Entrepreneurial Opportunities in Railway Passenger Transport

Abstract—Market liberalization is a great contemporary trend in many fields of economy. Formation of a united railway market in the EU leads to liberalization of railway passenger transport, which changes the entrepreneurship strategies of transport companies. Liberalized transport market, where the transport demand is meeting with transport offer, is evolving dynamically. The purpose of market transformation is sustainable economic development besides increasing quality of transportation and people mobility. Due to market liberalization, transport companies tend to attach more importance to economic aspects. Basic objective of each transport company is to decrease the costs and increase revenues from transportation. Private railway passenger operators want to increase their market share together with national railway passenger transport companies. Therefore, the quality of passenger transportation is getting higher, which positively influences the attractiveness of railway passenger transport. Railway passenger transport, as an important part of transport system connected with mobility of people, is evaluated from an operating-economic point of view. Operation part means technology, what consists of timetable, vehicle circulation, the run of the train requisites and passengers flows analysis. Internal costs calculation and revenues quantification represent economic part of the evaluation. The paper is focused on current trends of entrepreneurship in railway passenger transport market. From managerial, operational and economical point of view, there are described some ways, how to make the railway passenger transport system more effective and make the entire transport system more attractive for traveling public.

Keywords—railway passenger transport, liberalization, transport market, Lean Six Sigma methodology

I. INTRODUCTION

The railway transport market has overcome many changes during last decades. In order to increase quality and competitiveness of railway transport, the European Union is trying to bring as many opportunities as possible for the private carriers by applying several legislative changes. This should lead to creation of an acceptable entrepreneurial environment. As a result of the fall in rail transport, it has taken steps towards strengthening its position and opening up the transport market. Amongst others, the most important are the particular procedures defined in the railway packages in accordance with the EU White Paper on transport and The Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) No. 1191/69 and 1107/70.

The first crucial change was the initial separation of the infrastructure manager from the railway undertakings to make the rail market available for other carriers on the basis of harmonized conditions. The process of gradual implementation has been adapted in the EU Member States at different levels since 2010 and the opening of the transport market for domestic passenger services should be completed in 2019, while an obligation to competitive tenders for Public Service Contract in most cases to be determined by 2023. Some of the countries divided the former unitary railway company into two separate companies, while the others made a holding with distributed accountings. As Gašparík [1] remarks, either a public or a private railway carrier may operate acquired the territory and thus to meet the transport requirements for passengers on the basis of the aforementioned contract between the railway company and the competent public authority.

According to Panák [2], liberalization can be considered as the gradual opening up of the rail transport market and entry of carriers on the market on non-discriminatory terms in an effort to promote the improvement of railway transport services. This can allow the new private carriers to participate in the competition of selected railway lines. The legislative framework for the operation of rail transport is established between the Ministry of Transport and an infrastructure manager under a contract for the operation of rail transport in most cases to be determined by 2023. In 2019, while an obligation to competitive tenders for Public Service Contract in most cases to be determined by 2023. Some of the countries divided the former unitary railway company into two separate companies, while the others made a holding with distributed accountings. As Gašparík [1] remarks, either a public or a private railway carrier may operate acquired the territory and thus to meet the transport requirements for passengers on the basis of the aforementioned contract between the railway company and the competent public authority.

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The transformation process started by division of Czechoslovak State Railways into two separate state-owned enterprises, which were later divided into an infrastructure manager and transport undertakings according to the European legislation. In the Fig. 1., there is shown a brief summary of railway passenger market liberalization. The process of liberalization in the Slovak Republic was initiated by the entry of two private carriers on the railway network in the provision of rail passenger transport. In addition to the state railway carrier, two other private railway carriers nowadays provide rail transport [3]. An important private carrier that entered the rail transport market is considered RegioJet, which at this time provide transport for public on the line Bratislava - Košice and also commercial transport services on line Praha - Košice. However, the train link between Bratislava and Košice was canceled from 2017. In 2012, LeoExpress started to operate railway transport on frequented line Praha - Košice, which increased the train service offer. From the point of view of market access in Slovak Republic, it is direct contracting assignment for the selected railway undertaking [4].

In the Czech Republic, a state-owned carrier with a majority position is serving the territory via train connections with more than 90%. Among other transport companies are included RegioJet and LeoExpress, which in most lines provide common train connections from both countries. In 2016 there was introduced a direct railway link from the Czech metropolis with the city of Nitra in Slovakia through company Arriva. At the same time, there are other companies in the Czech Republic with an even smaller share of the market which operate public transport, with the region being the contracting authority. An example is GW Train company, which operates rail transport on regional lines in areas such as Karlovarsko, Královéhradecko, Šumava and North Moravia. This means that the railway transport is not only big enterprises’ domain, but might be suitable for the medium-sized ones. However in this case, the management must count with more risks [5].

II. ADVANTAGES AND DISADVANTAGES OF RAILWAY PASSENGER TRANSPORT MARKET LIBERALIZATION

The liberalization process has resulted in an improvement in previous transport services as well as various additional services. This occurred mainly on the main international line Praha - Košice, where other private carriers started to operate the railway passenger transport and thus increased the quality of the provided services. It is clear that even the former national carriers (usually still in ownership of the country itself) have improved their services in order to deal with the private ones. In the Czech Republic and Slovakia these changes meant especially better onboard services such as new vehicles, providing Wi-Fi network internet connection, better air-conditioning, more electric plugs and a better quality of the refreshments. Apart from the services onboard, the liberalization led also to improving the services before getting on the train (information systems providing the online ticketing and information about the delays, change of the transport conditions in order to be more flexible) and after getting of (alternate transport if the last connecting train doesn’t wait or financial compensations when the guaranteed standards are not provided).

On the other hand, if we look at the issue in a more comprehensive way, there are also many possible disadvantages of the liberalization itself. One of the most important for the customer might be a lack of guaranteed connections when using two or more carriers during one journey. The railway carriers usually don’t communicate with each other (expect a very few extraordinary cases, e. g. an engine failure). This may cause, that if the train is delayed, the connecting train, which the customer intended to change to, simply doesn’t want. And since the whole journey is based on the two separate transport contracts, the customer has no right for refunding the money or other solutions such as an alternate transport service.

The necessity of having two transport contracts also means, that the customer has to buy two separate tickets under two different conditions and different tariffs, which might be very confusing. The best seems to be harmonization of the transport rules. However this might be impossible when considering the commercial trains. When announcing a tender for trains in the public interest, the responsible authority (for example the Ministry of Transport) should pay a great attention on defining the conditions. Another problematic issue is the cross-financing of the private carriers. The private carrier may cover the negative economic result by the incomes from the other activities such as bus transport. This might lead to a dramatic decrease of the ticket prices in order to attract all the customers from the other carriers and thus take a leading position [6].

III. MANAGERIAL ASPECTS OF RAILWAY PASSENGER TRANSPORT

A prerequisite for successful entrepreneurship is a creative activity that follows a well-chosen strategic management aimed at constantly improving the quality of its outputs. As passenger requirements are steadily increasing, service providers need to change the old paradigm, develop a strategy, and focus on continually optimizing processes and thus improving overall quality. The business environment opens up space for perceiving the problem as a new challenge and come up with a new solution that will create a better working
environment for staff and provide more attractive services to customers. The introduction of process management in the enterprise is nowadays considered to be self-evident and results in the creation of a functioning organization capable of flexibly responding to a changing environment. The next step is to prioritize and decide to implement a quality methodology from a wide range of qualitative approaches.

In terms of success in the transport market, it is only a matter of time when every railway company will be forced to invest all their effort to quality and thereby constantly satisfy the needs for their customers which can be done only by comprehensive knowledge. Since the rail passenger market has been made available, private transport undertakings have the opportunity to participate in railway transport operations, thereby comparing the portfolio of provided services. The newly created situation as a result of liberalization has created other conditions and environments, which in particular has affected the dominant monopoly position of the state-owned railway carrier and has opened the door to other railway transport operators. From this reason, future focus of each transport undertaking should provide better services for passengers with favorable travelling experiences. This leads to more competitive pressure, where it is necessary to properly connect managerial skills and apply the marketing concept of business in striving to attract a passenger to the use of transport services. The Fig. 2. shows the enterprise structure with applied process management and the Lean Six Sigma quality approach.

![Fig. 2. Implementing quality approach to business process management.](source: authors)

At the beginning, every transport undertaking should set a vision and define an accurate strategy for further direction its processes. When considering the most appropriate strategy, it is necessary to conduct a market survey and a forecast of developments in the transport market. Depending on the determination of competitive power through the method of Benchmarking, it is possible to choose a market segment and a portfolio of offered services and then to apply qualitative methods. At present, one of the most preferred is the Lean Six Sigma methodology, which can also be applied to railway transport processes. Before running its principles into normal business operations and starting with qualitative projects, it is important to train staff according to level of management.

Lean Six Sigma is a structured approach and provides a comprehensive set of tools and methods within the DMAIC cycle that can be used to achieve improvement. It is considered a systematic way to enhance existing processes or concept to design new processes or transport services. The five phases cycle is used as a helpful framework to solve the proposed problem, with the first step defining the exact wording of the project, determining competencies and purpose in project document. This concept focuses mainly on satisfying customers’ needs, so it should be precisely described as Critical to Quality, which results from the transformation of Voice of Customer into measurable requirements. SIPOC diagram helps to visualize the relationship between process, supplier, customer, input and output what in the case of the transport market means the relationship between infrastructure manager, transport undertakings and passengers.

In order to analyse actual productivity and effectiveness of the company and capability of the processes, the measure phase focuses on collecting adequate data. Accurate data enables quantify and verify company performance and determines process variability based on discrete or continuous data. Depending on the complexity of processing and interpreting data, there is used sophisticated statistical software in most cases. This can be the case when using correlation and regression analysis or analysing very large amount of data. This methodology encompasses a wide range of tools that can be used across phases and therefore depend only on the transport undertaking which ones are beneficial and are able to improve the quality of provided services. Ishikawa diagram plots a simplified fish skeleton where the causes of the problem are assigned to the key effect. Appropriate tool to identify the most problematic area in a business is the Pareto diagram that illustrates the relative importance of causes in an approximate ratio 80/20. After generating ideas for solving problems by Brainstorming or Brainwriting, these are gradually grouped into Affinity diagram according to natural relationships. The FMEA is considered to be a risk management method in an enterprise that analyzes possible errors and their future consequences and subsequently proposes corrective actions. During the last control phase, there is recommended to use the Shewart control diagrams for indication the range of variability and comparison of the analyzed process at the end of the cycle.

Lean Six Sigma features approach that can be used to deeply understanding defects in processes and through five steps to gain better quality of the services offered in railway passenger transport. Achieving the required status is conditional upon the correct knowledge of the chosen tools as well as the correct application in a particular transport company. Railway companies should take only those tools that are appropriate to achieve successful improvements. The aim of this approach is to focus not only on the profit of the company but also on the requirements of its passengers. At the same time, they should not forget about the requirements of their employees and properly build a motivation system [7].

IV. TECHNOLOGICAL ASPECTS OF RAILWAY PASSANGER TRANSPORT

Passenger transport is divided into individual and public. Individual passenger transport includes walking, cycling and car transport. Public passenger transport includes railway, road, water, air, city and unconventional transport. From spatial point of view, passenger transport is divided into local, regional and long-haul, which is then divided into interregional transport (in one country) or international.
transport (among two or more countries). From operation point of view, passenger transport is the sum of acts for providing mass transport of passengers which includes boarding, selling and checking the travel tickets, transfer of passengers’ luggage, ensure all individual needs of passengers and organizing of other complementary services. From economics point of view, passenger transport is classified into tertiary sphere – services. It means that there are not any material production values, but it is reflected in costs. In general, passenger transport has got a great social and political importance.

Legislative fundamentals of organizing and managing the passenger transport are constituted in higher legal standards and internal regulations of transport companies. Passenger transport is generally considered as an activity, which arises as the consequence of spatial division of places, where people are in exact time and their need to move. Motivators for moving could be commuting (job or education), dealing with personal or working matters, travelling for vacation (hiking, sport, health, cultural and social facilities), visiting relatives and friends [8].

Requirements for transport of passengers originate in their need to move, while the passenger transport is dependent on the willingness of travelling. In passenger transport, there are mostly individual passengers, so it is difficult to determine all transport requirements. Basic and general factor, which has got a significant impact to the transport of passengers, is demography. Specifically, the most relevant aspects are the progress of population quantity, economic and social indicators, standards of living, age structure, employment rate and disposable income. Regularity of transport offer is also key factor, which depends on structure of passengers and their reasons for travelling [9]. Other specific factors are spatial accessibility of transport hub and price for transportation. Influences on transport offer are geography, transport infrastructure, transport vehicles and environment. Transport infrastructure factor consists of its structure, length, density, throughput, availability to residences and overall quality [10].

V. ECONOMIC ASPECTS OF RAILWAY PASSENGER TRANSPORT

Technology for operation of long-haul passenger trains is created by the transport company and passengers usually do not know it. They know only the timetable, what represents transport offer – number of connections on the route. Temporal position of trains, which are listed in the timetable, must be attractive for passengers. This can be made by harmonisation of departures and arrivals. It means that the departure time from all transport hubs on the route is always in the same minute, but the hour is different. Passengers could easily remember all departures and it also improves the transport accessibility in the selected area from temporal point of view. It means that there is the same time gap between departures of trains and thanks to periodicity of departures, the transport accessibility is increased.

Timetable is created separately for both directions of trains. It must include all trains, their departures, stations and stops names, trains numbers and distances. Transport time between each station and stop must be determined by technical specifications of selected vehicle, which operates on the route. Number of vehicles, which are necessary for operation of all trains included in timetable, is defined in vehicles circulation. It is divided into operation days and there is showed the sequence of trains for each vehicle and the following day. All technological acts are considered. Thanks to vehicle circulation, all vehicles have got same or very similar number of driven kilometres. Other part is a run of the train requisites. Train requisites are subjects, which are necessary to be supplemented into the vehicle, to create an object, which can move within the transport process independently. Train requisites are vehicle-drivers and stewards. Sequence of the train requisites is regularly repeated schedule of their working time. Working time for vehicle-drivers and stewards are generated separately. Sequence of the train requisites must respect higher legal standards, mostly Labour Code. Thanks to sequence of the train requisites, the exact number of staff – vehicle drivers and stewards, is known.

From economic point of view, there must be operating costs calculation. Costs are financial representation of company sources consumption for realizing services per time. Internal costs of the transport company arise from operation of trains on railways. Thanks to calculation, the exact amount of these costs is known. In railway passenger transport, the calculation unit is the service – transporting of passengers. It can be defined by quantity (number of trains, vehicles), time (staff working time, time of traveling) or other way (passenger-kilometres, train-kilometres). In the case study, there are these costs: vehicle costs (price for vehicle, repairs and maintenance, insurance, operational cleaning), railway infrastructure access, staff costs (wages of vehicle-drivers and stewards), traction energy consumption and other indirect costs (management, marketing, travel ticket selling system, information system etc.). Sum of all costs, which are converted to one typified train on the route, is the base for making the tariff charges [11].

Railway vehicle costs are calculated this way:

$$r_{tr km}^{RV} = \frac{D_{V} + \Sigma R M_{V} + O C_{V} + I N S_{V}}{\bar{Y}}$$

(1)

where:

- \( r_{tr km}^{RV} \) – railway vehicle costs rate for train-kilometre [€/trkm]
- \( D_{V} \) – depreciation of vehicle per year [€]
- \( \Sigma R M_{V} \) – entire costs for repairs and maintenance of vehicle per year [€]
- \( O C_{V} \) – entire costs for operational cleaning of vehicle per year [€]
- \( I N S_{V} \) – entire costs for vehicle insurance per year [€]
- \( \bar{Y} \) annual vehicle kilometrage – average kilometrage of railway vehicle per year [km]

$$C_{RV} = \Sigma tr km \cdot r_{tr km}^{RV} \cdot N R V_{tr}$$

(2)

where:

- \( C_{RV} \) – entire railway vehicle costs per route [€]
- \( \Sigma tr km \) – sum of train-kilometres per route
Staff costs are calculated this way:

$$ r_{\text{empl}}^S = \frac{\text{price for working} + \text{equipment}}{ \Sigma \text{work time}} $$

where:

- $r_{\text{empl}}^S$ – staff costs rate for employee-hour [€/empl]
- price for working – all month company’s costs for the employee [€]
- equipment – month costs for equipment of employee [€]
- $\Sigma$ work time – entire month work time of employee [hours]

The tariff reflects valuable relations among operator and passengers. These rates must include internal costs, transport demand and level of competitiveness.

**VI. CONCLUSION**

The primary idea of liberalization is to allow licensed public or private enterprises non-discriminatory access to the transport market in order to increase the position and economic efficiency of rail transport and to provide high-quality transport services in line with passenger requirements. Although the legislative framework for the liberalization of the transport market is in line with the European legislative framework, there is still space for improvement of the business environment and better regulation of the conditions for the award of public procurement contracts and for the conclusion of public service contracts [18]. From the point of view of success in railway transport, it is necessary for carriers to apply qualitative approaches in processes and thus to be able to keep up with successful competitors [19].

The process of railway passenger market liberalization influences contemporary progression in the whole passenger transport system. There are several ways how to evaluate this process, because it has got different consequences to traveling public and transport companies, which also vary in each country according to its legislation and economic conditions. Market share growth of private transport companies is a basic result of liberalization and it is proportionally connected with improvement of transport qualitative criteria and increasing attractiveness of railway passenger transport. Private transport companies are focused on costs optimization and making higher profit therefore railway passenger transport market is significantly affected by economic aspects [19]. These aspects are mainly internal costs, transport demand and level of competitiveness. In central Europe, there are some private railway passenger transport companies with different strategies. In the case study, there is an example of operation-economic evaluation, which is applied on the fictional route Plzeň hl. n. – Bratislava hl. st. This evaluation shows the efficiency of long-haul passenger trains operation on the route according the proposed technology and timetable.

**REFERENCES**


