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ECONOMIC COMMISSION FOR EUROPE

INLAND TRANSPORT COMMITTEE

Working Party on Rail Transport
(Fifty-fifth session, 16-18 October 2001,
agenda item 4)

STUDY OF THE SITUATION OF THE RAILWAYS IN MEMBER COUNTRIES

Transmitted by the Government of Russian Federation

Note: During its fifty-second session (5-7 October 1998) and fifty-third session (6-8 October 1999) the Working Party on Rail Transport considered inter alia the relevance of railways in the transport market (TRANS/SC.2/190, para.18; TRANS/SC.2/192, para.17). In this connection, it requested Governments to provide information on the following questions which have an impact on the railways in member countries:

- (a) Data on past and future developments of rail passenger and goods traffic;
- (b) New developments to be observed subsequent to the reorganization of the rail sector with special attention to the setting-up of new railway companies;
- (c) Investments in (i) rail infrastructure and (ii) railway rolling stock.

The Working Party may wish to consider the reply which is reproduced below.

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(a) Data on past and future developments of rail passenger and goods traffic

Passenger and goods traffic on the Russian railway network

Indicators	1999	2000	2001
Passengers carried (millions)	1 337.5	1 418.8	-
Volume of passenger traffic (billions of passenger-km)	141.0	167.1	173.0
Goods carried (millions of tons)	947.4	1 046.8	1 091.2
Volume of goods traffic (billions of tariff ton-km)	1 204.5	1 373.2	1 434.0

(b) New developments to be observed subsequent to the reorganization of the rail sector with special attention to the setting up of new railway companies

Development of the Russian rail transport system in the context of structural reform

The measures taken in the period 1999-2000 to reorganize the federal railways have affected certain branches of activity of the railway sector. The most important structural changes have occurred in the sphere of passenger operations and the ancillary and social-amenity sectors, specifically:

- The setting up of passenger service departments has encouraged the separation of branches of activity and promoted financial transparency in railway operations;
- Efforts are being made to reorganize ancillary operations and hive off social amenities.

In the field of State regulation, the key changes involve tariff regulations.

Policy-making has been another important area of State intervention. A number of bills have been crafted, including amendments and additions to the Federal Rail Transport Act and the Federal Rail Transport Regulations Act.

When the autonomous passenger companies were created, the following objectives were identified:

- Addressing the issue of cross-subsidization and clearly defining how the operating losses of a given form of traffic are to be met;
- Achieving requisite transparency of financial flows (revenue and expenditure);
- Establishing an autonomous management structure for this branch of activity;
- Enhancing the financial and economic efficiency of the individual companies;

The project to reorganize the passenger traffic sector has been subdivided into the following phases:

- (1) Operational planning and organizational development of long-distance and suburban passenger service departments;
- (2) Assignment of operational assets to the passenger service departments.

The establishment of long-distance passenger service departments on the railways has been completed.

During the initial phase of reorganization, the legal form of organization selected as the basic model for long-distance and suburban passenger transport was a unitary State enterprise forming part of the railways (a “passenger service department”) with independently controlled fixed assets (locomotive and wagon depots, railway stations and platforms, station shelters, ticket offices, etc.).

The changes in the passenger operations sector have laid the groundwork for future competition in this area. It has already been possible to raise the quality of passenger service, mainly through the introduction of additional services and enhanced punctuality.

The original plan to reorganize goods traffic in line with the Blueprint for the Structural Reform of Federal Rail Transport has been amended. Instead of setting up State goods companies (i.e. dividing up all existing rolling stock), it has been decided to create operating companies with control of their own rolling stock.

Most of the operating companies which now exist or are currently being set up have been established on the basis of the transport divisions of major industrial enterprises. At the present time, 21 per cent of the multi-purpose wagons and 48 per cent of the tank wagons operating on Russia’s railways are owned by independent carriers.

The Ministry of Railways of the Russian Federation imposes the following licensing requirements on operating companies:

- Guaranteed volume of traffic;
- Existence of own or leased rolling stock;
- Mandatory acquisition of own rolling stock in the next five-eight years (if currently leased);
- Prior specification of train paths to be run by the operating company.

Fifteen operating companies were formed in 2000-2001. The national freight company and unitary State enterprise “Refservis” has been operating since 1997. Specialized rolling stock (refrigerated wagons) and depots have been transferred to this company.

Social-amenity and ancillary assets are being shed by the following means:

- Transfer to municipal ownership;

- Sale;
- Liquidation;
- Conversion.

By phasing out low-turnover, unprofitable lines the Russian Ministry of Railways is keeping maintenance costs as low as possible. The principal strategies employed are:

- Conversion of these lines to single-shift working;
- Staff cuts;
- Closure of certain stations along a given line, etc.

The following steps have been taken to implement the first phase of reform aimed at achieving financial transparency in the sector.

In March 1998 a new schedule of expenditure for core railway operations was approved. This schedule envisages separate accounting for freight and passenger traffic and singles out operating expenses for long-distance and suburban passenger transport.

The Ministry of Railways has switched to the budgetary principle for planning the revenues and expenditures of the railways. Centralized control of financial operations has been introduced in order to tighten up financial discipline, pursue a unified investment policy, and iron out distortions in the computation of the financial results of the railways.

Installation of the Ministry's integrated transactions and payments system was essentially complete in 2000. The necessary conditions have been set in place for a transition to the treasury system of executing the sector's budget with a view to ensuring the operational execution of the revenue and expenditure items thereof.

The principal objectives of State policy as regards development and reorganization of rail transport are:

- Enhancement of the stability of railway operations, their accessibility, safety, and the quality of service which they provide in the context of an integrated national economic area and nationwide economic development;
- Creation of an integrated and balanced national transport network;
- Reduction of total economic expenditure on railway freight operations;
- Satisfaction of the growing demand for railway transport services.

To achieve these goals during the first (preparatory) stage of structural reform (2000-2001), the following objectives and principles have been mapped out:

- Separation of the functions of State administration and organization of the economic activity of the railways and hiving off competitive branches of activity from the State monopoly;
- Preservation of a unified national rail network and a centralized dispatching system;
- Phasing out of cross-subsidies between freight and passenger traffic and between domestic and import-export traffic;
- Improvement of tariff policy with the transfer of rail tariff regulatory functions to a Government commission;
- Further encouragement of competition in railway freight operations, overhaul of rolling stock, and passenger operations and servicing;
- Refusal to allow the merger of enterprises operating in a potentially competitive sector with enterprises belonging to a natural monopoly sector;
- Provision of guaranteed, non-discriminatory access to the federal railway infrastructure by independent freight and passenger operating companies and rolling-stock users;
- Separation of social amenities and other ancillary assets (except specialized units) from the sphere of operations of the federal railways in order to reduce non-production costs;
- Ensuring the financial transparency of all branches of the economic activity of the sector through the introduction of separate financial accounting;
- Taking measures to enhance the attractiveness of the railways to investors;
- Improvement of the pay and conditions of railway workers and provision of adequate social protection for them.

(c) Investments in (i) rail infrastructure and (ii) railway rolling stock

Millions of rubles

		1999 operating statement	% of total	2000 operating statement	% of total	2001 operating statement	% of total
	Total investment	38 652.7	100.0	76 179.6	100.0	110 000.0	100.0
(i)	Infrastructure	27 921.7	72.2	57 021.4	74.9	89 066.6	81.0
	Of which:						
	Electrification and power generation	4 416.3	11.4	15 053.7	19.8	20 350.0	18.5
	Signalling, and interlocking	2 095.5	5.4	2 793.6	3.7	4 393.5	4.0
	Information systems and communications	4 421.3	11.4	13 300.0	17.5	26 000.0	23.6
	Passenger facilities	1 598.4	4.1	3 459.5	4.5	4 370.2	4.0
	Permanent way	1 695.0	4.4	4 844.9	6.4	4 593.1	4.2
	Other	13 695.2	35.4	17 569.7	23.1	29 359.8	26.7
(ii)	Rolling stock	4 623.0	12.0	6 711.8	8.8	9 726.9	8.8
	Of which:						
	Locomotives	1 701.7	4.4	1 898.5	2.5	2 449.3	2.2
	Wagons	717.5	1.9	464.2	0.6	366.8	0.3
	Maintenance vehicles	853.4	2.2	1526.5	2.0	2 505.6	2.3
	Container traffic and revenue-generating operations	133.4	0.3	243.4	0.3	288.0	0.3
	Passenger operations	1 090.8	2.8	1 984.8	2.6	3 978.2	3.6
	Electrification and power generation	80.3	0.2	441.1	0.6	139.0	0.1
	Other	45.9	0.1	153.3	0.2		
	Capital construction, non-core-business	6 108.0	15.8	12 446.4	16.3	11 206.5	10.2
	Of which:						
	Residential accommodation	2 380.1	6.2	3 137.2	4.1	2 615.2	2.4
	Health-care facilities	2 729.9	7.1	6 907.8	9.1	4 669.2	4.2
	Educational facilities	813.1	2.1	762.4	1.0	828.2	0.8
	Other	184.9	0.5	1 639.0	2.2	3 093.9	2.8