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### **ІНТЕГРАЦІЯ УКРАЇНСЬКОГО ЗАЛІЗНИЧНОГО ТРАНСПОРТУ В ЄВРОПЕЙСЬКІ ФІНАНСОВІ РИНКИ**

*Ця стаття присвячена дослідженню теоретичних аспектів європейської фінансової інтеграції на залізничному транспорті України. У цій статті розглянуті компанії в залізничній галузі, які здійснювали первинні публічні розміщення акцій на європейських фондових ринках, досліджено позитивний досвід операцій IPO на європейських фондових ринках для українських залізничних компаній.*

*У статті показано використання елементів програмного забезпечення на мобільних пристроях на залізничному транспорті, що дозволить поглибити європейську фінансову інтеграцію у період трансформації вітчизняної економіки. Зображення інвестиційно привабливих і динамічно розвинених компаній дозволяє фокусуватися на позитивних аспектах діяльності підприємств, що прагнуть залучати більше фінансових коштів. Залізничний транспорт України не може уникнути процесу європейської інтеграції, і таким чином фінансова політика в галузі залізничного транспорту – це необхідна умова для формування факторів розвитку інтеграційних процесів у вітчизняній економіці.*

*Ключові слова: європейська інтеграція, міжнародні фінанси, залізничний транспорт, публічні розміщення, фондові біржі.*

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### **ІНТЕГРАЦІЯ УКРАЇНСЬКОГО ЖЕЛЕЗНОДОРОЖНОГО ТРАНСПОРТА В ЄВРОПЕЙСЬКІ ФІНАНСОВІ РИНКИ**

*Эта статья посвящена исследованию теоретических аспектов европейской финансовой интеграции железнодорожного транспорта Украины. В этой статье рассмотрены компании в железнодорожной отрасли, которые организовали первичное публичное размещение акций на европейских фондовых рынках. Рассмотрен положительный опыт операций IPO на европейских фондовых рынках в сфере железнодорожных компаний.*

*В статье показано использование элементов программного обеспечения на мобильных устройствах на железнодорожном транспорте позволяет укрепить европейскую финансовую интеграцию в период трансформации отечественной экономики. Показано инвестиционно привлекательные и динамично развивающиеся компании, которые фокусируются на положительных аспектах деятельности предприятий, что позволяет привлекать больше финансовых средств. Железнодорожный транспорт Украины не может избежать*

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*процессов европейской интеграции, и таким образом финансовая политика в области железнодорожного транспорта – это необходимая базисная составная для формирования факторов развития интеграционных процессов в отечественной экономике.*

*Ключевые слова: европейская интеграция, международные финансы, железнодорожный транспорт, публичные размещения, фондовые биржи.*

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## UKRAINIAN RAILWAY TRANSPORT INTEGRATION TO THE EUROPEAN FINANCIAL MARKETS

*This paper is devoted to research of theoretical aspects of European financial integration of the railway transport of Ukraine. In this paper the author considers the European companies in the railway sector that organized the initial public offerings on the European stock markets. This paper explores the European positive experience of IPO operations on the European stock markets for Ukrainian railway companies. The use of elements of software on mobile devices in the railway transport makes it possible to strengthen the European financial integration. Becoming an effective European financial integration on the railway transport of Ukraine is the important stage of completion of transformation of national economy. Image of investment attractive and dynamically developing companies focuses on the positive aspects of the enterprise that allows attracting greater financial resources from financial markets. The railway transport of Ukraine can not avoid the interference with the European financial processes of integration, so financial policy in the field of railway transport is needed to form in accordance with the factors of development of globalization, to render harmless possible negative consequences and maximize the benefits of the process of European financial integration.*

*Keywords: european integration, international finance, railway transportation, public offerings, stock exchanges.*

**Introduction.** The problem of theoretical justification of international financial integration of the IPO operations in the railway transport is extremely important, and enough new unexplored by Ukrainian scientists in economics. The formation of effective and efficient european financial integration of the railway transport of Ukraine is an important milestone of the completion the transformation of the national economy. The european experience and capabilities of the IPO operations of the companies in the railway sector are economically justified, since it allows exploring alternative sources of funds as a means of the european financial integration. Using the software on the mobile devices for railway passenger transport makes it possible to deepen european financial integration.

**Analysis of recent researches and publications.** The problems of european financial integration of the railway transport of Ukraine and initial public offerings of shares in the railway transport, their impact on various aspects of life, especially on the formation of the financial system in modern conditions a lot of national and foreign experts, scholars and experts, including V.D. Bazylevych, S. Guardini, D.G. Eitutis, O.L. Kanishchenko, U.G. Kozak, F. Cornell, D.G. Lukyanenko, M.V. Makarenko, P.I. Pidlisniy, J. Ritter, O.I. Rogach and others have dedicated their works to.

**The purpose of the article** is to establish the nature and content of the European financial integration of the railway transport of Ukraine.

**The main material.** The development of international economic relations leads to the integration of financial resources. Ukraine is actively participating in the global socio-economic processes, joined the World Trade Organization, recognized the strategic goal of obtaining an associate member of the European Union (hereinafter – EU). The railway transport, as the infrastructure industry has developed rapidly leading position to promote rapid economic and social development. One of the components of the globalization of the economy and one of the highest stages of the globalization processes such as is the globalization of world financial space.

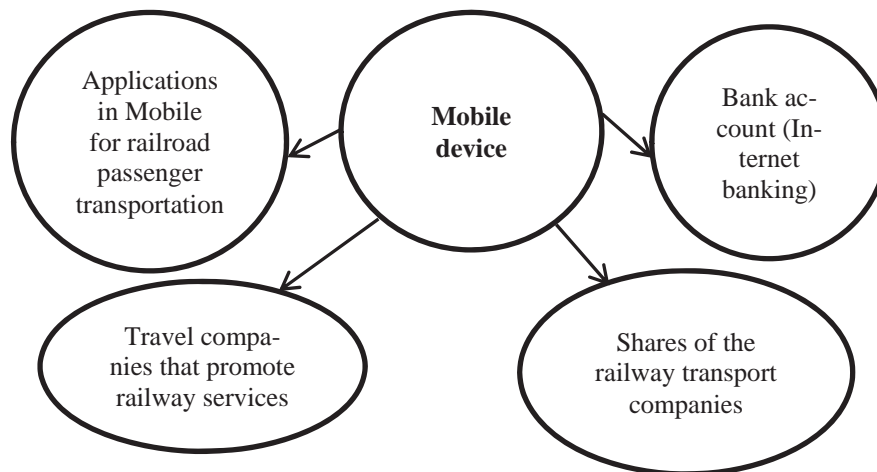
In general, this requirement is based on the governing regulations of the stock exchange where the firm is wished to be listed, on common law, and for European Union (EU) countries, on EU guidelines, which must be implemented in the legislation of the Member States of the EU. The placement of the newly issued stocks is conducted on the primary market. Most of the corporations enter the primary market with the help of investment banks. An IPO in which a company sells its newly issued shares and receives all the proceeds in the form of additional capital is called a primary offering. A firm that goes public is required to publish a prospectus.

The European financial integration of the railway transport involves interaction with the international financial institutions and the rapid development of financial innovation. The global financial system combines international monetary and financial institutions (portfolio investors, insurance funds, pension funds), international stock and commodity exchanges, state banks, multinational companies, multinational banks and financial virtual sector (internet banking, internet shops, Internet currency) [14].

The basis of the formation of the essence of the European financial integration is the process of unification of financial services, banking liberalization of customs procedures, standardization system coordination through international financial institutions, electronic payment system means resulting in the movement of the global monetary system with a single global currency [11]. In recent years significant legal restrictions improved to the movement of capital. Financial markets in the developed countries were united in the global financial system that allows you to specify increasingly large amounts of capital not only its economy but also to the economy of developing countries. However, there are developments that create important principles of formation of the international financial integration on the railway. Thus, in the works of local scientists the essence and characteristics of the introduction of the financial planning for railway transport, trace the genesis of this establishment in national and international plane [10, 13].

The XXI century can be called the heyday of the information technology and the virtual. We must actively take into account the development of the virtual financial sector and European stock markets. Participant of the financial sector will be able to carry out financial transactions being in any country in the world, you will need to have an open bank account, knowledge of English and access to the Internet. Therefore, European financial integration process for railway transport of Ukraine should include:

- programs that can be downloaded to mobile devices that would allow travelers to pay for tickets;
- cooperation with banks to open an account and use the Internet banking services;
- cooperation with travel companies that are committed to popularize the use of mobile applications and restatement of financial resources in the railway sector;
- access to the international trading platforms, where share prices made railway transport.



**Fig. 1. Elements of the international financial integration in railway transport in the passenger traffic through the use of mobile devices**

*Source: author's own modification*

The processes of the international financial integration actively carried on international stock markets. Stock markets – a mirror which reflects with some delay basis of the economic situation. The causes and consequences, which are associated with the economy and the stock market, never change. Initial public offering (*IPO – initial public offering*) should be understood as a process of issue of shares to the general public investors, providing reorganized business from the private to the public while the passage of listing on the stock exchange, during which formed a new business value, which takes into account not only current assets, quality of management and brand, but also future development [15]. The experience of the IPO operations in the railway companies on international stock markets shows that it attracts the capital, has an access to a large number of investors and increase capitalization. In recent years initial public offerings (IPO) were conducted on international stock exchanges by such companies in the rail sector as: Georgian railway LLC (London Stock Exchange), Transkonteiner (London Stock Exchange), PKP Cargo (Warsaw Stock Exchange).

In order to issue shares for the second level of listing should have the following requirements: the issuer has been in existence for at least a one year; net assets of the issuer are at least 50 mln UAH; annual sales for the previous financial year were at least 50 mln UAH; the issuer has been profitable in previous fiscal year; market capitalization of the issuer is at least 50 mln UAH; in each month of the last six months, at least 10 transactions were done and settled with the equities of an applicant on the stock exchange, and the average aggregate monthly value of such trades amounted to at least 0.25 mln UAH; the total number of the issuer's shareholders must be at least 100.

The comparative table of major company's expenses while conducting IPO on the European Stock Exchanges is shown in Table 2.

Many factors play a role in determining the cost of an IPO, but in all cases these costs are significant. Outlined in the table below is the range of IPO costs that should be expected if you decide to go public.

Table 1

**IPO on the international stock exchanges in the railway sector**

Name of the company	Stock exchange	Country of the company	Attracted funds from the IPO operations
Transkonteiner	London Stock Exchange	Russia	1,32 bln. \$
Georgian railway LLC	London Stock Exchange	Georgia	226,3 mln. \$
PKP Cargo	Warsaw Stock Exchange	Poland	430 mln. \$

Source: [1, 2, 3, 4, 5]

Table 2

**Comparison of cost of listing on major European stock exchanges**

Name of the exchange	First contribution	Annual contribution
Vienna Stock Exchange	1% of the placement	0.05% of the trade volume
Warsaw Stock Exchange	0.03% of the placement	0.02% of trade volume
London Stock Exchange (AIM)	180 pounds	4180 pounds

Source: [1,2,3]

Image investments attractive and dynamically developing company focuses on the positive aspects of the enterprise, allowing you to attract more financial resources from the financial markets.

By studying the successful experience of other companies made IPO and debt capital, Ukrainian companies can also take account of initial public offerings of shares in the rail sector, which would allow deepen international financial integration. Today we have an environment that could use the possibility of initial public offerings of «Ukrainian Railways» on the European stock markets in the future.

So, June 25, 2014 the Cabinet of Ministers of Ukraine adopted a resolution «On Establishment of Joint Stock Company» Ukrainian Railways «This indicates an important step towards creating a vertically integrated structure, able to function effectively in the face of the deteriorating global technology competition. According to the resolution it will set up a single center of all financial services, passenger and freight flows that will promote the economic and transport efficiency Railways. Emphasized that in reforming any privatization will be carried out – a ban on the alienation of state property. But, according to the reform program (2010-2019 years), subsidiaries PJSC «Ukrainian Railways» will be formed, 100% of which will have a mother company. Following the adoption by the government decision to privatize subsidiaries and development «business plan» their activities will be carried out gradually through the stock market sale of shares of subsidiary companies to businesses and individuals up to 50% -1 share. In this case the mother company remains the controlling stake, as the loss of control of a subsidiary company lead to its independence, and as a consequence – to the negative effects of a single transport process [13].

Thus, the beginning of reform will help restore all dialogue with international financial organizations, western partners to implement key projects rolling stock, infrastructure improvement component, railroad facilities and electrification [7, 8, 12, 13].

**Conclusions.** In the face of the European financial integration we need to use all new technologies to attract additional resources to railway transport of Ukraine. IPO operations could play an important role, which will allow our companies greater access to the capital, increasing the potential investors, companies become more liquid. Also keep in



mind the development of new applications for mobile phones that would help to integrate and contribute to more users of Railway Transport of Ukraine.

Ukrainian railway transport companies must be presented at all possible European investment forums and conferences, to get new contacts, and collaborate with leading financial institutions and organizations. The process of preparing to launch an IPO requires lengthy procedures often need to radically change its strategy of market behavior, apply the latest methods of corporate governance, introduce advanced automation system to effectively organize their activities.

The railway transport of Ukraine cannot avoid interference with European financial integration process, because financial policy in the railway sector should be in accordance with the form factors of globalization to neutralize the possible negative effects and maximize the benefits of international financial integration process.

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