

# FOREIGN EXPERIENCE OF USING PUBLIC-PRIVATE PARTNERSHIP MECHANISMS IN THE DEVELOPMENT OF RAILWAY TRANSPORT TRANSPORT

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In each country, state bodies and legal documents have been created not only for the purpose of monitoring the projects implemented on the basis of PPP, but also for the further development of this direction and the protection of the rights and legal interests of investors, to increase their confidence. In particular, in 1899, for the first time in history, the Center for the Development of PPP and the Agency for the Development of National Financing were established in England. The main task of the agency is to mobilize funds for PPP projects and advise the ministry and other agencies.

In Canada, 2 organizations work in this direction. The first is the Center for the Development of the Implementation of Federal Projects on the basis of PPPs, which manages a fund that finances projects implemented on the basis of PPPs. The second organization is the PPP Development Committee.

In Japan, another developed country, PPP projects are implemented on the basis of the 1999 Law on Private Financing Initiatives. In addition, in Japan, the law "On the development of PPP" was created, the main goal of which is to attract the private sector's financial resources, management and technological capabilities to the development of social infrastructure.

In France, in 2005, under the Ministry of Finance, the Agency for the Development of Foreign Investment was established. By 2008, the law "On FDI contracts" was adopted in France.

At the same time, on October 20, 2018, the PPP Development Agency under the Ministry of Finance of the Republic of Uzbekistan was established in our Republic.

The agency has the status of a state institution and is designated as a specially authorized state body for conducting a unified state policy in the field of PPP in the Republic of Uzbekistan. On May 10, 2019, the Law No. ORQ-537 of the Republic of Uzbekistan "On Public-Private Partnership" was adopted.

In addition, in order to further develop the sector, on April 26, 2020, the Cabinet of Ministers Resolution No. 259 "On improving the procedure for the implementation of PPP projects" was developed. In the territory of the Republic of Uzbekistan, PPP projects are implemented in cooperation with relevant state bodies and agencies on the basis of these laws and decisions.

We consider it appropriate to study the experiences of public-private partnership in the field of transport from the CIS countries, Kazakhstan, Russia, and foreign countries such as Japan, Australia, Great Britain, France, the Netherlands, and Poland.

According to the world experience, the railway transport projects can be conditionally divided into 3 large groups, as follows:

I. **High-speed rail highways.** This type of PPP project usually involves the design, financing, construction and operation of railway infrastructure. Within the framework of the projects, one or more cargo and passenger transport operators may operate during the operation.

**Germany.** "Maglev" project on the implementation of high-speed passenger transportation in railway transport on the basis of PPP. The annual passenger turnover within the project is 12 mln. constitutes a passenger. The cost of the project is 9.8 billion. German brand.

**China.** China's first railway PPP project was implemented in East China's Zhejiang Province. This high-speed rail line has a total length of 269 km and connects the cities of Hangzhou, Shaoxing and Taizhou in Zhejiang Province.

The total cost of the project is 44.9 billion yuan, 51 percent of which was financed by private investors. Fosun Group and Zhejiang Wanfeng Auto Holding Group and Zhejiang Geely Holding Group are private investors. The total term of this PPP contract is 30 years, of which 4 years are intended for construction.

Project of construction and operation of 1118 km "Golmud-Lhasa" railway line. The cost of the project is 13.9 billion. yuan.

**Taiwan.** A 35-year contract on the establishment of high-speed rail transportation on the island of Taiwan was signed in 1998 on the basis of PPP for a distance of 394 km. The total cost of the project is 15 billion. dollars, within the framework of the project, the private partner was given the right to use the land areas around the railway stations.

Netherlands. The total length of the high-speed trunk railway connecting Amsterdam and Rotterdam is 125 km. Within the framework of the project, the private partner's share in the capital investments was 14 percent, and the state's share was 86 percent. The duration of the project is 25 years.

France. In June 2011, the French railway company Reseau Ferre de France (RFF) signed a 50-year concession agreement with the \*LISEA consortium to build a new high-speed electrified North-East Atlantic railway line between Tours and Bordeaux on a PPP basis.

The length of the new railway line is 302 km, reducing the travel time between Paris and Bordeaux by 2 hours and 5 minutes. Passengers can reach their destinations faster by this high-speed railway than by road or air transport. The total cost of the project is estimated at 7.8 billion euros.

### **Japan.**

1. From 1960 until now, about 50 new lines have been built on the basis of PPP. In particular, the Manyo Line, a new railway line connecting Takaoka, Imizu and Toyama cities in 2002, and the Echizen Railway in 2003, The Hitachinaka Seaside Railway in 2008 and The Yokkaichi Asunaro Railway in 2015 were built on the basis of PPP.

2. In addition to the construction of new lines, a number of projects were implemented in electrification, reconstruction and other directions. For example,

We can take The Wakayama Railway Line Electrification Project, which started in 2006.

## II. Renewal and maintenance of rolling stock (locomotive and wagon fleet).

Within this type of PPP projects, rolling stock is renewed by the private sector or existing ones are modernized.

**Australia.** 600 wagons were purchased on the basis of the PPP for the organization of intercity trains in Sydney. According to the terms of the PPP contract, the private partner Bioan will supply wagons and provide service for 30 years, while the state partner will pay 175 mln. allocates a subsidy in the amount of USD and participates as a guarantor for bank loans of the private partner within the project. The total cost of the project is 3.6 billion. dollar.

### **Russia.**

1. As of 2015, OJSC "Russian Railways" (RJD) purchased 16 "Sapsan" trains with 10 cars developed by "Siemens" based on life-cycle contracts. "Siemens" company provides technical service to these electric trains for 30 years. The cost of the project is 354 mln. euro.

2. In 2014, "Russian Railways" (RJD) signed contracts with leading Russian service companies on the basis of life-cycle maintenance contracts for the locomotive fleet. One of the largest signed contracts is with "LokoTex" company for 15,000 locomotives (almost 70 percent of RJD's locomotive fleet). 40 years of maintenance.

**Great Britain.** As part of the intercity express program of the United Kingdom, 866 rolling stock were supplied by the Japan Overseas Railway System Association. Under this project, the Japanese company will provide technical service to the rolling stock for 27 years and 6 months.

## III. Construction of public railway lines. In this type of PPP projects, the private partner builds public railway lines and ensures its availability.

### **Russia.**

1. Project for the construction of a public railway line in the "Elegest-Kyzil-Kuragino" section. The project is 100% financed by a private investor, receives a fee

for its availability, receives revenue from transportation and services provided to other carriers. The duration of the project is 30 years. The cost of the project is 192.4 billion rubles.

2. Construction project of "North Latitude Crossing" public railway line on "Obskaya-Salekhard-Nadim" section. The project is financed by a private investor in the amount of 90% (103 billion rubles), receives a fee for its availability for use, receives income from transportation and services provided to other carriers. The duration of the project is 35 years.

3. Project of design, construction and operation of railways for the organization of activities of special economic zone of industrial production type "Tolyatti". The duration of the project is 15 years. The project is 100 percent (1.1 billion rubles) financed by a private partner. The private partner generates its income based on direct payments from users of this railway.

PPP projects were first implemented in Kazakhstan in 2006. At this time, 3 major projects with a total cost of 46.2 billion tenge were implemented, i.e. "Shar-Ust-Kamenogorsk" railway station, "North Kazakhstan-Aktoba" electrified railway line, and Aktau International Airport construction projects.

Table 1

**As of 2019, projects implemented and being developed in Kazakhstan on the basis of PPP<sup>1</sup>.**

Public-private partnership	Negotiated contracts	Commissioned projects	Projects currently under construction
Amount	240	167	63
Value (million, tenge)	792,8	101,3	691,6

<sup>1</sup> [www.gov.kz](http://www.gov.kz)/The ministry of industry and infrastructure of the Republic of Kazakhstan

As shown in the above table, the number of tenders agreed on PPP projects is 240, amounting to 792 mln. tenge, the number of commissioned projects is 167, the value is 101.3 mln. tenge, and at the same time, the number of projects under construction is 63, the value of which is 691.6 million. is forming a tenge.

Despite the varying levels of state participation in network management, almost all countries support the development of the railway transport modernization process by providing financial support from the state and building new infrastructure facilities. Table 2 presents data on the level and share of participation of states and private capital in infrastructure development in different countries of the world.

Table 2

**Participation of public and private capital in the financing of investments in railway infrastructure <sup>2</sup>**

Country	Investment financing	Equity participation
Great Britain	The state and the infrastructure owner through the tariff component of "infrastructure use".	Long-term concessions on high-speed lines
Germany	Federal government, municipalities, infrastructure owner through payments for "infrastructure use", own bonds (funds)	Participation in some projects based on public-private cooperation
France	State, regional lines, infrastructure owner through payments for "infrastructure use", bond bonds (funds)	Participation in some projects based on public-private cooperation

<sup>2</sup> Developed by the author as a result of research.

USA	Own funds of private companies, state incentives (investment incentives, etc.)	Participation of the main private companies operating in the market
Brazil	Private companies, own funds of concession holders, state financing of some projects	Concessions for main lines, public-private business partnerships
China	Mainly public funds with increasing participation of private capital (holding shares in companies, concessions for certain lines)	Participation in some projects based on public-private cooperation
Japan	Funding of private companies through a special contract awarded by the state to reduce the cost	Participation of the main private companies operating in the market
India	Mainly public funding by attracting private investors to the capital of companies and through long-term concessions	Public-private business partnerships, long-term concessions (30 years or more)

Many countries, especially in the European Union, have a system of financial support and compensation of the "lost" revenues of suburban and regional transportation. From this point of view, it is necessary to organize calculations with the budget and improve the audit in the enterprises of "O'zbekistan temir yo'llari" JSC.

The role of railway transport in ensuring the transportation of goods and passengers is different in different countries, one of the main distinguishing features of the world railways is the diversity of the railway collegium, which causes certain difficulties in the transportation of goods and passengers on the scale of railways with different sizes of collegium, and the reloading of goods, and requiring the transfer of passengers to other carriages, which in turn lengthens delivery times.

Interstate cooperation in the field of transport is one of the most important elements of the regional transport system. It should be said that cooperation in this direction is considered an objective necessity for countries (especially for internal continental countries), and this process is carried out bilaterally and multilaterally:

bilateral cooperation in the field of transport is a system of mutually beneficial relations in the development and effective use of the transport communications infrastructure of the two countries;

multilateral cooperation in the field of transport is a system of relations between three or more countries within the framework of a specific project or organization for the development of transport communication infrastructure, expansion of relations in this field, use of existing opportunities and their effective use.

Bilateral cooperation is carried out according to the territorial location of the countries and the compatibility of their interests. Bilateral and multilateral cooperation in the field of transport, that is, cooperation between two countries or within the framework of international organizations, can be evaluated based on the following criteria (table 3).

Table3

**Criteria for evaluating the level of interstate cooperation in the field of transport<sup>3</sup>**

<b>№</b>	<b>Indicators</b>	<b>Units of measure</b>
1.	Formation of the legal base: <ul style="list-style-type: none"><li>▪bilateral contracts</li><li>▪regional agreements</li><li>▪international legal and regulatory documents</li></ul>	<i>available (number)</i> <i>/ not available</i>
2.	The formation of an institutional framework (the existence of a coordinating organization or structure)	<i>available</i> <i>(number) / not available</i>

<sup>3</sup> Formed with the help of literature

3.	Annual growth trend of the volume of cross-carriage  ■ export ■ import ■ transit	<i>in percent</i>
4.	Availability of existing joint transport projects	<i>number of projects and total cost, ta/mln \$</i>
5.	Status of investment cooperation (share of domestic investments in investments in transport projects)	<i>in percent</i>
6.	Balance of interests (interests in transport projects)  ■ fully compatible ■ is in the interest of some countries ■ is in the interest of one country	<i>number of projects, ta</i>
7.	The degree of dependence of the countries of the region on mutual transport corridors	<i>In a 5-point system</i>

Thus, summarizing the above opinions, it can be noted that the main issue in studying the world experience of the construction and development of new roads in railway transport is not only to better understand the nature of the problems of railway transport in one or another country, but also to master the methods of solving these problems in our conditions. Today, many economically developed countries of the world look at the organization of multi-faceted production, including the development of PPP mechanisms, as a strategic task for the further development of their economy.

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