

# Transformation project of JSC Ukrainian Railways



***The progress of the changes is possible in two scenarios: evolutionary and revolutionary.***

***Evolution for the railway is a continuous allocation of resources to gradually improve the quality indicators of the railroad in spite of external factors.***

***Revolution-spasmodic development, most often without taking into account the changes of the basis. What Ukrzaliznytsia needs at the present stage is evolutionary changes with the speed of revolutionary ones.***

*The analysis was performed by the NGO "Railway without corruption" in the framework of the project "Monitoring and support of the implementation of corporate reform of JSC" Ukrainian Railway " with the support of the International Renaissance Foundation.*

*The material reflects the position of the authors and does not necessarily coincide with the position of the International Renaissance Foundation.*



*The analysis used data from the State Statistics Service of Ukraine, JSC "Ukrainian Railways", the Office of Statistics and other public sources.*

*NGO "Railway without Corruption" was created by specialists in the field of railway transport, counteraction to corruption and monitoring of public procurement in 2015. The purpose of the organization is to ensure publicity in the field of railway transport, expose corruption schemes of budget theft and irrational use of state funds of JSC Ukrainian Railways, search for ways to develop the enterprise.*

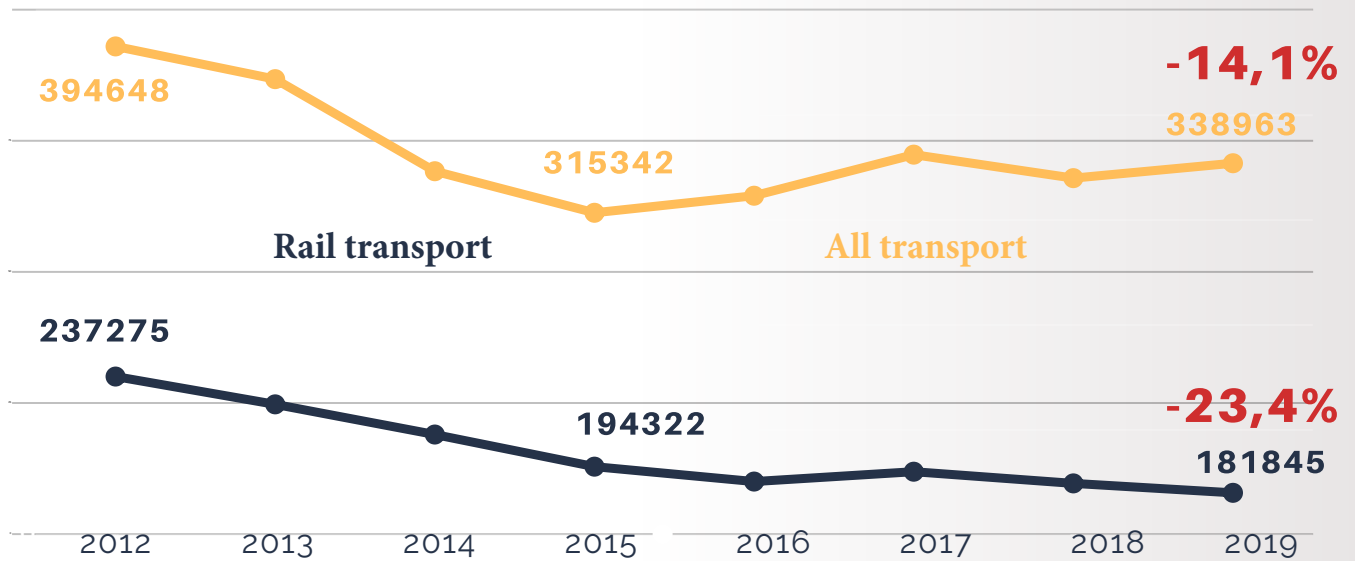
*In 2017 a media project "Railway without corruption" was founded in cooperation with Transparency International Ukraine.*



## Current status assessment

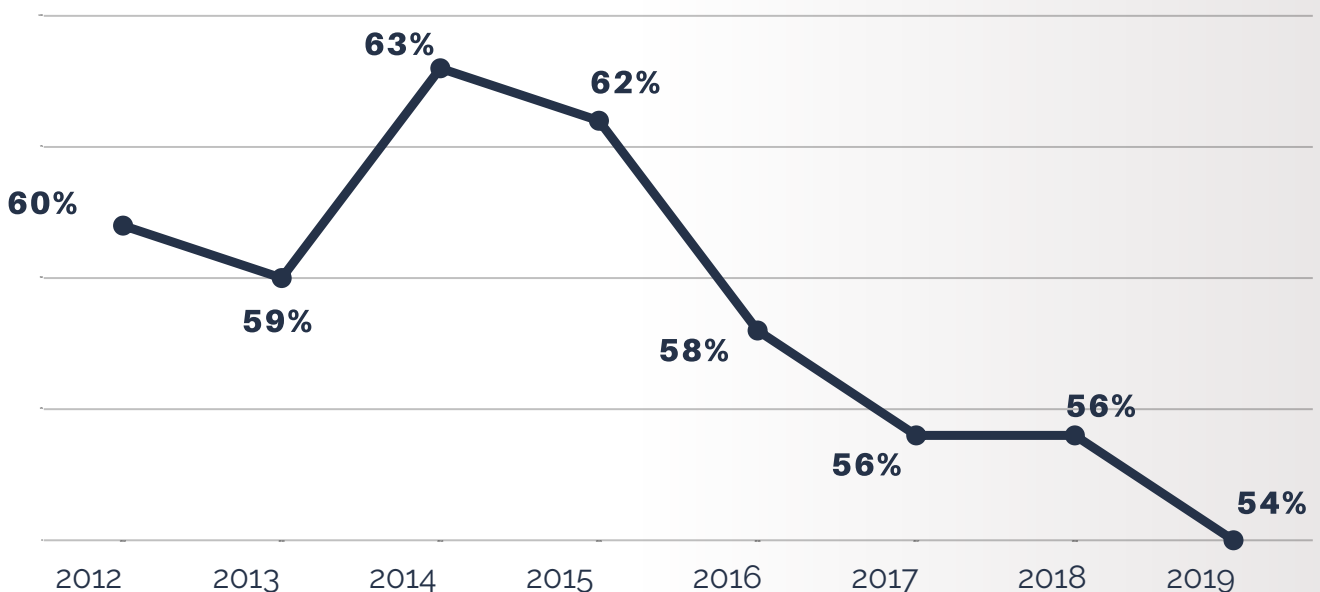
### Freight transportation

Dynamics of cargo turnover by years, million tkm.



Until 2016, the dynamics of the volume of transportations by railway was consistent with the dynamics of general freight transport operation. However, since 2016, there has been a significant gap in these indicators, which indicates a loss of rail transport positions in the freight market.

#### The Dynamics of railway transport share in the freight market

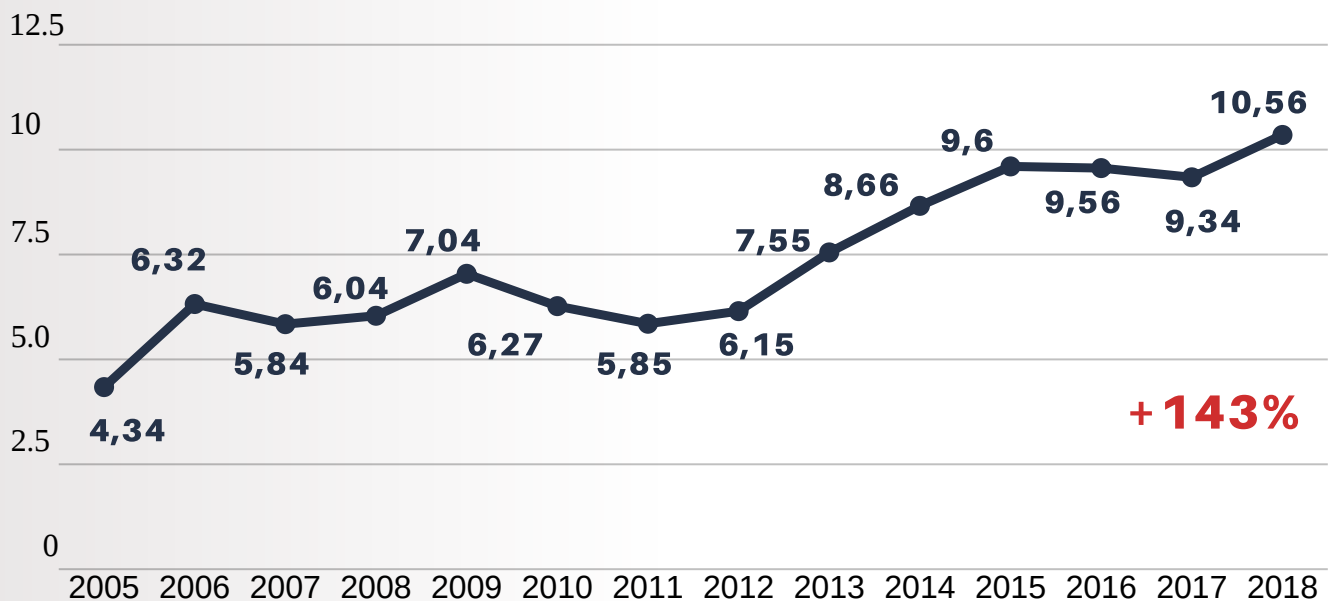


Over the past 5 years, the share of railroad freight transportations (cargo turnover) has decreased from 60-62% to 54%. In this way, Ukrzaliznytsia reduced its role in the freight transportation market by 10%. Keeping this dynamic will lead to the fact that in the next 10 years the role of railway transport will be limited.

The negative trends of freight rail transportation are mostly caused by high corruption factors, low mobility and reducing the efficiency of infrastructure and wagons usage. Since 2011, the average turnover of a freight wagon at Ukrzaliznytsia has increased from 6 to more than 10 days. In 2005, this figure was 4.3 days.



### Average turnover of a freight wagon , days



Thus, there is a significant decrease in the speed of cargo transportation and the fulfillment of the shipper's requests, which leads to a permanent reduction of the rail transportation supply, compared to the market demand.

Corruption factors play a crucial role in this as well, since this situation corresponds to the corrupt interest of obtaining additional undue benefit by increasing the speed of processing the client's application.

Increasing the duration of cargo transportation leads to a decrease in wagon performance. This, in turn, leads to the fact that more wagons are required to carry the same amount of cargo. Accordingly, the cost of maintenance and renewal of the wagon park is increasing.

### Average daily productivity of a freight wagon, tkm.net

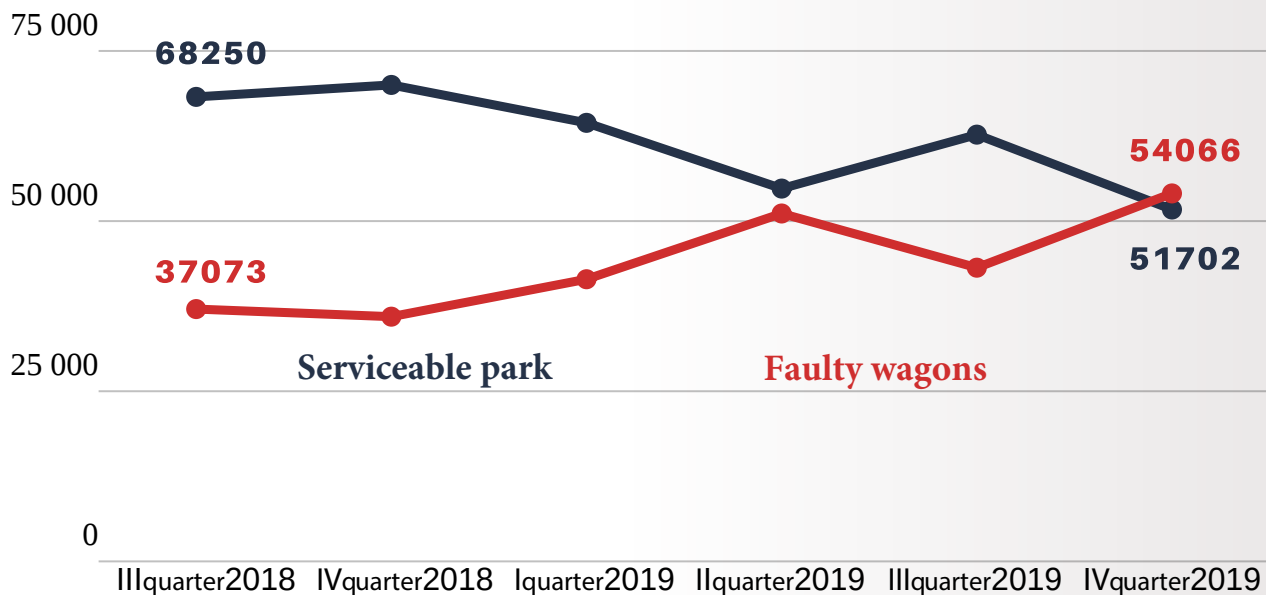


Due to the reduction of performance of freight wagons, Ukrzaliznytsia and private owners of freight rolling stock, it is necessary to hold the park, which is 1.5-2 times greater than possible, in the case of performance of the wagon at the level of 2005-2011 years .

Along with reducing the efficiency of the use of freight wagons, Ukrzaliznytsia demonstrates the high negative dynamics of keeping its own wagon fleet.

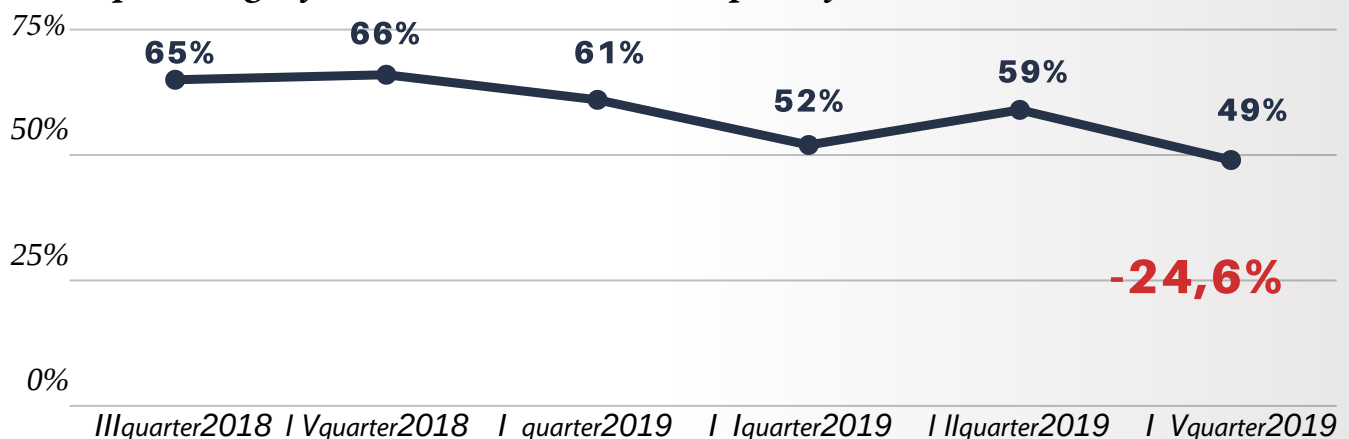
Over the last 1.5 years, the number of working fleet of freight cars owned by JSC "Ukrzaliznytsya" dropped from 68 up to 52 thousand wagons.

### A freight wagon park owned by UZ



As of early 2020, more than half of Ukrzaliznytsia's wagons are out of service. The percentage of serviceable wagons in the 18 months deteriorated from 65% to 49%.

### The percentage of serviceable car in the total park of UZ



In comparison with 2018, Ukrzaliznytsia reduced the volume of repairs from 16.9 thousand units to 4.9 thousand. Or three and a half times. This is caused by significant underfunding of the sphere of cargo transportation in 2019 due to the artificial retention of positive financial results of the company.

In 2017, the railway administration implemented the automatic distribution of freight wagons, which would prevent the presence of corruption risks during the execution of shippers applications.

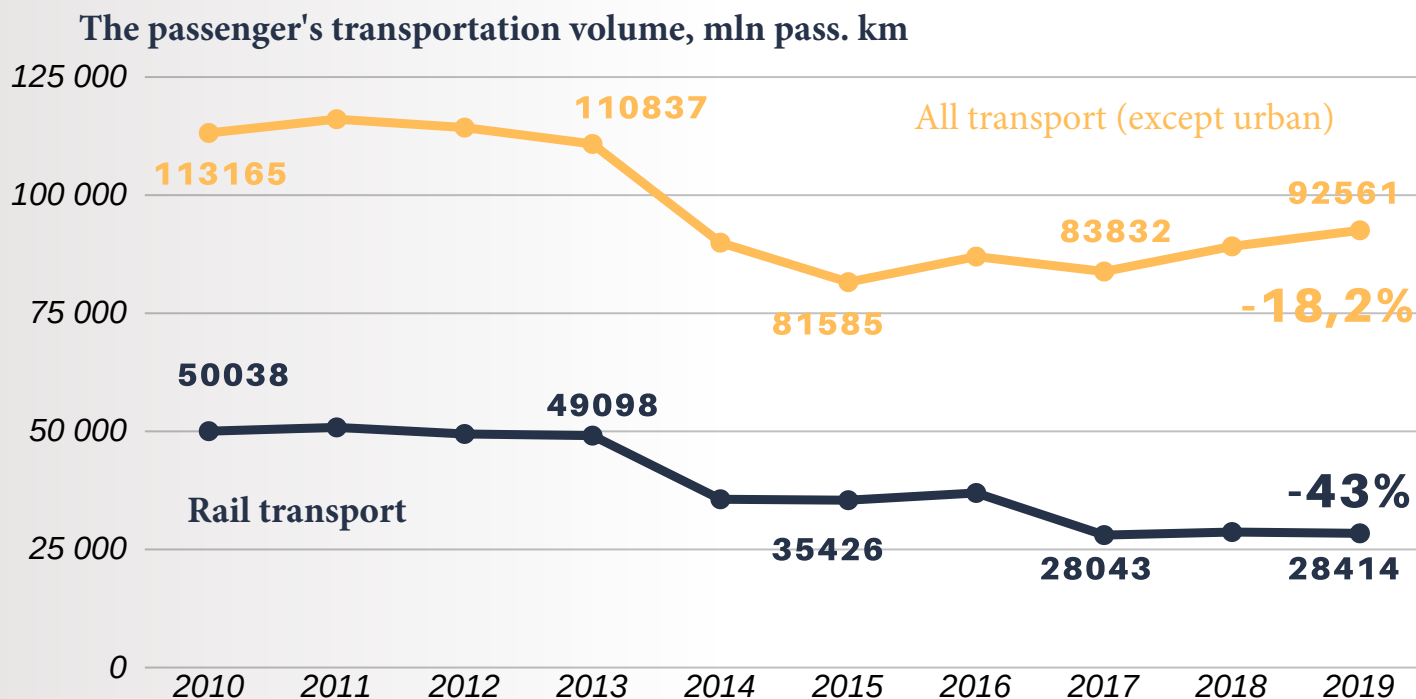
However, since mid-2018, this project was closed. The official reason for stopping the automated distribution of freight cars was the presence of shortcomings in the software distribution system. Subsequently, the railway has not restarted the system and continues to distribute freight cars in "manual mode".

In such circumstances, the priority of meeting the needs of carriers depends on the decisions of Ukrzaliznytsia officials, which is a corruption factor.

**The overall rate of satisfaction of shippers' applications in 2017-2019 was only 50-55%.** That is, almost half of the applications of shippers were not satisfied due to the shortage of working fleet of freight cars and a significant time wagon turnover.

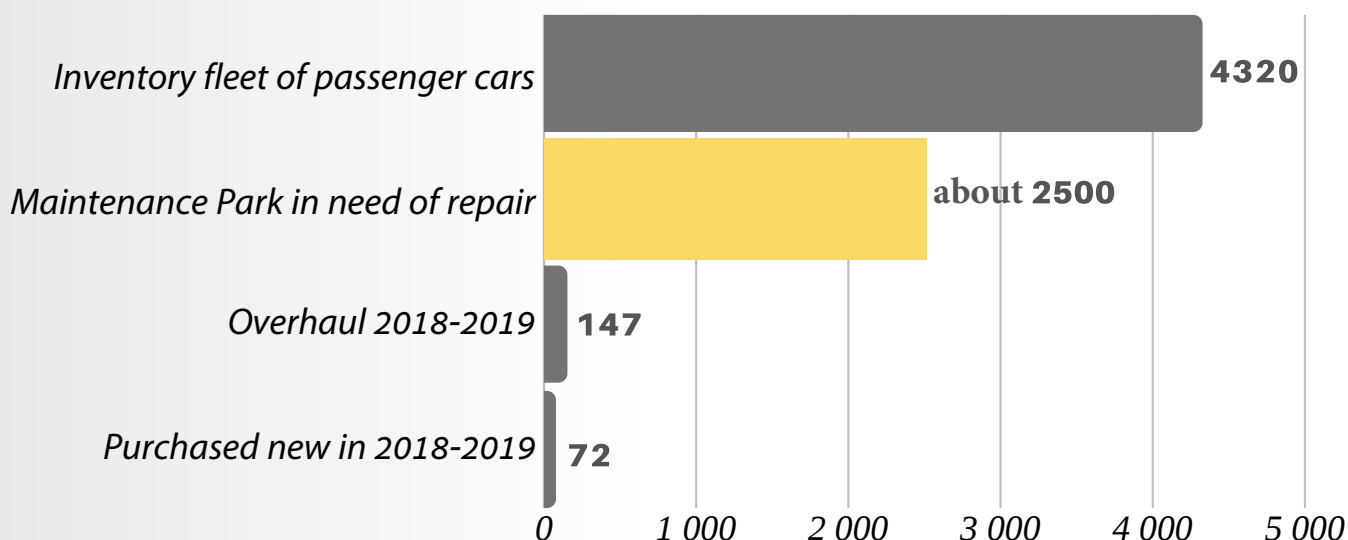
# Passenger transportation

The volume of passenger transportation by rail has similar dynamics to freight traffic.



By 2016, rail passenger traffic accounted for 40-44% of total volume of transportation. However, after 2016, the volume of passenger transport by rail decreased to 31%. In general, UZ has lost a quarter of the previous volume of passenger transportation for the last 5 years. The main reasons for reducing the popularity of the railway is the deterioration of the service, poor technical condition of passenger wagons and the development of automobile and air transport. The general park of passenger cars of Ukrainian railways is 4320 units. Of these, 3200-2500 units are in operation. The deterioration of the fleet of passenger cars is 93%, and the average age of the wagon is 33 years. During 2019, the Ukrainian railways signed contracts for the construction of 18 new passenger cars (in 2018 – 54 cars), a major overhaul of 29 passenger cars (in 2018 – 118 cars) was carried out. The total recovery of passenger cars is less than 5% per year.

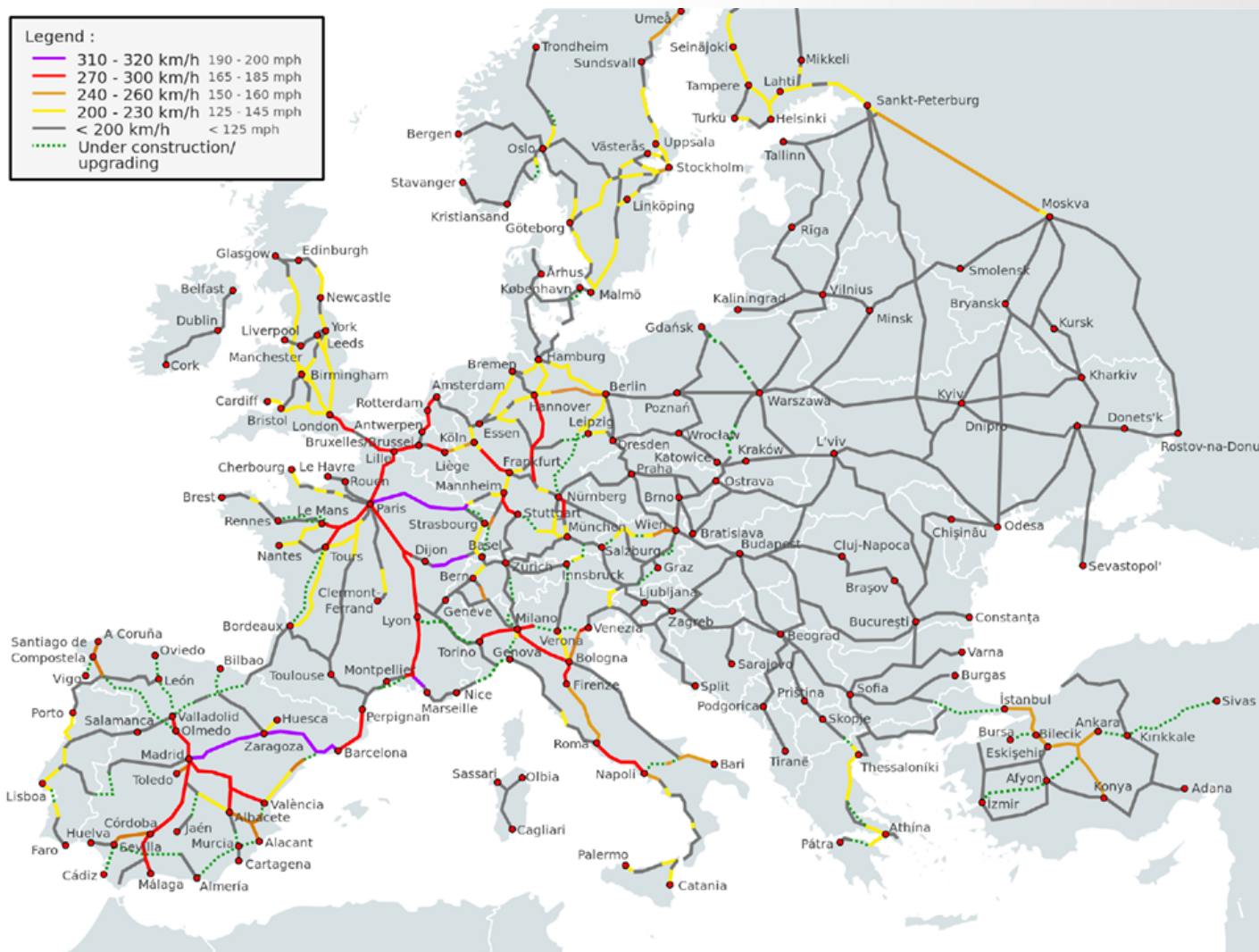
## Condition of the passenger car park



According to such indicators, the Railway Fleet Update has negative dynamics for the restoration of passenger cars in relation to the pace of their wear, which leads to deterioration of their technical condition and quality of services.

The average speed of trains in long-distance passenger traffic is 60-80 km / h, and in regional trains it is less than 60 km / h, which is lower than in most cases of road passenger transport. Compared to the European railways, speed of Ukrzaliznytsia's trains is lower on average 1.5-2.5 times.

The maximum speed of passenger trains in Ukraine is 160 km / h. Whereas for Europe's railways, this figure is 240-320 km / h.



Outdated and unsatisfactory technical condition of the passenger fleet of wagons leads to speed limitation, reduction of quality of rendered services and comfort, negatively affecting the safety of transportation.

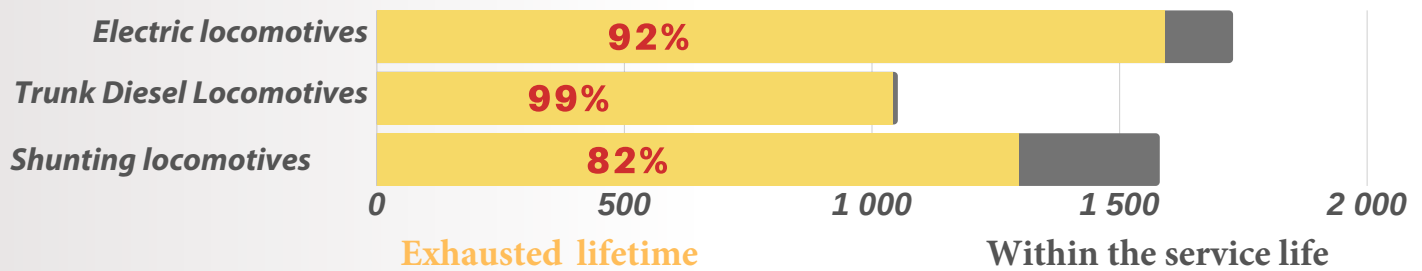
There is no effective strategy for modernizing the morally and physically obsolete rolling stock and improving the quality of transportation in the long run leads to a decrease in the popularity of rail passenger transport.

Revenues from passenger transportation in 2017-2019 is about UAH 9 billion. The least profitable are suburban trains – 700-800 mln. UAH per year.



## Locomotive thrust

The condition of the Locomotive Park and the fleet of diesel and electric trains is the most difficult. The majority of locomotives and railcar rolling stock have an average age of over 30 years. 26% of locomotives have an age of over 40 years and operated with a significant excess of the normative operation time (maximum term 25-30 years).



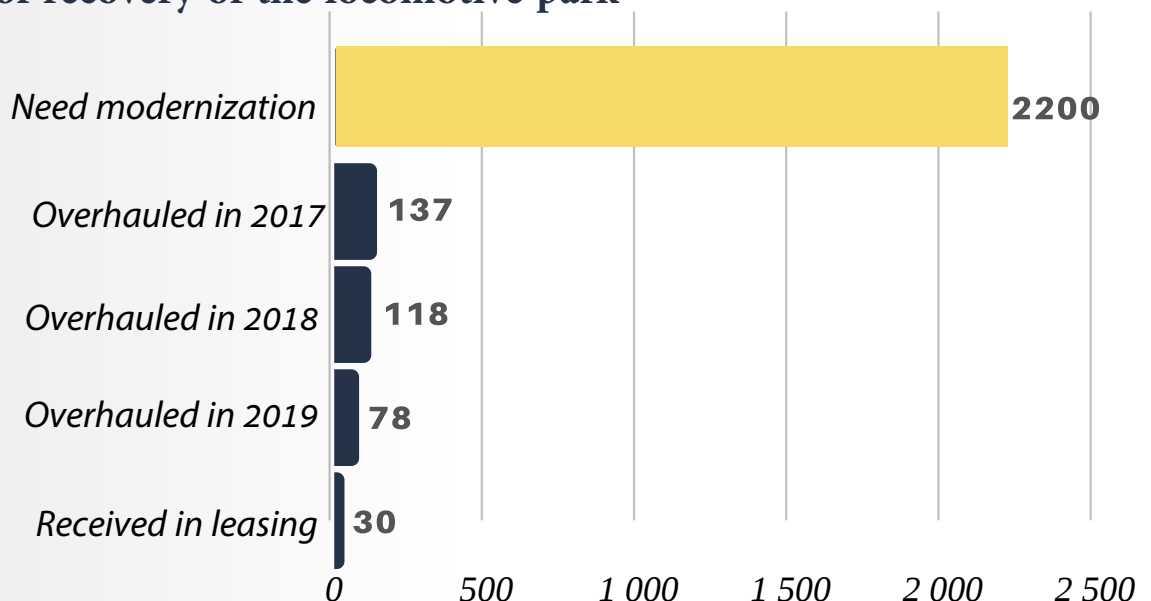
Only 4.5% of available locomotives in operation are within the optimal age range. 95.5% of locomotives require deep modernization or replacement over the next 5-10 years.

There are series of locomotives in the Ukrzaliznytsia operational park, technological solutions of which are outdated for 40-50 years. In particular, the last electric locomotive of the VL-8 series was built in 1967. However, such locomotives are still widely used on the railway (more than 400 units in the park of Ukrainian railway).

The need for large-scale capital investments in a short period of time leads to an overload of the expense part of the company's balance of costs and can lead to deterioration of financial stability and even technical default. At the same time, failure to take measures to update the Ukrainian Railways locomotive park can lead to a large-scale collapse and the inability of the railway to carry out the necessary volumes of transportation.

At the same time as the outdated fleet of locomotives, Ukrzaliznytsia has a significant technological backlog of repair bases that are not specialized in servicing modern locomotives. At the same time as the outdated fleet of locomotives, Ukrzaliznytsia has a significant technological backlog of repair bases that are not specialized in servicing modern locomotives. As an example, the experience of operating the DS-3 electric locomotives (2003-2008), most of which are out of service due to improper repair and maintenance.

## Condition of recovery of the locomotive park



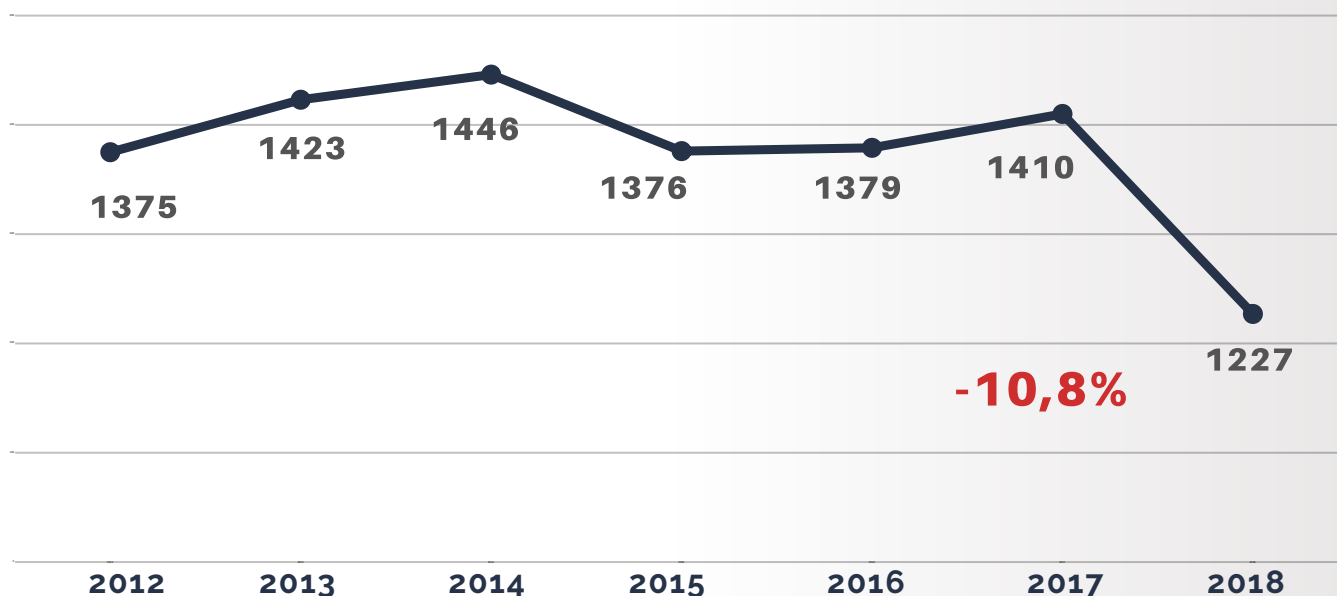


Available repair facilities are not able to provide timely repair and modernization of locomotives. The overhaul of diesel locomotives is currently being carried out by the only enterprise - PJSC "Dnepropetrovsk Diesel locomotive repair Plant", the volume of repairs is about 50 units per year. Repair of electric locomotives of DC and AC is carried out by PJSC "Lviv Locomotive Repair Plant" and PJSC "Zaporizhzhia Electric Repair Plant" (repair volume up to 100 units per year). Locomotive repair plants show a low level of volume and quality of major repairs.

High level of warranty requests after the overhaul, absence of modern technological solutions and replacement of the main components for modern analogues are unsatisfactory factors. The work of locomotive repair plants is mostly supportive rather than modernizing. Concluding a contract with General Electric on the supply of locomotives demonstrates positive dynamics, however, the planned production volumes do not allow to talk about the prospect of solving the problem of traction for 10-15 years.

Along with this, it remains unresolved issue of shunting locomotives, diesel and electric trains. The issue of updating the electric locomotive fleet is under study. Ukrainian Railways has no strategy to modernize its locomotive fleet. The use of modern power equipment and control systems following the example Railways of Poland, Hungary and Baltic States, which in the 2000s carried out the profound modernization of similar series of locomotives allowed to significantly reduce the cost of renewal of the park. The company is in dire need of a prudent strategy for recovery the locomotive park, with a term of implementation up to 15 years, using a comprehensive approach to upgrading and renovation, taking into account all risks.

**The average daily productivity of the locomotive, thousand tkm gross**



Reducing the level of technical condition of the locomotive leads to a decrease in productivity, increasing the volume of repairs and the downtime of the locomotive through a faulty technical condition. Despite the fact that the existing fleet of Ukrzaliznytsya locomotives is almost 2 times higher than the operational need, the real technical condition of the locomotives does not allow to qualitatively and timely perform the necessary transportation work.

## Corporate management

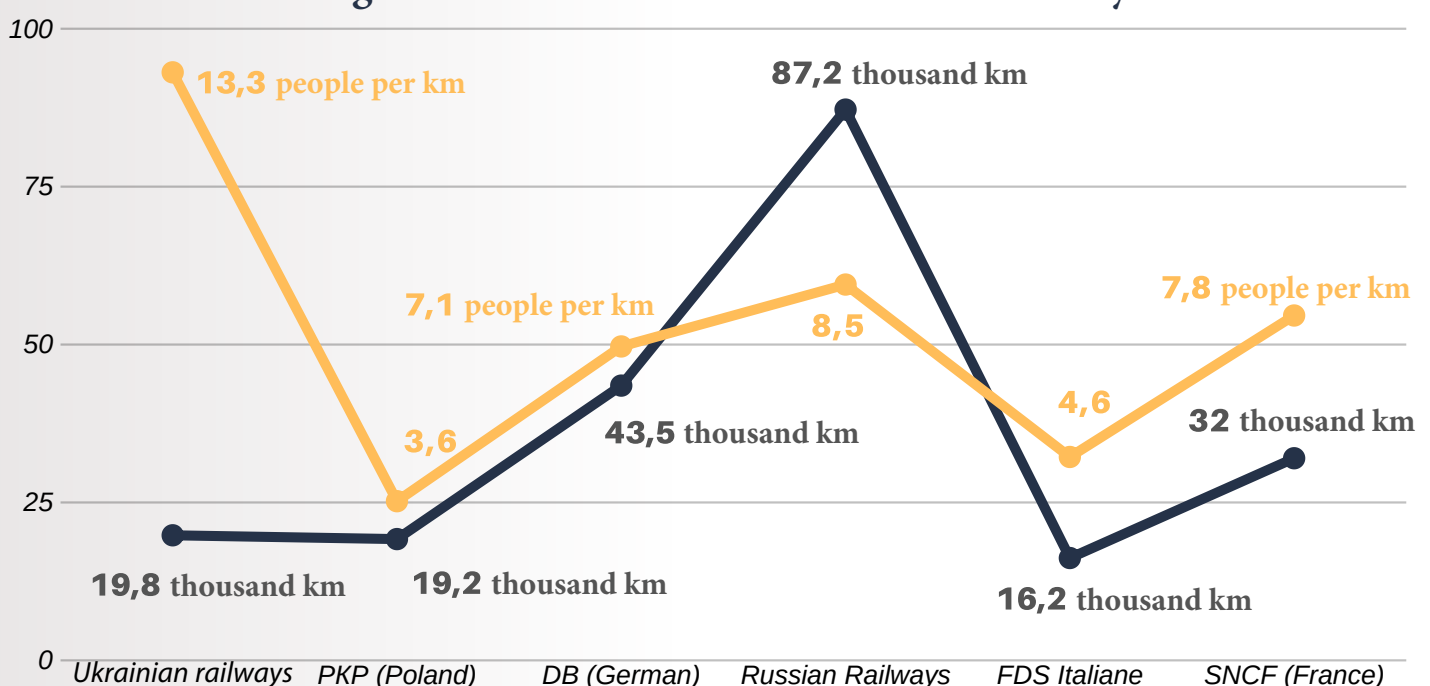
JSC Ukrainian Railways has a wide range of internal risks, which include a high level of corruption abuse, lack of transparency in the company's personnel system and high political dependence. Over the past 3 years, more than 100 criminal proceedings have been opened against corrupt crimes on the Ukrainian Railways. The total level of losses of the company according to open criminal cases is estimated at about UAH 3 billion. (\$ 107 million). The organization and execution of thefts of a particularly large size are incriminated to at least 20 companies top-managers, some of whom continue to carry out their duties.

The staff of the JSC "Ukrainian Railways" is about 260 thousand people. Of these, 99% are employees of the company's branches, between which the functions of transportation and service of the company are distributed. At the same time, the company retains the outdated principle of regional division of functions between affiliates, which there are six in the structure of the company. Most modern railways do not have a regional distribution, instead have a clear division by functions (cargo transportation, passenger transportation, locomotive services, etc.). The complexity of the "Ukrainian railways" structure leads to the non-operational and inefficient management of the company's production.

Average service area of one regional branch is 300-500 km. This leads to frequent changes of locomotives serving the train, increases downtime at intermediate stations and other negative consequences. At the same time, the geographical data of the country allow in most cases to conduct the organization of a flexible or elongated service shoulders from the place of forming a train to the destination point.

The existence of structures that duplicate functions of each other leads to overloading of the administrative-management segment of the company and overspending on the maintenance of the administrative personnel. In connection with the double distribution of the structure of the company according to functions and regional principle, low automation and high labor costs for obsolete technological processes, the number of railway workers per thousand kilometers tracks significantly exceeds the same indicator of other railways.

### Indicators of tracks length and number of worker on some railways

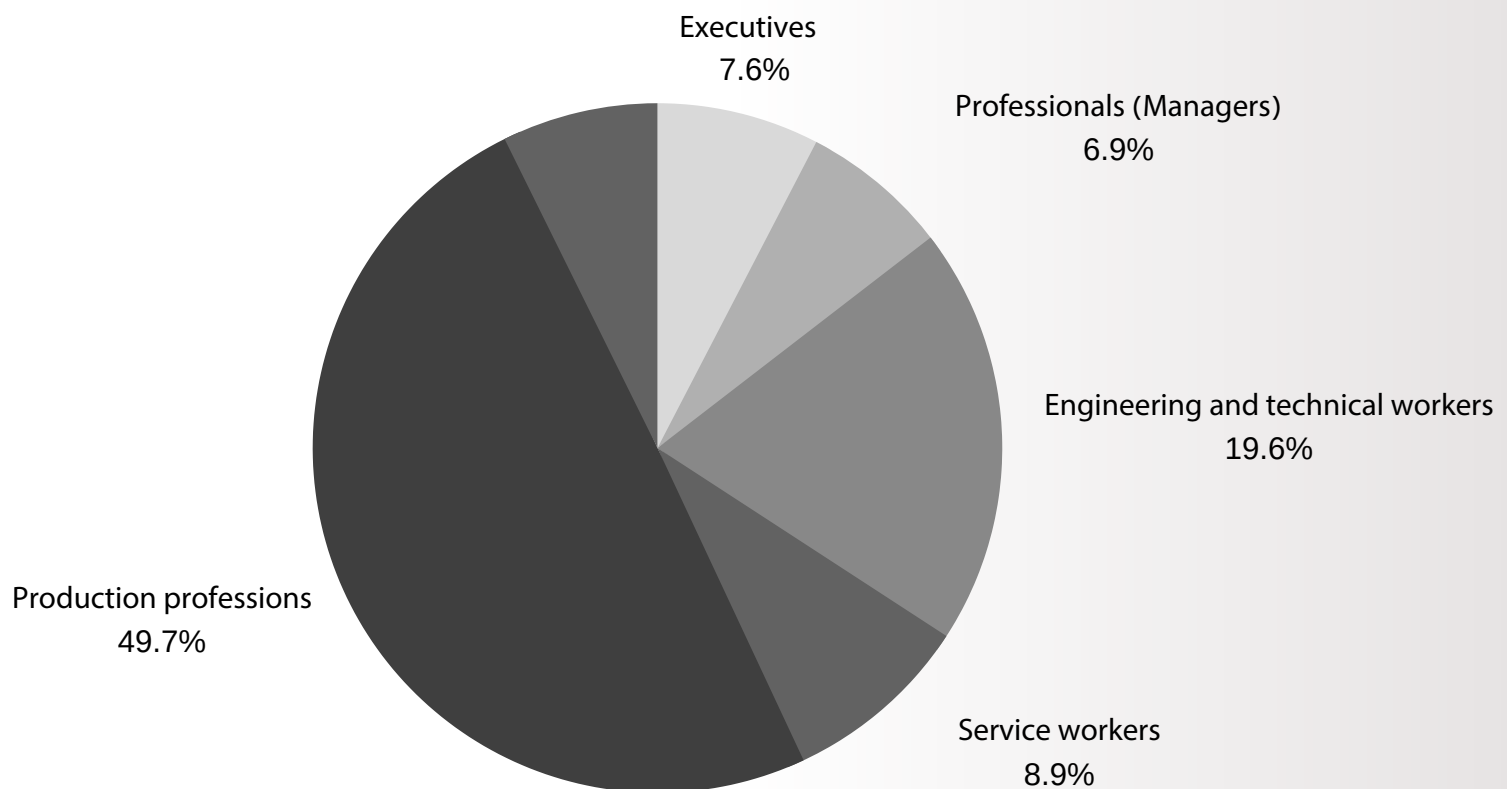


The total number of employees of the Ukrainian Railways exceeds that of the French Railways, despite the fact that the length of the SNCF service tracks is 1.6 times the length of the Ukrainian Railways. SNCF's profit is € 33.5 billion per year, which is 12 times higher than Ukrzaliznytsia's profit (€ 2.8 billion).

Of the total staff of 260 thousand, about 20,000 employees perform managerial and control functions, about 70 thousand are engineering workers and middle-level managers. Only 130 thousand (less than 50%)-employees connected directly to the production and services of JSC "Ukrainian Railways" (main production categories of professions). Such an organizational structure of the company indicates the overload of the administrative and management segment in relation to the main categories of employees, resulting from inefficient organization of the company, the presence of duplication and unclear separation of functions and tasks between different divisions.

The company's organagram implies duplication of functions and the lack of a clear distinction in ensuring fulfillment of the company's tasks between its structures.

### Staff structure of Ukrainian Railways

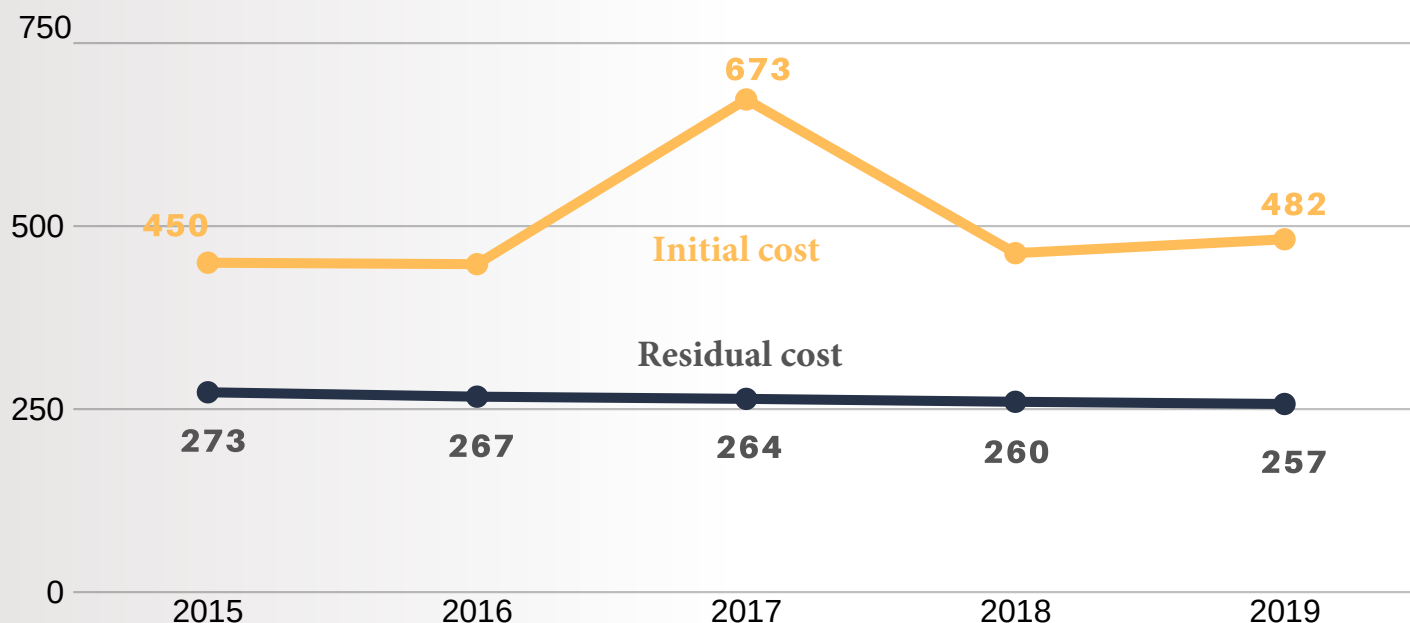


Along with the problems in the personnel system, Ukrzaliznytsia has strategic problems in managing its financial position and assets. The total depreciation of the company's assets is 60%. In addition, the railway has a negative balance of investment to the rate of deterioration, which leads to a gradual depreciation of the company's assets.

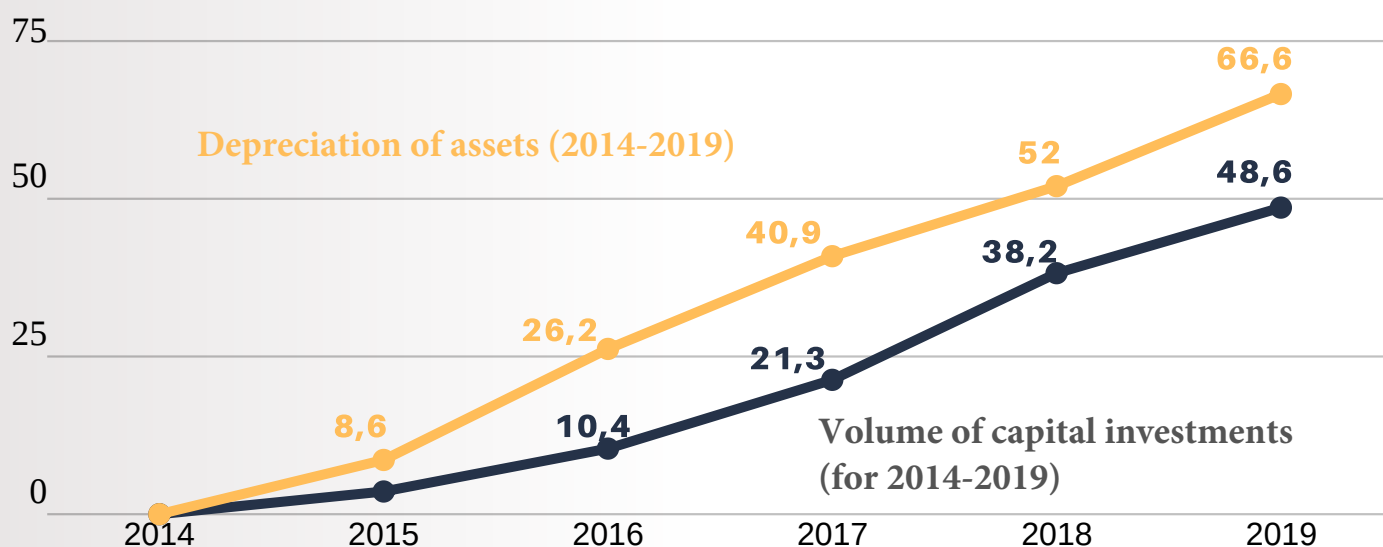
If these dynamics continue for 5-10 years, a critical asset depreciation period may occur, in which the further existence of the railroad will be directly connected with macro-financial support and, in fact, the company will not be able to maintain its technical and economic condition on its own.



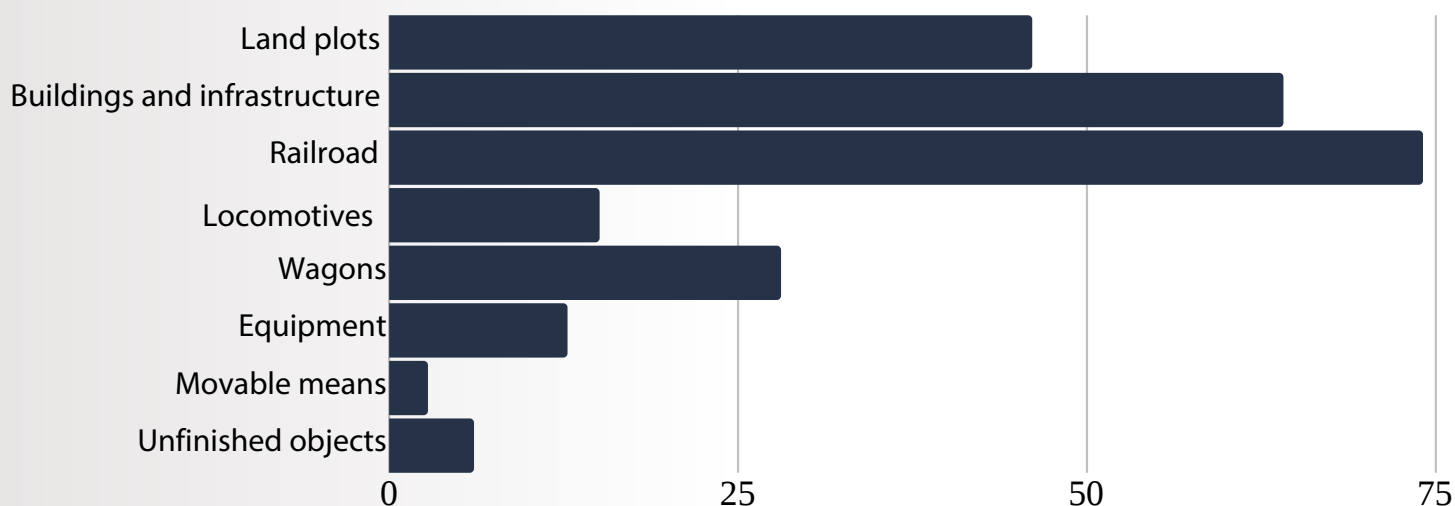
### Asset value of JSC "Ukrzaliznytsia", UAH billion



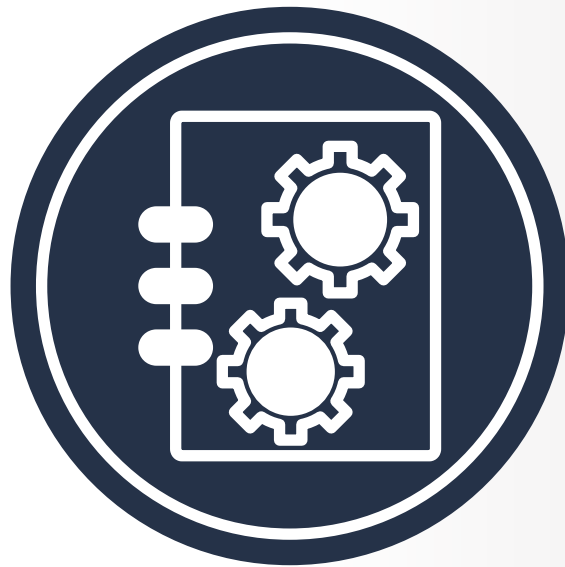
### Delay of capital investment rates from asset depreciation, UAH billion



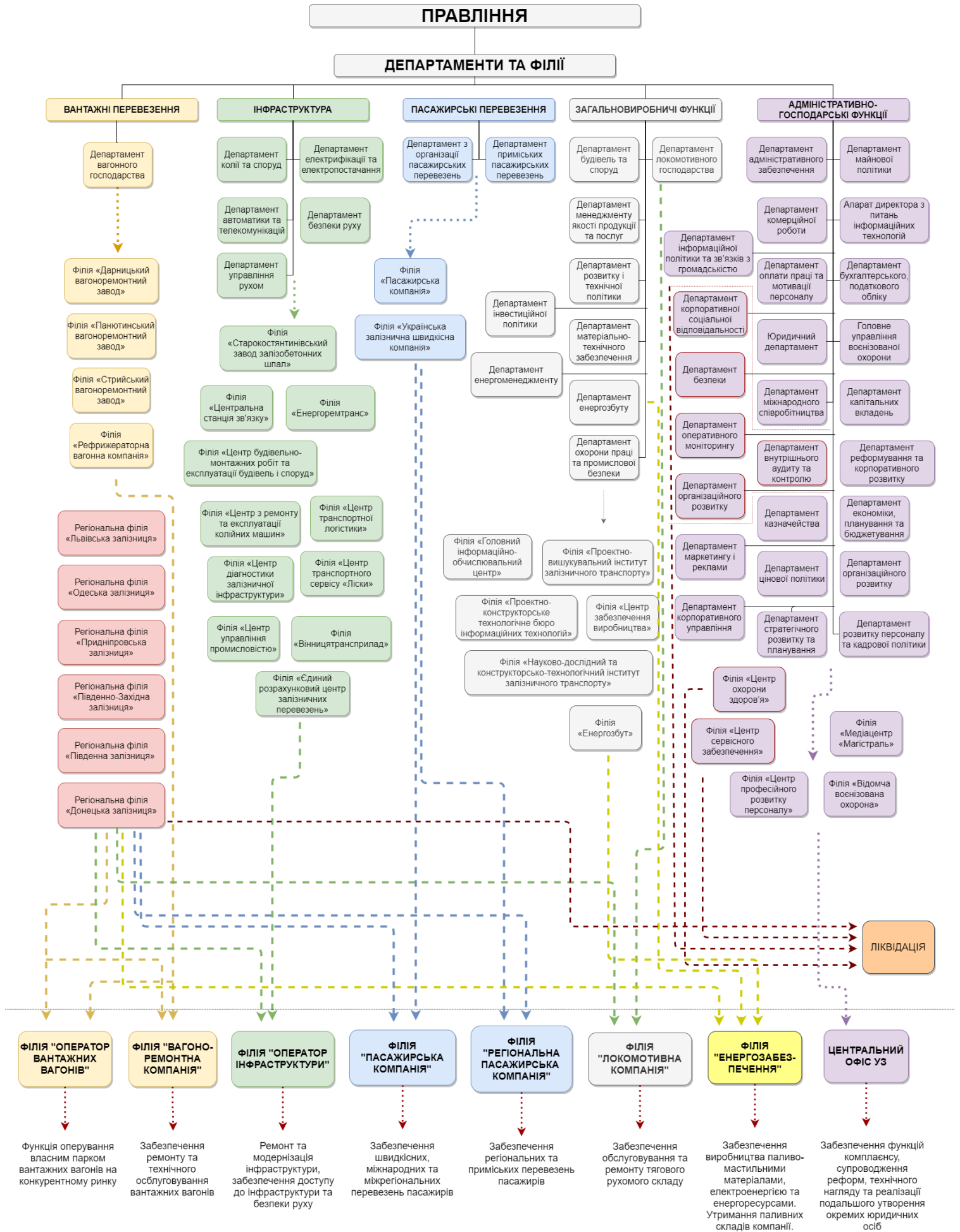
### Allocation of assets of Ukrzaliznytsia JSC, UAH billion



# STRATEGY OF CHANGE



# Transformation of Ukrainian Railways (Stage I)





## Changing company structure and management principles

In 2020, Ukrzaliznytsia needs decisive changes that will restart the company's management mechanisms and make it result-oriented.

Currently, the structure of the company consists of 33 branches and more than 40 departments and offices. The Organogram of UR is a combination of regional and functional principles, with partial duplication of functions and lack of a clear distinction between competences and responsibilities in the company structure.

The first stage of transformation, which should take 4-7 months, requires the creation of a new structure of the company according to the processes. The regional branches and profile departments should delegate their functions to the 7 branches and the Ukrzaliznytsia Central Office, which should provide the functions of compliance, support of reforms and technical supervision to the stage of formation of separate legal entities in the relevant areas.

Updated structure of the company "**Freight Wagon Operator**" will realize the functions of operating its own fleet of freight wagons. The primary tasks of the branch are:



- evaluation of the existing fleet of wagons;
- study the possibility of its renewal through the raw material of unsuitable fleet, (most components of freight cars, such as wheels, frames, auto-couplings, etc., can be used for re-production);
- operational management of the rolling stock and implementation of the plan for its updating.

According to the results of 2020, the branch «operator of freight wagons» should become an effective and competitive player in the freight railway market.

The "**Wagon Repairing Company**" branch will carry out the functions of construction and repair of freight wagons. Its structure will include 3 railcar repair plants and carriage repair depots, which now belong to regional branches.

The "**Infrastructure operator**" Branch has to aggregate in itself the railroad facilities of the regional branches and structural subdivisions, which are responsible for the construction and repair of tracks, artificial structures and other infrastructure. The priority tasks of the infrastructure operator are to provide a transparent model of access to infrastructure by market participants and an automated model of access to railway transportation services. Infrastructure access should reflect the balance of interests of all market participants and include the following features:



- booking a route for a train with a locomotive;
- informing on the presence of the generated trains for the locomotive;
- informing on the availability of free locomotives while waiting for the train;
- control of the readiness of the locomotive to enter the route (passing the check of the technical condition of the locomotives, according to the approved regulations);
- control of the train readiness (checking brake equipment and scheduled maintenance).

**The branch "Passenger Company"** has to aggregate the functions of providing high-speed passenger transportation and of long-distance traffic. The priority tasks of the branch will be providing transportation service, maintaining the wagons in the proper aesthetic and technical condition, setting up control and responsibility functions when applying for a passenger train. Creation of an effective model of involving passengers in quality control of the service and prompt response to cases of low service.

The "Passenger Company" should implement the concept of affordable, safe transportation for a reasonable price, develop more competitive high-speed traffic and create the conditions for reducing the travel time of trains on transportation routes.

**The «Regional Passenger Company»** branch should provide the most problematic sector of passenger rail transportation - suburban and regional transportation. The company should realize a balance of public and commercial interests, interaction with local authorities and state bodies. The allocation into a separate segment of the "Regional passenger Company" due to by the fact that this type of transportation provides first of all social needs and does not aim to obtain significant commercial benefits. This implies significant government subsidization and ensuring socially important routes of transportation without the purpose of making significant profits. Regional fares should be strictly regulated, and the conditions and the list of routes should be agreed upon with public authorities.

**Branch "Locomotive Company"** should ensure the functioning of the points of maintenance of locomotives, locomotive depots and, in the long run, repair plants. The need to distinguish the locomotive branch in a separate structure is that this branch should provide the needs of both freight and passenger transportation.

In the future, "Locomotive Company" should become a competitive and efficient operator in the market of providing cargo and passenger rail transportation.

**The «Energy Supply»** branch should replace the non-systematic and non-automated process of controlling the supply and use of fuel and energy resources, which is now relies on individual branches of the company. There are more than 50 fuel depots in the structure of JSC Ukrainian Railways. The total annual demand of the company in providing fuel-lubricant materials and electricity is over UAH 17 billion, which is the main component of all procurement of the railway. Currently, the processes of providing railways with electricity and fuel and lubricants have significant corruption factors, both at the stage of their purchase and during use.

The main challenges are non-transparent purchases of electricity and natural gas, the presence of systematic thefts of fuel at the company's fuel depots.

The «Energy Supply» branch should realize the function of transparent competitive purchases of energy carriers, full automation of accounting for fuel and lubricants and provision of infrastructure, locomotives, diesel and electric trains for fuel and energy resources.

Creating an effective corporate player that will realize the interests of the company in the fuel and energy markets will allow to carry out the procurement of resources, will provide the opportunity to enter international markets, will establish a clear vertical control and responsibility for accounting and use of fuel and energy resources.

## NEW PRINCIPLES OF COMPANY MANAGEMENT



### ***Freight transport in "one click"***

Providing the possibility of ordering freight services with minimal time and effort.

Creation of an electronic office of the consignor, for the possibility of forming the application for transportation, tracking the queues and payment services without additional contact with the company's employees.

This approach will make the process of ordering transportation convenient, understandable and eliminate corruption risks.

In order to increase the demand for rail transportation in the market, it is necessary to introduce a transparent and clear mechanism for processing the request of the shipper - an automated service system. It will provide an opportunity to process the application for transportation, calculate the cost of services and pay for services without risking the impact on the process of company officials. Receiving all the services in one electronic office of the consignor will significantly improve the quality of services and minimize corruption risks. The implementation of such a service will help to increase the accessibility and transparency of railway transportation services and help increase the demand from business.

### ***Railway for Passenger***



I The system of quality assessment of transportation by passenger.

II Rating and encouragement of conductors with best reviews.

III Creation of a transportation quality service that provides control of the sanitary and technical condition of passenger cars and the quality of work of conductors.

Creation of a system reviews about the quality of transportation will attract passengers in the process of effective control of the service. The system must be provided by voluntarily filling the information by the passenger who ordered the ticket through the online service after the trip.

The passenger must be able to assess the sanitary condition of the wagon and the quality of service provided by the conductor.

Controlling Service of quality of carriage should ensure the analysis of such information, rating and promotion of the best conductors and implement additional control measures concerning the state of trains having negative reviews.

JSC "Ukrainian Railways" remains one of the least developed railways in the field of passenger transport in Europe. Most trains run at an average speed of 60 km/h, making railroad passenger traffic less attractive compared to road transport that also have a more flexible schedule.

This leads to a gradual outflow of passengers to road and air transportation.

In order to strengthen the railway as a passenger carrier, a set of measures should be undertaken to update the principles of passenger transportation, following the example of European railways, which include three main types of trains: high-speed trains, Long-distance trains (night trains) and regional trains.





**Speed and high-speed traffic** are the most promising types of passenger transportation as the level of capital investment in the rolling stock is only 1.5-2 times higher than the investment in conventional or regional trains.

In this case, the speed of traffic provides 2-4 times higher turnover of such trains, higher occupancy, which allows to carry a proportionally more passengers. In addition, the cost of high-speed transportation is significantly higher compared to other modes of transportation due to the higher competitiveness of high-speed trains on the passenger transportation market.

Thus, high-speed trains allow to receive up to 5 times higher incomes on service routes and significantly reduce the need for rolling stock. On average, one high-speed train of 5-7 cars can replace 2-4 regular trains, consisting of 7-10 cars.

The main obstacles to the development of speed and high-speed traffic are the deterioration of the infrastructure and the low length of the tracks, which allow transportation at speeds over 120 km/h.

In addition, Ukrzaliznytsia does not have tracks, capable to provide transportation at speeds over 160 km/h, which is caused by the use of obsolete R-65 rails.

For the evolution of high-speed traffic is necessary to develop an investment program to modernize the infrastructure on key areas of the biggest demand of passengers in the short term and the purchase of new high-speed trains.

**Long distance trains (night trains)** have their advantages due to the fact that long distance travel is more convenient in the compartment wagons at night. Such transportation is able to make travel of 800 km or over more convenient. At the same time, such trains should be comfortable and the travel time should not exceed 10-15 hours.

Running long-haul trains in the daytime, as provided by the current schedules of the movement of Ukrzaliznytsia and the travel time of such trains over 15 hours leads to a decrease in the demand for such services. Therefore, the necessary measure is to increase the speed of long-distance trains by upgrading and upgrading rolling stock and infrastructure.

**Regional trains**, mostly perform a social function and connect remote regions or suburbs with large settlements.

Establishment of a regional company will allow to introduce mechanisms of co-financing of the state and the carrier for maximum improvement of the quality of services and functioning of an optimal model that meets the social needs of the population of the country. The formation of a separate regional company, following the example of European railways, will allow the separation of commercially viable passenger and social passenger services, which are subsidized.

The distribution of trains according to these three types will allow to organize the services of the railway and to realize the most optimal offers in the market of passenger transportation. This division will satisfy the basic needs of passengers: fast travel between regional centers (high-speed traffic), comfortable long-distance travel (night trains), convenient and timely travel within the region or from the suburbs to a large settlement without traffic jams and delays.

## ***Locomotive modernization Program***

Available fleet of locomotives has more than 15 series, most of which have worked their standard service life.



The presence of a large number of locomotive series increases the costs of maintenance of the repair base and makes an ineffective maintenance system.

In the future, the railway should focus on 5-7 series of locomotives, which should provide all the functional tasks of railway transportation. Procurement of new dual-power and main diesel locomotives is an important step in this direction, but the large scale of investment needs does not expect a complete solution to the problem in the short term.

In addition, so far, the problem of shunting locomotives is not taken into account, the operational fleet of which has more than 1000 units.

In order to solve the problem of providing traction in the short term, Ukrzaliznytsia has to provide parallel updating of the park with new main series of locomotives and to modernize the existing operational park to a modern technical level.

According to the experience of other countries of Central Europe and the Baltic States, the modernization of 2TE116 and CHME3, electric locomotives VL11, VL80, VL82 has its own prospects. At the same time, modernization should include replacement of the main traction equipment, control and operation systems with modern counterparts that are more efficient, economical and have lower operating costs. It is important to study the issue of modernization and improvement of the technical characteristics of CHME3 locomotives to the level of possibility of providing transportation of low-tonnage trains (1000-2500 tons).

In the conditions of decreasing the intensity of transportation, in order to ensure mobility and efficiency of transportation, Ukrzaliznytsia should consider including the provision of transportation of low-tonnage trains on low-traffic sections. As most series of locomotives are designed for efficient transportation of trains weighing 4500-5500 tons, which corresponds to the previous rates and volumes of transportation, it is advisable to study the possibility of using upgraded diesel locomotives of less power (up to 1500 kW), with less operating costs.



### ***Compliance system reform***

For Ukrzaliznytsia, one of the key tasks on the way to reforming the company is to build a high-quality system for counteracting internal risks and corruptive factors.

At the moment, these functions rely on the Department of Security and the Department of Internal Audit, which have an extremely negative reputation associated with numerous corrupt scandals.

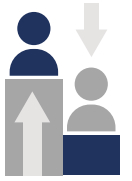
To ensure the reform of the internal risks control system, JSC "Ukrainian railways" should eliminate these departments and establish a single compliance office, created on the principles of clear rating selection of candidates with high reputation.

The Ukrainian Railways strategy envisages establishment of the compliance office in 2020, but the document does not specify the procedure for its formation, the scope of competence and responsibility.

Creating a compliance office without a transparent open competition, by direct selection from the management of the company (as in the formation of company departments), will lead to a potential dependence of this body from the company's management and facilitate the installation of informal ties that harm the interests of the company.

The establishment of a Compliance Body and the subsequent functioning of the Internal Audit and Security Departments will differentiate the functions and competencies of the various bodies that actually have a single function and some of which have a negative reputation.

Therefore, the key factors in combating corruption and internal risks are the elimination of inefficient structures that exist in the company and the creation of a qualitatively new structure built on open and public principles, that will be independent of the company's governing bodies.



### ***Personnel policy reform Program***

Ukrzaliznytsia's personnel system is oversaturated due to the company's ineffective model. Transformation of the structure of the company will reduce the need for administrative apparatus, reduce the distance between the management of the company and employees involved in the production of services, reducing the non-core structures.

The estimated reduction of the railway staff can be more than 20%, which will significantly increase the wages of the workers of the basic production professions, contribute to increased professionalisation and increase the status of the railroad profession.

To improve the professionalism and elimination of corruption risks in the administrative staff it is necessary to carry out the system reform, select and evaluate the work of officials of the management unit of JSC Ukrainian Railways. To introduce an openness of information on candidates for the position and principles of their selection, using the rating principles of independent evaluation.

It is necessary to ensure the disclosure of information about staff management, their compliance with the qualification and reputation criteria of the position. Implement modern systems of performance estimation and achievement of results of management officials (directors, their deputies, heads of offices, departments). Holding open competitions with clear principles of evaluating candidates will help to improve the competence and reputation of management of the company and will increase the confidence of investors and consumers of services.





### *From the authors:*

Ukrzaliznytsia is in a difficult state. Most of its systems have run out of resources, technology is outdated, and every year of procrastination only complicates the situation.

Provided effective change is implemented, Ukrzaliznytsia can become a "pill" capable of curing the economy of the entire country. Improvement of logistics, access to service and efficiency of transportation will help to accelerate economic growth, attract new investments of Western business, which is deterred by the complexity and inefficiency of Ukrainian infrastructure.

One of the major challenges for the coming years for Ukrzaliznytsia may be the outflow of professional staff. In the case of increased efficiency of management and reduction of repetition of functions, the savings fund of remuneration will allow to increase considerably the level of attractiveness of profession of the railwayman.

Introducing a clear separation of functions and responsibilities within the company structure will help to increase controllability and improve the efficiency of functions.

The main condition for successful changes is the speed and inevitability of the reform process!

### **our partners:**

