td>Other directions</td>
<td>82.38</td>
<td>125.69</td>
</tr>
<tr>
<td>Total</td>
<td>692.81</td>
<td>730.42</td>
</tr>
</tbody>
</table>

Currently priority investment projects of JSC "Uzbekistan
Temir Yollari" are:
- “Electrification of the Pap-Namangan-Andijan railway
section”, “Electrification of the Karshi-Kitab railway line
with the organization of high-speed movement of passenger
trains”, “Electrification of the Bukhara-Misken-Khiva
railway line”, “Electrification of the Andijan-Sawai-
Khanabad railway section”, implementation which will
reduce operating costs for energy resources, repair and
maintenance of technical equipment, increase the throughput
of the railway line, reduce the negative impact on the
environment environment.
- “Construction of the second stage of the Yunusabad
Tashkent metro line”, “Construction of the Sergeli line of
the Tashkent metro”, “Construction of the ring elevated
underground metro line in the city of Tashkent”, the
implementation of which will allow to develop the road
transport infrastructure of the city of Tashkent, reduce
passenger traffic by vehicles, which will improve ecological
situation in the city.
- “Construction of the Urgench-Khiva railway line”, the
implementation of which will expand the tourist potential of
the territories and create a single tourist route that includes
the historical cities of the republic - Samarkand, Bukhara,
Khiva, as well as providing favorable conditions for further
integrated economic and social development of the Khorezm
region.
- construction of the Angrenskaya and Nishbash mines, the
modernization of Shargunkumir JSC, the modernization of
the railway sector and the maintenance of the production
capacity of Uzbekkogol JSC, the implementation of which
will increase the production of
hard and brown coal in the
country, using a modern mechanized treatment plant.

-rehabilitation of railways, which will ensure the safety of train traffic, reduce operating costs and improve the quality of services
- construction, acquisition, modernization and restoration of rolling stock, contributing to the renewal and improvement of the fleet of the rolling stock of the company, reducing operating costs, ensuring the safety of train traffic and improving the quality of the services provided [Official website of Uzbekistan Temir Yollari, http://railway.uz / ru / proekty / 1920 />

VI. EMPIRICAL RESULTS

### Local railway network

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reserve power in the system.</td>
<td>1. Loss of synergy due to the fragmentation of the Central Asian Railways and the competitive development of new lines.</td>
</tr>
<tr>
<td>2. Good network coverage.</td>
<td></td>
</tr>
<tr>
<td>3. Experienced management</td>
<td></td>
</tr>
<tr>
<td>1. Improving the efficiency of operations through investment on new roads in the region.</td>
<td>1. A sharp increase in prices for major imported materials and spare parts</td>
</tr>
</tbody>
</table>

### International railway corridors

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Access to the extensive railway network of the CIS countries.</td>
<td>1. The CIS railway network is designed to serve the needs of neighboring countries, which caused problems after independence.</td>
</tr>
<tr>
<td>2. The network of corridors is becoming more integrated in Uzbekistan, thereby reducing costs and delays when crossing borders.</td>
<td>2. Infrastructure problems and restrictions in neighboring countries.</td>
</tr>
<tr>
<td>3. Improving the infrastructure of inland rail transport will have a positive effect on international corridors.</td>
<td>3. The need to change gauges to reach key markets.</td>
</tr>
<tr>
<td>1. The Angren-Pap line should attract intermodal traffic.</td>
<td>1. Depreciation of infrastructure in the networks of neighboring countries, leading to even greater speed limits.</td>
</tr>
<tr>
<td>2. Communication with China through the Kyrgyz Republic will generate transit / international traffic.</td>
<td>2. Lack of financing for the construction of railways lines from Kyrgyzstan to China due to the high cost of the project.</td>
</tr>
</tbody>
</table>

### Inland Rail

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reserve capacities for new transportation.</td>
<td>1. Tariffs for domestic freight transport are controlled by the Ministry of Finance.</td>
</tr>
<tr>
<td>2. Good communication with large shippers and consignees</td>
<td>2. Wagon economy needs modernization.</td>
</tr>
<tr>
<td>3. The opening of the Tashguzar-Boyson-Kumkurgan line improved the competitive position of the Tashkent-Termmez corridor.</td>
<td></td>
</tr>
<tr>
<td>1. Convenient location for the development of transit traffic.</td>
<td>1. Increasing domestic competition from the trucking industry.</td>
</tr>
<tr>
<td>2. Large investments in the construction of new lines in the region will increase the freight rail market.</td>
<td>2. The road reconstruction program will improve road transport.</td>
</tr>
<tr>
<td>3. The development of local trucking companies and the renewal of the fleet of vehicles will increase competition.</td>
<td>3. Significant potential for expansion.</td>
</tr>
</tbody>
</table>

### Passenger Rail

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Defined reserve capacity for new services.</td>
<td>1. Tariffs for domestic passenger transportation are controlled by the Ministry of Finance.</td>
</tr>
<tr>
<td>2. Good coverage in the regions of the republic.</td>
<td>2. Wagon economy needs modernization.</td>
</tr>
<tr>
<td>3. The limited concentration of marketing survey.</td>
<td>3. Limited potential of intermodal services for servicing value-added transport.</td>
</tr>
<tr>
<td>1. Conclusion of agreements with tourism organizations.</td>
<td></td>
</tr>
<tr>
<td>1. Loss of passenger traffic in favor of private transport / air transportation services.</td>
<td></td>
</tr>
<tr>
<td>2. The program for the reconstruction of roads and rolling stock will improve the implementation of intercity bus transport.</td>
<td></td>
</tr>
</tbody>
</table>

### International freight rail transport

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Access to an extensive railway network through the CIS.</td>
<td>1. Unsatisfactory service levels for value-added transport.</td>
</tr>
<tr>
<td>2. High competitiveness when transporting over long distances, especially for the transportation of low</td>
<td>2. Service levels mainly depend on the business conditions of railways in other countries.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intermodal Services</th>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengths</td>
<td>Weaknesses</td>
<td></td>
</tr>
<tr>
<td>1. The growth of trade relations with China and East Asia favors rail transport.</td>
<td>1. The increase in transportation carried out at a high tariff due to raw materials.</td>
<td></td>
</tr>
<tr>
<td>2. Potential growth in Afghanistan as an export / transit market.</td>
<td>2. Lack of investment in the CIS railway system, leading to a longer, less reliable transportation time.</td>
<td></td>
</tr>
<tr>
<td>3. The potential of intermodal services for servicing value-added transport.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

VII. CONCLUSION

After studying the investment activity and making a SWOT experiment of the industry, we came to the following conclusions:
- The CIS railway network is designed to serve the needs of neighboring countries, which causes problems after the independence of our country.
- Problems with the uneven distribution of transport infrastructure in different regions of the country.
- The need for a gauge change that limits the achievement of external, more attractive and developed markets.
- Levels of service are very much dependent on the activities of railways in other countries, which, with a change in the management structure and activities, must be resolved again.

Service and reliability issues make intermodal transport less attractive and difficult to access if the cost of transporting goods is not a major issue.
- Most of the problems are external, so some of them are difficult to solve.
- Lack of use of through and combined bills of lading.
- The unimodal nature of the freight forwarding industry limits the accelerated development of industry infrastructure.
- Lack of multimodal transportation of passengers and cargo.

To solve the above problems, we will give several recommendations:
- Improving the efficiency of functioning due to intensive investments in the electrification of roads in the Republic of Uzbekistan.
- The growth of trade relations with China and East Asia favors rail transport and an increase in the flow of foreign investment in the country and in the railway industry.
- The conclusion of contracts with tourism organizations will lead to an additional stream of nailed.
- Potential growth in Afghanistan as a new railway market and passenger turnover.
- The potential of intermodal services for transportation
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services and the ecology of the country.

The development of door-to-door services, thereby reducing overall transportation costs for the transport of goods.

- Financial incentives for developing Uzbek producers of exported goods.

- Creation of new multimodal transportation to increase the volume of cargo and passenger traffic.

REFERENCES


AUTHORS PROFILE

First Author. Gaibnazarova Zumrat Talatova, higher education, in 2002 graduated Tashkent State Technical University with a degree in Management. In 2004 she graduated master degree of this university in a specialty Innovation Management. In 2004, she entered to post graduate school at the Tashkent State Technical University. Having successfully graduated of graduate school, she defended her thesis on the topic “Theoretical Foundations of Increasing the Effectiveness of Innovative Investment” and in 2012 she received a Ph.D. in Economical theory and in 2017 received the title of Associate Professor. From August 2018 to the present, she works as an assistant professor at the Department of Corporate Governance. During the labor activity of Gaibnazarova Z.T. published 1 textbook, 1 monograph, published more than 60 scientific articles and abstracts at international, republican and university scientific and methodological, scientific and practical conferences. Under the leadership of Gaibnazarova Z.T. trained more than 14 highly qualified bachelors and 2 masters. The final qualification works and the candidate dissertations performed by them are aimed at solving various economic problems of industrial enterprises of the Republic of Uzbekistan. She is engaged in scientific research on the topic “The impact of human capital on improving the efficiency of industrial production in the context of modernization and diversification of the economy”. Gaibnazarova Z.T. since 2017, has been a corresponding member of the International Academy of National Economy and Economics, and also conducts her activities as a member of the editorial board of the Russian Journal of Social and Labor Research. Gaibnazarova Z.T. was a member of the executive group of the international project 530326-TEMPUS-I-2012-1-IT-TEMPUS-SMGR on the theme “QUEECA”. The quality of engineering education in Central Asia”, designed for 2012-2015, within the framework of the European Union's TEMPUS program, and was also a member of the executive group of basic research - economic contract No. 1/14 of Uzgeoburneftegaz company on the theme “Development and implementation of drilling fluid compositions based on modified starch of local production” in the period 2014-2016.

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