THE INVESTMENT – STRATEGIC DECISION FOR ENTERPRISE

Prof. Nicolae SICHIGEA, PhD
Anduena FIRTAT, PhD Student
University of Craiova

1. Introduction

The strategy of enterprise causes the selection’s activity fields in which it attends to development the activity, as their intensity and nature, estimated the competition and the dynamical and complex environment which the enterprise will action. It describes the manner in which this follows to achieve his purposes, taking into account by resources and abilities which it disposes, as well as the opportunities and troubles created by the environment of their activity. With a view to realize the enterprise’s strategy, within it, to different levels, it takes, at different tides, a lot of decisions, which can be headed for achievement properly activities (exploitation or operational decision), for assurance financing activities (financing decisions) or to development the business (investment decision). In the railway transport domain, as a strategic sector of national interest, the achieved investments follow the rehabilitation of the railway infrastructure in according with projected parameters and safety traffic, the assurance of the interoperability with the European railway transportation system, by the alignment to its technical and operational parameters, the modernization of the pan-European corridors that cross Romania and the main railway stations. All those involve an important financial effort, which requires a lot of property founds of railway infrastructure manager, the annual budgetary allocated transfers and external financing.

2. Investment – strategic decision adjusting of enterprise

The investment of capital on long-term, to obtain profits represents an investment. Whether the funds is invest in immovable or circulating assets, investment represents an important immobilization of those funds, as bulk and time, following to get in future a higher profitableness. So, investment decision handle to an immobilization of funds, achieved in the present, but who follows to recover during many exercises in risk conditions, to obtain a higher profitableness in the future. The forms of investment contain expenses for building equipments, lands, research-development, modifications of stocks, financial assets.

From financial point of view, investment induces a great expense of funds, which, in the future, have to be make up for returns, respectively profits generated by the financial investment, placed at all period of economic life. In financial sens, investment represents a renouncement of a sum of money, to obtain certain higher incomes in the future, but advantageous.

In accountant sens, investment represents an assign of a available sum of money for obtaining an immovable assets, which will generate future high funds and it will induce exploitation
expenses, which must be covered by future high funds.

Investment decision is the main decision in the enterprise, because a wrong decision in this case causes important financial damages, and in certain cases it causes the bankruptcy. Investment involves inputs and outputs of high funds. If the initial expenses produced by an investment project named negative, there are known from general list, the future high tides generated by investment, named positive high tides, they must be estimated. The expenses are composed of annual profits, which will be obtain from exploitation of investment and from liquidation included on costs every time [Hoanţă Nicolae, 2003]. After establishment the positive and negative high tides follows their comparison for establish the opportunity of the investment.

2.1. Specific features of the investment decision for administration of railway infrastructure

The administration of railway infrastructure is achieved by The National Railway Company „NRC” SA, society resulted after the reorganization of the National Society of Romanian Railways. The company offers to railway transport operator’s access to an ecology infrastructure, which passengers and goods travel safety, any season, day and night, indifferently of meteorology conditions, with competitive costs. The finale purpose of the company is the commercial administration of the railway infrastructure and carry on national public interest activities, for assurance the public railway transport, for guarantee the satisfaction of specific needs for country’s defence. The railway infrastructure is currently in a difficult technical status because of important arrears concerning the accomplishment of the cycles of maintenance and repair of the tracks, the installation and the buildings and for the accomplishment of modernization works, arrears produced by the chronic absence of the necessary funds.

2.2. Financing sources of the investments for national railway infrastructure

In the last few years, together with the continuous drop of the budgetary allocated transfers for railway infrastructure investment, as well because of the insufficiency of the proper funds allocated for maintenance and current repair of railway infrastructure components, the technical parameters have suffered a continuous degradation. In the years 2007, within objectives of financial investments from the state budget there have been realized the following: the modernization of a few railway stations, the connection to energy of the railway line Doaga-Tecuci-Barboşi, the reconstruction of the train bridge across the Gura Lotrului lake from the line Piatra Olt – Podu Olt upon an annexed emplacement, with a view to assurance the railway traffic mincing by natural calamities.

The financial investments from self funds are forecast in the incomes and expenses budget of the The National Railway Company „NRC” SA. In the year 2007, from the whole incomes of 1.599.669 thousands lei foreseen in the budget, the achievements are only 1.428.990 thousands lei. From the whole programmed expenses, in the budget of the year 2007 in value of 1.599.669 thousands lei, the achievements at this chapter are in value of 1.743.402 thousands lei, which represents a 8.99% exceeding. The results place an exercise result for the year 2007 incarnated in a loss of 314.412 thousands lei. The loss of the year 2007 amplifies the loss from the previous years in value of 1.860.503 thousands lei., driving to the lack of cash necessary for the sustenance and current and capital reparation works, the pay of the obligations towards provider and state budget. For the year 2008, with a view to deploy of activities at a level, which can allow the public railway
infrastructure maintenance in accordance with functional parameters, in terms of a predicting of running income smaller than the year 2007, the necessary expenses which must be performed by The National Railway Company „NRC“ SA is 2,781,814 thousands lei, which lead to a loss of 1,215,275 thousand lei.

With a view to realization investments financed from external funds, have been unrolled the following programs:

- **PHARE 9604** - project for rehabilitation of railway.
  Allocated sum: 57,999,683 EUROS
  Payed sum: 57,413,652 EUROS
  The project is in the final stage of its succeeding and involved the acquisition of some centralization system for four railway stations, acquisitions of rail, machines and material of railway, equipments for Centre of Improvement of NRC, of a software for traceing the railway time-table, of some services of technical assistance, as well as the modernization of the Filaret printing establishment.

- **PHARE 772** – assistance for consolidation the reorganization of the railway sector.
  Allocated sum: 3,930,000 EUROS, which 3,380,000 EUROS funds PHARE și 550,000 EUROS state budget.
  Payed sum: 0 EUROS.
  The project includes three parts. One of these concerning the consolidation of the reorganization process for Romanian railroad and includes four body parts: financial application for railway companies, the railway time-table for passengers, the tax of infrastructure use, the rehabilitation of railway stations.

- **BERD 12936** – project of modernization of five big railway stations: Cluj-Napoca, Iași, Constanța, Craiova şi Timișoara.
  Allocated sum: 24,000,000 EUROS
  Payed sum: 6,415,075 EUROS

- **Credit Suisse First Boston** – the modernization of the main railway stations.
  Allocated sum: 60,000,000 USD
  Payed sum: 39,000,000 USD

The railway stations included in the programme „Rehabilitation of some railway stations in Romania“, the value of approved achievement and the year in which the modernization achievement finalized, are according with the following programmes:

- Ploiești Sud (2,756 millions USD): year 2006;
  - Arad (4,09 millions USD): year 2006;
  - Deva (2,037 millions USD) – year 2008
  - Alba Iulia (1,841 millions USD): year 2005;
  - Brașov (4,047 millions USD) – year 2007
  - Bacău (2,593 millions USD) – year 2008
  - Suceava Burdujeni (3,5 millions USD): year 2007;
  - Buzău (2,275 millions USD) – year 2007
  - Focșani (6,055 millions USD): year 2005
  - Sighișoara (2,667 millions USD): year 2007;
  - Drobeta Turnu–Severin (6,825 millions USD): year 2006;
  - Galați (7,352 millions USD): year 2006;
  - Fetești (4,701 millions USD): year 2007;
  - Sibiu (3,854 millions USD) – year 2007;
  - Oradea (3,992 millions USD) – year 2008;
  - Tulcea (1,415 millions USD) – year 2004

- **BIRD 4757** – project concerning the reorganization of railway transport sector
  Allocated sum: 75,000,000,00 USD
  Payed sum: 44,110,00 USD
  The loan includes consulting services, market research concerning the public and social passengers services, the implementation of quality and environment management system, audit services for the period 2005-2009, and the acquisition of a signalization system, equipments for the increasing processing
capacity of the system IRIS as well as equipments for environmental protection

**Credit Suisse First Boston –** stopping the degradation of railway infrastructure; the whole sum of business loan is covered by contracts unrolled in the middle of the company and within fillials branches

Allocated sum: 120.000.000 USD  
Payed sum: 120.000.000 USD

In conclusion, seeing all the project who are unrolled as well as the liabilityes to reimburse the external business loan, which finance all those project is very important than the company which manage the railway infrastructure to monitor and to control all the long-term financial perspectives.

### 3. The assurance of the interoperability with the European railway transportation system

For Romania, as a member of European Union, is essentially the alignment at the development projects of the European railway transportation. In keeping with the goal of the Union 440/1991 of the European Council, Romanian Railways have the role to integrate national railway infrastructure of technical and operational parameters at European level, for being a consistent and interoperable part of trans-European railway network.

Romania, by its geographical position, represents an intersection area of the railway transport international thoroughfares, that connects both the North from the South and West from the East of Europe. At the Pan-European transport Conference on 1994 established the Pan-European corridors of transportation, and Romania is crossed by two of thease: the corridor IV Berlin – Praga – Budapesta – Constanța – Salonic – Instambul and the corridor IX St. Petersburg – Kiev – Chișinău – București – Alexandropolis. The Corridoars IV and IX are of various patterns, according to figure no. 1, with railway and road components, inclusive maritime and river ports. That importance in the structure of national railway and the necessity of rehabilitation consist of fact that, on the whole, on about a fifth of whole length of network unrolls about an half of traffic. For rehabilitation works of the corridor IV are estimated to 4.330 millions euro investments and their ends is stipulated in 2011. For the railway corridor IX estimate a necessary 3.316 millions euro.

**Figure no. 1 The Pan-European transport corridoars that cross Romania**

*Source: Study concerning on rehabilitation and modernization of Craiova-Calafat railway line, 2005*
During the restructuring works and the endowment of the railway network, with new equipment, with a view to the integration into the European network, the main activity is to rehabilitate the railway lines, especially those with high traffic volume. These works have to ensure a good transport quality, punctuality, traffic safety, reducing the transport time period as well as reducing the maintenance and operation costs.

In the railway infrastructure field, investments have the main characteristics: great initial investment, the benefits occur only after the project execution, after a long time. All these can be emphasis by the exemple with the rehabilitation and the modernization of the railway line Craiova-Calafat, part of the railway Pan-European corridor IV, that has a special importance for Romanian economy. The line is 107 km long, single and non-electrified. The present day condition of railway line is precarious endangering the traffic safety and having a lot of restricting points due to the line instability and faults lately occurred the latest years. The insufficient level of the offered services quality is determined by:

- the reduced commercial speed for the passengers and goods traffic;
- a traffic diagram with no flexibility required by the competition with the other means of transport;
- the services required by train journeys is at an inadequate level;
- lack of civilized conditions in station: platforms without modernizations, without sewage network for water discharge; inadequate waiting rooms, without endowments; incomplete information; tickets sale by obsolete technology; inappropriate water supply networks.

In these conditions, the main objectives of the investment are:

- the rehabilitation and modernization of the railway infrastructure;
- improving the traffic conditions;
- ensuring and supporting the mobility;
- stimulating the economic and industrial increase;
- developing the areas and adjacent regions.

The rehabilitation and modernization of the railway line Craiova-Calafat suppose the following works: rebuilding the railway substructure (embankments, consolidations, protection, drainage), rehabilitation of all the existing bridges and culverts as well as building some new culverts; electrification of both the open line and those in the stations; civil constructions in the stations. Those were estimated at the value of 630 millions euro.

Carrying out the works concerning the rehabilitation and modernization of Craiova-Calafat line leads to an increase of the traffic capacity from 13 train pairs/day to 35 train pairs/day. The foreseen increases of the freight and passenger railway transport after rehabilitation will generate new incomes. The technical parameters after the investment achievement have in view to increase the running speed between 120km/h to 160 km/h. So, on about 41 km the train will run at 160 km/h. The stations on the existing Craiova-Calafat railway line are to be systematized for the speed presented in Table no. 1.
Table no.1. The designed running speeds

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Position km</th>
<th>Designed maximum speed (km/h)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Craiova</td>
<td>250+002</td>
<td></td>
</tr>
<tr>
<td>HM. Jiu</td>
<td>252+485</td>
<td>70</td>
</tr>
<tr>
<td>Podari</td>
<td>261+757</td>
<td>90</td>
</tr>
<tr>
<td>HM Sălcuța</td>
<td>275+580</td>
<td>120</td>
</tr>
<tr>
<td>Segarcea</td>
<td>284+173</td>
<td>85</td>
</tr>
<tr>
<td>Portărești</td>
<td>295+094</td>
<td>160</td>
</tr>
<tr>
<td>HCV Afumați</td>
<td>305+110</td>
<td>160</td>
</tr>
<tr>
<td>Băilești</td>
<td>319+212</td>
<td>160</td>
</tr>
<tr>
<td>Moțătei</td>
<td>332+050</td>
<td>115</td>
</tr>
<tr>
<td>HM Golenți</td>
<td>344+669</td>
<td>120</td>
</tr>
<tr>
<td>Calafat</td>
<td>356+371</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Study concerning on rehabilitation and modernization of Craiova-Calafat railway line, 2005

According with increased of the running speed, the railway time-table of passangers train between Craiova and Golenti for 99 minutes will decrease at 56 minutes, what means a reducing for 43% of way duration. The implementation of the rehabilitation measures leads to diminish the line faults and, consequently, the reducing of the number of railway accidents. The cost reductions are estimated at about 1.100 euro per year and per line km.

3. Conclusions

The investment decision is a strategic decision and it’s an incorporated part of the general politic of the enterprise. It means not only a capital movement but only a certain activity which follow to place the enterprises in a certain position on the market, the initiation and the continuation of some business relations with another enterprises on different activity sector. Through the investment achived at the railway infrastructure it’s carry out the improvement of the traffic conditions, assurance and sustain of the mobility, the stimulation of the economic increasing but only the development of the areas and the conexe regions. The preoccupations for energy saving and finding a solution for the environment problems with regard to the atmosphere pollution with motor-vehicles gases emission and the lives losses in railway traffic accidents accelerated the railway transport development stiring for railway lines development between towns and on the sections with dense populations.

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