

# **Boosting Business Opportunities by Understanding the Russian Railway Freight Market's Peculiarities**

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## **Abstract**

This research aims to understand the main market peculiarities of the Russian railway freight market. Furthermore, paper examines the possibilities to boost business opportunities between European countries and Russia. Literature analysis combined with experimental data gathered by interviewing representatives from Russian railway freight market provides novel data. Research findings strengthen former knowledge and fortifies the Russian railway freight market has many national characteristics. As the main traits was noted importance of personal relations, close linkage with politics and country's size. Although market has many operators, undertakings are mainly leasing companies providing rolling stock for their customers. The traction is mainly provided by the Russian Railways, RZD. Research findings reveal that the best way to enter this especial market is to acquire an existing railway freight operator. Interestingly, some congruencies between European Union member countries and Russia were unfolded. To follow development in the market, and in order to make more general conclusions, study should be repeated within few years' time. Furthermore, the development could be verified by including old Soviet Union countries. Research provides valuable data for business world as well as academia by disclosing operators' perspective.

**Keywords:** railway freight transport, railway operator, Russia

## **1. Introduction**

During the last decades, the railway freight market has confronted various modifications. Although transport market and railways have been scrutinized during centuries, recently deregulation processes have grabbed researchers' interest world widely [see for example 12, 14, 18, 22, 37, 42]. According to paper [24], already decades ago economists realized the effeteness in the traditional mode of government regulation, and therefore commenced to seek ways to replace regulated monopoly with competition. However, all nations have not interfaced with this trend, but still have completely or partly regulated railway freight market. One of these countries is Russia, which has a long tradition in railway industry. The first railway was introduced in 1700s, and the first steam locomotives were built in 1833-1835 [9]. Since, the market has expanded to enormous dimensions. Today the Russian Railways Company (Rossiiskie Zheleznnye Dorogi, RZD) employs 1.2 million people and owns and operates 85 500 track kilometres, covering all Russia's 11 time zones. [31]

Russia is the world's largest country with 17,098,242 square kilometres (which is approximately 1.8 times the size of the United States). Country has a wide range of natural resources, including natural gas, coal, timber and many strategic minerals; in addition, Russia is the world's second biggest oil producer after Saudi-Arabia. After the financial crisis in 1998, country's economy had ten straight years of growth with average seven percent annually; year 2008 ended with GDP

growth 5.6 percent. Over the last six years the fixed capital investment growth has averaged above 10 percent. [4]

Researched country has the second longest railway network in the world, after the United States [4]. Although country has total 933 000 km of roads, aside the Trans-Siberian railway the east-west land transport is underdeveloped [4, 17]. When comparing the ratio of length of railway and road network, the percentage in Russia is 9.3 percent while two other large nations, China and the United States are lacking behind (US 3.5 percent and China 2.2 percent) [4]. According to Logistics Performance Index [40], Russia is lacking behind in overall figures: Russia's result is 2.61 (94. place), whereas China ranks 3.49 (27. place) and the United States 3.86 (15. place). However, when total figures are fragmented, railways in Russia are noted to have high level in infrastructure. According to the Global Competitiveness Report [43], it is the only factor having competitive advantage: railway infrastructure is ranked 33., whereas road is 118. and port 87.

Railway offers the shortest transport route from Asia to Europe: by using Trans-Siberian Railway, the distance from Japan to Helsinki decreases by an impressive 58 percent [10]. In order to strengthen the railways share, RZD introduced in October 2007 a national strategy for long-term railway development. The strategy continues till year 2030; one of the main intentions is to construct 20 700 km new line and upgrade 13 800 km for heavy axle loads [19, 29]. Furthermore, the mainstream development objectives for Russian railway market are fulfilling the needs of niche markets by utilizing high technology innovations and manufacture specialized wagons. In addition, rolling stocks' cost parameters need to be upgraded. Therefore, one of the main targets is to design and manufacture diesel locomotives with improved economic and environmental safety parameters. [1]

However, the crisis has not saved Russia. When comparing the first half years of 2008 and 2009, monthly loading fell 25-30 percent. The largest declines were noted in overland border points; for example, exports through the Russian-Finnish border decreased total 46.1 percent; wood cargoes 69.2 percent, building materials 60.6 percent and fertilizers 71.1 percent. [23] Although the crisis hit also Russia, country's authorities have offered numerous ways to soften the crisis. The forecasts for the basic macroeconomic indicators of Russia suggest country has prospects to survive from crisis with minimal macroeconomic shocks, which might ease the rise from the crisis. However, it must be kept in mind the positive forecast is very unstable, and the fluctuations of the exogenous parameters which enables positive situation indicates to be remarkably narrow. [5, 23]

Although Russian market is often noted as old-traditional, during the last decade the country has confronted significant changes. Internationalization has entered the market, including railway industry. The initial public offering of Globaltrans, country's second biggest freight operator, took place in spring 2008. It was a success and company is listed on the London Stock Exchange [8, 36].

All these factors strengthen Russia's position as one of the economic superpowers in the world. Therefore, Russia has a lot to offer also for international companies. Due to Russia's significant natural resources, the amount of freight export is expected to grow in the future [33]. As railway is the main transport mode of resource, it provides business opportunities for international companies [4]. As the attitude towards foreign companies becomes positive, possibilities to enter

the market increase. According to Lukov [19], RZD's main intention is to attract freight to the railway. Therefore, RZD does not fear competition. On the contrary, strengthening the railway network ensures significant improvement in transport provision in many regions. [29]

It has been noted Russian railway market is not widely studied in English literature. According to studies, a lot of information is available in Russian. Therefore, there exists a lack of English data concerning the world's largest country's main transport mode, railway. As Russian railway market is living the era of transformation, future might provide interesting business opportunities for international companies. Although market's 2000 operators are mainly small companies leasing and owning dozen wagons, some international operators are doing rather well. Especially Finnish companies have entered the market decades ago, understandably due to close cooperation between Finland and Russia. Therefore, examples of international companies operating in the engrossing market do exist. However, Russia is different from Europe, which might locate problems for new-comers. Therefore, understanding the Russian market is a key to success.

This paper tries to tackle the gap. The objective of the study was to examine the special characteristics of Russian railway freight market and provide further information for academia as well as international railway freight market concerning this absorbing country. The study familiarized with the secondary data and brought it to empirical level by investigating experts' opinions holding various positions in railway industry. The main purpose was to clarify the Russian railway freight market's national peculiarities and evaluate the market operators' viewpoints. The intention was also to define how to augment business opportunities in railway freight market in Eurasia.

By developing the study's main objective, research questions were developed. The main research question was followed by sub-questions, providing the required data to support the research purposes. Therefore, the main research question of this study is: What are the main market peculiarities in Russian railway freight market? Furthermore, two sub-questions were developed: How to boost business opportunities in railway freight industry? And particularly: How to enhance European railway freight companies' business opportunities in Russia? We were especially interested to gather genuine data by interviewing various actors in the railway market.

This paper is structured as follows: In Section 2 we review the Russian railway freight market and adduce the divergence noted in the literature. In the following Section 3 research methodology is being introduced; in order to gather genuine data, various actors in connection with railway market were interviewed. Empirical part in Section 4 reports research findings and describes the market situation from the various actors' point of view. The findings are discussed in Section 5, where Russian railway freight market is seen to have several national peculiarities. Section 6 concludes our work, and suggests areas for further research in the topic area.

## **2. Literature Review**

According to Haywood [9], Nicholas I led Russia to Railway age. The beginning of railway era started in 1700s, when the first tramway was built by and for the mining industry. However, the first steam railway locomotives were made by E.A. Cherepanov and his son M.E. Cherepanov in 1833-1835. Outside the mining and metallurgical industries, the first railway was built to connect St. Petersburg and Tsarskoye Selo. [7, 9] Already in 1917 railway was politically and economically the most important industry in Russia. Railway was the lifeline of Russian army,

sometimes the only transport possibility between the cities and the backbone of delivering raw materials and industrial goods. [30]

However, during the last decades the Russian railway market has confronted significant structural changes (see for example paper [3]). In 2001, the Ministry of Railways launched comprehensive three-stage Railway Structural Reform Programme, which was developed in cooperation with the government and published on May 18, 2001 as Decree No. 384 [31]. The first stage (2001-2002) of the reform divided railway market into governmental and operational functions. Ministry of Railways was transformed to the Federal Railway Transport Agency, and the operational functions were transferred to the Russian Railways Company (Rossiiskie Zheleznnye Dorogi, RZD). The main phases in the second stage (2003-2005) included establishment of multiple subsidiaries and phasing out cross-subsidies from freight operations to passenger services [24, 31]. An integral part of Russia's railway reform process was to separate freight and passenger operations. However, it has been problematic to achieve, due to high degree of subsidizing; high freight rates and profits have supported the loss-making passenger services. [2, 26]

Phase three's (2006-2010 and beyond) main objective was to increase competition [24, 31]. Government's intention is to do this by partially privatizing the Russian Railways. However, sometimes the activities are separated from the infrastructure operation only in organizational sense; single parent company still owns the companies. Encouraging competition in such a situation requires the infrastructure owner to allow entry of third party operators, under the conditions regulated by the government. In such a situation, infrastructure firm might discriminate the new-comers. This is often noted in transition and developing economies, due to the fact regulatory bodies may lack resources and enforcement power to prevent such an occasion to happen. Such a situation is customary in economies like Russia, where principles of conforming to law are emergent and tenuous. In that case, vertical integration is seen as a proper solution; transactions are rather done within-firm than between-firm. [24] Russia has utilized within-firm model. The reform started in late 2007 when First Freight Company (FFC) was established. Second step will be taken in 2010, when Second Freight Company (SFC) will be formed. According to recent information, RZD will sign 217 000 wagons to SFC. When the volume of private rolling stock is added, the entire park of SFC is predicted to reach 265 000 – 283 000 wagons in the next few years. In the future, the volume of FFC's park is estimated to be 266 000 wagons. [20, 35, 41] Russia is often seen to have influences from various deregulation trends. In the United States, deregulation was vertically integrated, stating operators owned also infrastructure [11]. Situation is totally different in Europe; according to legislative demands of the European Union, infrastructure is separated from operating bodies, wherefore infrastructure is handled by an own organization [15]. Japan can be placed between earlier examples: infrastructure and freight operations are separated, whereas passenger transport utilizes vertical integration [39]. Although traction is still under monopoly in Russia, private companies are able to offer wagon leasing services. Numerous companies have entered the Russian railway freight market; today, there are around 2000 private operators [8, 20, 28]. According to RZD, the major companies are not intended to hinder the competitors' actions; RZD hopes this encourages the private operators to consolidate. As a result of competition, customers are expected to get increased flexibility and improved service quality. [28]

This is also noted in locomotive market. Earlier RZD purchased locomotives on the basis of capital cost; in future, life-cycle costs will be taken into account. This should improve quality and

reliability [19]. However, as RZD still has the monopoly in traction market, big changes are needed [24, 31]. Today RZD has 11 100 locomotives, which are designed for freight transport. Before the recession, forecasts for years 2007-2015 estimated 16 percent increase in freight traffic. This could not be handled, due to insufficient rolling stock fleet. Therefore, RZD's one of the main priorities is to renew the locomotive fleet. According to the Strategy for Railway Development, RZD needs 23 400 locomotives by 2030; this means 258.1 billion roubles investments during 2010-2030. Therefore, the government hopes the private operators start to acquire rolling stock [8, 19, 31]. Although RZD basically has monopoly in Russian traction market, few operators have own locomotives. Globaltrans, the second biggest operator, owns 18 locomotives, which are used to operate services down to 500 km in areas, which do not interfere with RZD. However, longer distances are hauled by RZD. Furthermore, the own locomotives are utilized while training Globaltrans' crew. Company intends to be ready for rapid expansion when the traction market is liberalized. However, the size of Russia creates problems for possible locomotive operators. Locomotives might end up thousands of kilometres from home, which produce problems for small operators who lack depots or freight orders around the country. Therefore, owning locomotives requires stable routes and clientele. Particularly, reducing the empty runs is one of the main questions. [8]

Recent studies have revealed that although countries have common characteristics (see for example papers [15, 18, 21, 22]), national peculiarities do exist. The United Kingdom's liberalization process was described as short-term failure: railway infrastructure company Railtrack failed to operate the market efficiently, which led to serious problems [10, 37]. In Sweden several railway operators entered the market via short lines, which were discharged by the incumbent due to their unprofitable nature. However, by doing some changes new operators were able to make lines profitable. [14, 15] In Poland the incumbent did not sell old rolling stock to new-entrants, wherefore new operators had to acquire wagons and locomotives from countries like Romania, Czech Republic and Morocco [15]. In Hungary, the old incumbents are collaborating against new entrants [38]. However, it must be noted that due to European Union's intention to harmonize the member countries' markets, some minor peculiarities might become invisible [25]. Partly due to unified factors, railway operators are increasing the degree of cross-border cooperation [15, 38].

Alike in European Union, internationalization is noted also in Russia. Recently Russian operators have signed agreements with foreign companies to start international cooperation. The latest news comes from Germany-Russia and Finland-Russia. German operator DB Schenker BTT and Russian TransContainer signed a set of agreements on cooperation in organizing container transport between Europe and Russia. The parties agreed to set up a container depot in Riga, Latvia. The main objective is to improve the efficiency of container freight traffic from Europe to Russia and vice versa. [33] Furthermore, Finnish national railway operator VR and Russian Freight One Company have established a company called Freight One Scandinavia, which main intention is to replenish Finnish-Russian railway freight supply and offer more versatile transport prospects [16]. The main reason behind several joint agreements with international operators is the future's changes in Russian railway market: According to various sources, in few years time RZD owns only a small volume of wagons; main number of wagons are transferred to possession of new railway operators. One of such companies is Second Freight Company, which is expected to enter the Russian railway market during year 2010. [16, 35]

One of the peculiarities of Russian railway freight market is the tariff system. Because the Russian Railways is responsible for almost all tractions, a special tariff system was invented. The Russian government adopted resolution on the regulation and control of tariffs, charges and fees on railway market. This forms the framework for the entire system of tariff regulation. [34] According to RZD Tariff Policy [32], the main objective is to create competition in the railway market and ensure non-discriminative access of freight operators to railway services. Tariff consists of three components which weighting remains roughly stable: 55 percent covers infrastructure charges, 30 percent is traction and 15 percent rolling stock. Therefore, a railway operator who has own rolling stock fleet pays 85 percent of the tariff. [32] However, changes are expected. According to Stupachenko [34], among the innovations is the new six component structure of the tariff. This would mean that terminal, transportation and railway station components would be added to already existing wagon, traction and infrastructure components. Second interesting issue is the new marginal pricing. Such a system would allow regulatory body to reduce the rates and therefore respond flexibly to the variable market. However, it must be noted according to [34], this could be only applied to the segments where exist competition. The third significant change would offer a possibility to establish exclusive rates. [34]

Although crisis has hit Russia which naturally affects also on railway freight market, railway transport reform has had an impact [5]. Labour productivity has increased by 44 percent and speed of train services has in turn have shown 3 percent increase and export has arisen by 40 percent [27]. Furthermore, working cost of transportation was reduced by 14 percent. In future, RZD hopes to see Russia as a transcontinental land bridge. After all the reforms, RZD is looking forward to near-trebling of transit traffic, 23 percent increase in the average speed of freight trains and 3.5 times faster container services. The main intention is to lower transportation costs for manufacturers by increasing speed and reliability: this improves Russian products' cost-effectiveness and increases the competitiveness. [29]

### **3. Research Methodology**

In order to gain a more thorough understanding of this engrossing railway freight market, semi-structured theme interview was chosen as an interview type. Because a deep comprehension in this scarcely studied area was needed, qualitative research method was selected. In accordance with Eisenhardt [6], qualitative case analysis is a recommend way to gather information when researching novel topics. Furthermore, qualitative study's main objective is to understand the research subject, which was the main intention in this paper [13]. Due to lack of earlier first-hand data in the field of study, by interviewing experts operating in various fields in the market a versatile, genuine data was gathered. The target was to compare the gathered information with earlier second hand data, and explore whether the primary data confirms the results. Furthermore, by interviewing experts we were able to discuss about topics, which are not earlier committed to paper in English, for example relationships with the Russian Railways.

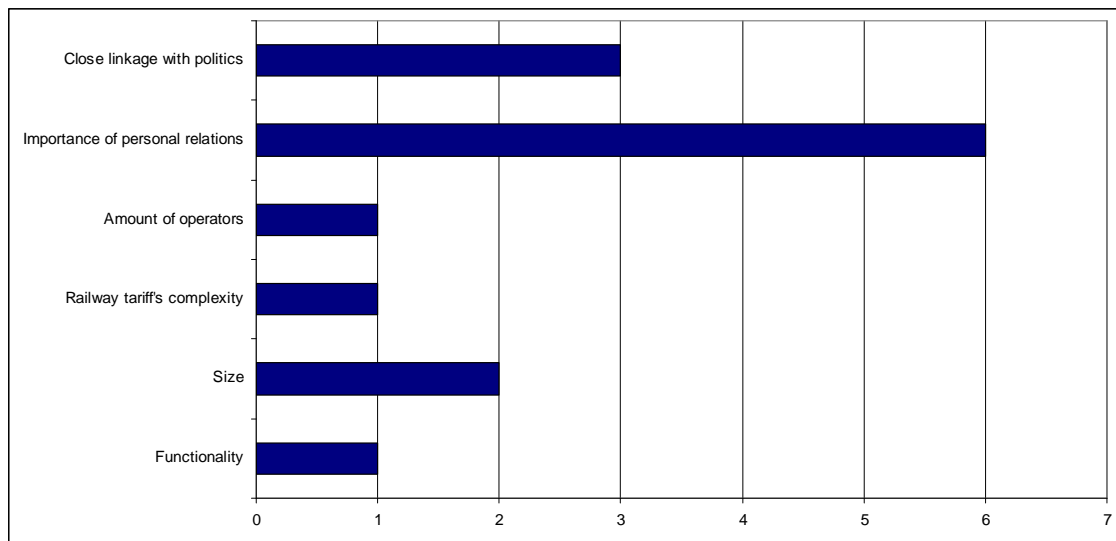
Due to extensive size of the chosen market, a diverse interviewee base was chosen. Because the main intention was to understand and evaluate the main national peculiarities in Russian railway freight market, in order to gather a versatile and veracious data, few Finnish companies operating and or doing business in Russia were included. Because the amount of operators in the Russian railway freight market is rather large (more than 2000 companies), a contact letter was sent via e-mail to the companies which were noted as the main actors. Basically, this meant around 20 companies. Contact letter presented the research and explained the backgrounds. Afterwards,

companies were contacted via phone calls. Once the interview time was agreed, the questionnaire was sent in order to give some time to prepare for the interview. All interviews were recorded and transcribed, where after summaries were sent to interviewees for revision. This ascertained the research reliability and eliminated the possibility for human errors, mainly misunderstandings. After all interviewees were met, results were gathered by confirming the anonymity. Available data was carefully evaluated. Few companies gave additional information via e-mail, which enabled us to gather data concerning the main research themes from all respondents. Altogether were met nine persons from seven different companies or organizations. Among the participants were representatives from Railway University, Finnish and Russian national operators, one big scale operator, two smaller wagon leasing companies and a representative from one of the largest customer base, forest industry.

#### **4. Empirical Research Results**

The era of structural changes in Russian railway freight market started in 2001, when the Railway Structural Reform Programme was launched. While railway market was divided into governmental and operational functions, RZD was established. Although RZD has a monopoly position in traction, companies transporting own cargo as well as operators leasing wagons, entered the market. Today, there are more than 2000 operators, who have mainly entered the market during the last two years. These operators can be divided into four main groups, based on the number of wagons. The first group includes governmentally owned operators, which own more than 100 000 wagons. Second group consists of operators who are significant players and own more than 10 000 wagons. The third group includes operators owning 1000-4000 wagons. In the last group belong operators with few dozen wagons.

According to this research, the main market entry barriers are rolling stock and needed capital. Needed capital refers both to financial and knowhow capital. Other market entry barriers vary on a company basis. Although establishing a company is rather easy, confronted problems and barriers depend on the intended company's size: whether the intention is to own dozen or hundreds of wagons, different problems occur. Although bureaucracy was not mentioned, the amount of red tape situations was noted to complicate the industry.



**Figure 1.** Russian railway freight market's peculiarities

According to this research, although Russian railway freight market's international share is increasing annually, country still has many peculiarities (see Figure 1). As the main peculiarity emerged the importance of personal relations. According to all interviewees, close relationships ensure smooth functions in the market. This concerns all functionalities: needed documents, rolling stock repair and arrangement of traction. Good relations are gained via decade's cooperation and personal connections to old colleagues. Another theme which unfolded several times is the railway freight market's linkage with politics. As many of the interviewees stated: *Railway market is "country in country" or "state in state"*. This is due to market's size and RZD's importance. Size was also mentioned few times as a peculiarity. Other themes were mentioned individually. Functionality reflects the market's operations: although temperature is -50°C degrees, railway network is operating. Large amount of operators and railway tariff's complexity were also noted as national peculiarities.

Undoubtedly one of the main peculiarities is the railway tariff system. Basically, interviewees had two different opinions concerning the system: Either they thought it is really good and well functioning backbone of the railway market, or they thought some other ways to price the market would be more suitable. The tariff system was often compared with the European, mainly Finnish way. According to several respondents, Russian way is better because tariff is transparent and all parties involved have all needed information how the rates are calculated. The Finnish way was noted deficient, due to companies' obligation to maintain secrecy. In such a system rates are unknown, which might create tension between the actors. However, the situation was also seen vice versa: Russian way was noted inflexible, due to the fact if operators do not accept the tariff rate, there is room for negotiations only in few, exceptional cases. The Finnish way was noted flexible: If offer is rejected, a new offer is presented soon.

According to this research, the Russian clients are really demanding. Therefore, some companies utilize customer service as competitive weapon. Clientele has become more price-conscious during the last years, they are still ready to invest in good and accurate service. This reflects the operators' personnel: according to this research, employees often have academic degree from

railway universities, and have decades working experience. Hereby operators ascertain the high level of both tacit and explicit knowledge.

All participants noted both intermodal and intramodal competition occur in Russia. Road transport is regarded as the main competitor, due to its flexible nature. In addition, inland waterways were noted. Due to country's location, sea transport was noted as a competitor only in transport to / from Far East. Although market has over 2000 operators, due to the fact generality of those are small companies operating dozen wagons, intramodal competition is regarded to occur only between the larger actors. Despite the fact that intrinsic rivalry do exist, companies describe the cooperation is close between the market players. However, although RZD was acknowledged for its good cooperation with other market actors, some observed cooperation inside RZD is lacking.

Although Russian railway freight market was seen challenging, according to this research it proffers several possibilities for new railway operators. Acquiring an existing railway company was remarked as the best way to enter the market. By utilizing this method, new entrant would gain not only the rolling stock, but also the explicit and tacit knowledge, which were noted important in this inconsistent market. Furthermore, an operator serving a small niche could have changes to become successful. However, market is undergoing a transformation, wherefore future is unknown. Due to unstable situation, operators are analyzing the situation on weekly basis, verifying the actions are best available alternatives. Although operators are having international relations on an increasingly basis, according to participants the Russian railway freight market will not attain European Union's level of deregulation and harmonization during the next decade.

## **5. Discussion**

This research revealed interesting aggregates. Although Russian railway freight market is expected to be different, the number of factors surprises. Tariff system and close linkage between politics and railways are known. "State in state" and "country in country" utterances delineate the picture: Railway market frames an own entity. Railway network is the lifeline of the Russian Federation: By railway can be travelled to places, which cannot be reached by any other land transport mode. This might explain why the amount of English literature is limited. However, Russia is internationalizing annually, proffering an interesting market for international companies. Nonetheless, one must keep in mind the Soviet Union collapsed only less than two decades ago, creating various national peculiarities which must be noted before entering the market.

Although the magnitude of relationships in Russia is widely known, according to this research it is one of the cornerstones in the business. Certainly business can be done externally, but this hinders the actions. More documents are needed, wagon repair takes longer time and it is harder to organize unloading times. Therefore, due to the introspective nature of the market, most profitable way to enter is to acquire an existing railway freight operator. By acquiring an existing company, in addition to gaining a wagon fleet, purchaser derives explicit and tacit knowledge, which are noted as precious factors in such a versatile market. Furthermore, market's size creates problems. Operators rarely have steady transporting clientele around the country, wherefore wagons might end up to destinations where no return cargo is available. Returning empty wagons was noted one of the key questions in the industry: in this economic situation cost-effectiveness is vital in order to keep the business alive.

Various researchers have noted the main market entry barriers are needed investments, acquiring of rolling stock and bureaucracy [15, 18, 21, 22]. Same factors were revealed also in this study; rolling stock and needed capital were regarded as the main factors hindering the market entry. Although great number of red tape situations was noted, bureaucracy did not unfold in Russia. This might be due to the history: in Soviet Union, people were used to numerous needed documents, stamps and signatures. Although situation has improved since those days, endless documents are still commonplace. In Poland the situation was noted similar: although bureaucracy was noted, it was not counted as a great barrier [15].

Although the Russian customer-base is demanding, cost-awareness has increased. This might be partially due to railway tariff system, which enables all market actors to be cognizant of the current price level. In other countries the situation is mainly different: due to secrecy, all rates are unknown which increases the market tension. Both alternatives have supporters: Russian tariff system is seen easy and interesting due to its open nature, whereas the other system is noted unfair. Vice versa, some prefer the European way where all contracts are negotiable: offer can be rejected, where after a new offer is presented. In Russia railway transport is impossible if tariff rates are not accepted.

Although Russian railway freight market has confronted significant structural changes [3], industry believes in better future [29]. Earlier stated words have become reality, which boost companies' expectations. The establishment of First Freight Company affected the market; same is expected to happen once Second Freight Company is formed [35, 41]. Therefore, the variable market situation creates an interesting interstice for international companies.

## **6. Conclusions**

Russian railway freight market is undergoing a significant transformation. The research revealed the process has been ongoing for few years already; presumable, no one knows what will happen in future. However, by scrutinizing the market and by understanding its way of functionality and the main peculiarities, forthcoming is easier to confront. This was the main intention in this paper. Russian railway freight market was evaluated via literature review, where after genuine data was gathered by interviewing representatives from the market. By including various types of actors, research was able to unfold a versatile picture about the market. As the main market peculiarities were ensued the importance of personal relations and the close linkage between politics and railway freight market. Furthermore, the size of this extensive country as well as traction and tariff system can be noted as especial characteristics.

Although market is different, various similarities came forward. As main market entry barriers were noted coincident factors than were revealed in earlier studies, namely rolling stock and needed capital. Although bureaucracy was not mentioned, there exist a lot of red tape situations. Internationalization is increasing also in this nuanced country, which is often seen as suspicious and even parlous. However, time has changed: today Russia offers plenty of business opportunities for railway operators. Acquiring an existing railway operator was regarded to offer most straightforward way to enter the market, due to already existing rolling stock and tacit and explicit knowledge.

For further research in this area, it would be interesting to evaluate a larger sample. By including actors from other countries operating with Russia could unfold new insights. Additionally, by interviewing representatives from all different wagon owner types could adduce more versatile information. Furthermore, because the market is now in transition process, study should be repeated in few years' time.

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