

Tariff policy

Railway freight transportation tariffs were indexed at 10% in 2015.

Principles of freight transportation tariff policy

Legislation defines the principles for government regulation and establishing a tariff policy for freight transportation with respect to natural monopolies. The Russian Government adopts decisions and the federal executive authorities pass departmental regulations establishing the principles of government tariff regulation on the basis of federal laws.

The tariff regulation model for railway transportation transitioned to the establishment of a long-term tariff policy for public railway transportation services in 2014 in accordance with the decisions of the Russian Government.

The relevant guidelines have been adopted on the government regulation of tariffs for railway freight transportation services as well as the use of public railway infrastructure for freight transportation.

The growth rates for railway freight shipments in 2014-2018 had been set with restrictions on tariff increases based on the inflation level of the previous year.

However, in 2014 the Russian Government decided to keep tariffs on railway freight shipments at the 2013 level with their subsequent indexation in accordance with the actual inflation level for the previous year.

Thus, railway freight transportation tariffs were not indexed in 2014, but were indexed at 10% in 2015.

Tariff regulation of passenger transportation

Suburban transportation

In accordance with clause 23 of the Rules for the Railway Transportation of Passengers, Baggage and Cargo Luggage, which were approved by Order No. 473 of the Russian Ministry of Transportation dated 19 December 2013, the following tariffs are in effect for suburban railway passenger transportation:

- zone tariffs – in the form of a fixed rate for a tariff zone;
- tariffs per km – in the form of a fixed rate per 1 km;

- combined tariffs – (amount of the fixed rate per 1 trip for a certain tariff distance and when travelling above this tariff distance – payment at a fixed rate for each km).
- The average tariff on the network was RUB 23.24 per 10 passenger km in 2015, a 10.0% increase over the tariff level of 2013, or RUB 2.11 per 10 passenger km.

Long-haul transportation

As of 1 January 2015, the existing tariffs in the regulated sector were indexed by Order No. 280-t/1 of the Russian Federal Tariffs Service dated 5 December 2014:

- tariffs for travel in second-class sleeping railcars and sitting railcars were indexed at 10%;
- tariffs for passenger transportation using first-class rolling stock were indexed at 10%;

- tariffs for owned (leased) railcars that are part of long-haul trains were indexed at 10%;
- tariffs for the transportation of baggage and cargo luggage as well as fees and charges for additional work (services) related to the transportation of baggage and cargo luggage were indexed at 10%;

- fees and charges for additional work (services) related to passenger transportation were indexed at 10%.

In the de-regulated sector, tariffs were indexed for long-haul travel in first class sleeping railcars and compartment railcars at 5%.

RUB 23.24
/10 pass. km

suburban traffic tariff on the network in 2015

Tariff indexation

Year	Regulated	De-regulated	
	Second-class sleeping railcars and sitting railcars	Compartment railcars	First-class sleeping railcars
2010	1.1		1.08
2011	1.1		1.05
2012	1.1		1.05
2013	1.2	1.05	—
2014	1.042	—	—
2015	1.1	1.05	1.05

Implementing the tariff policy in accordance with the international treaties of the Russian Federation

Tariffs for freight transit via the railways of CIS member states, Georgia and Baltic nations are set based on the rates of the CIS Tariff Policy in effect as part of the Tariff Agreement of Railway Administrations of CIS Member Nations dated 17 February 1993.

The base rates of the CIS Tariff Policy for transportation via Russia's railway network were indexed at 3.7% as of 1 February 2015.

With the enactment on 1 January 2015 of the Eurasian Economic Union (EEU) Treaty, which was signed by the presidents of Russia, Belarus and Kazakhstan in Astana on 29 May, freight transit via Russia's railway

network from Kazakhstan to Belarus and back as well as transit from Kazakhstan and Belarus to other countries via Russian ports takes according to the unified tariff denominated in the national currency contained in section 2 of Price List No. 10-01 "Tariffs for freight transportation and infrastructure services rendered by Russian railways".

Tariff policy on transit freight shipments

In accordance with WTO requirements, the tariff policy of the railways of CIS member nations for international freight shipments involving Russian Railways contains only base transit tariff rates starting in 2014 and no longer includes descending indices and special rates.

Special tariff conditions for freight transit via Russia's railway network are established by the Russian Railways Management Board and information about such rates is posted on the Company's official website.

In 2015, the Russian Railways Management Board decided to set the level of transit tariffs on Russian railways at the rates of 2014.

Implementing a flexible tariff policy within the tariff corridor

Russian Railways is granted the right to modify tariffs for railway freight transportation services within certain price limits as part of international treaties that form the contractual basis for the Common Economic Space and subsequently the Eurasian Economic Union.

Having the ability to independently alter tariffs has proved to be highly effective for the Company with respect to attracting freight. In 2015 alone, railway transportation attracted 6.2 mln tonnes of various freight due to the decisions to use the Transport Corridor (which is equal to almost two days of the Company's operations).

However, the practice of applying the tariff corridor has revealed the need to further improve the conditions for its use.

Russian Railways has prepared proposals to modify the rules for applying the tariff corridor that aim to enhance the competitiveness of railway transportation with respect to other modes of transportation in order to attract additional shipment volumes as well as create conditions that provide greater flexibility to take into account the economic situation when the company's makes tariff-related decisions.

These proposals are considered by the relevant federal executive authorities and parties interested in using railway transportation services.

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Additional transportation volume attracted by decisions as part of the tariff corridor

Implementation of Russian Railways' tariff policy proposals

Federal Law No. 503-FZ of the Russian Federation dated 31 December 2014 "On Amendments to the Federal Law 'Railway Transportation Charter of the Russian Federation'", which took effect on 1 April 2015, grants the right to charge a fee for rolling stock located on public railway tracks as part of the transportation process or outside of the transportation process (Article 39 of the Railway Transportation Charter of the Russian Federation).

In order to meet the requirements of changing legislation, the Russian Federal Tariffs Service along with the relevant units of Russian Railways drafted the Tariff Guide (Order No. 127-T/I of the Russian Federal Tariffs Service dated 29 April 2015) "On the approval of the fee for rolling stock located on public railway tracks and the rules for its application" (the Tariff Guide), and amendments and additions were also made to the Rules on Applying Rates for the Use of Federal Railway Transportation Railcars and Containers (Tariff Guide No. 2), which were approved by Resolution No. 35/12 of the Federal Energy Commission of the Russian

Federation dated 19 June 2002 (registered by the Russian Ministry of Justice on 26 May 2015 as Registration No. 37379).

This Tariff Guide took effect as of 7 June 2015.

Given the decline in shipments and the existence of railcars that are not needed in the transportation process, the Tariff Guide will make it possible to collect full payment for railcars located on public railway tracks that are not part of the transportation process and also those that are part of the transportation process, but have been delayed through the fault of the customer.

The Tariff Guide's introduction of a fee for railcars located on public railway tracks will provide a higher level of responsibility for railcar owners and users of railway transportation services and also encourage those involved in the transportation process to utilise the potential of infrastructure and rolling stock more effectively.