

Internal Passenger Traffic

Air transport is the main competitor of railways in the passenger transportation segment. However, the passenger transportation market remains attractive to JSC "RZD": we believe that high-speed passenger trains will take share from air travel for a number of destinations. The main competitor in the freight transportation segment is road transport, but even here railways have distinct advantages.

Increases in passenger transportation by air have been seen since October 2009. Although only 0,4% of passenger transportation is made by air, its share in the Russian passenger turnover is significant — 41,3% in 2012, and it grows rapidly: +13,6 p.p. for the last three years.

The growth of passenger turnover by air is the fastest for international journeys, which is due to an increased distance of flights and the number of Russian participants serving international destinations: tourist traffic is growing and new tourist destinations are opening.

In 2012, the share of long-distance transportation by air increased by 3.8 p.p. reaching 41.3%, while the rail transport share decreased slightly, by 0.9 p.p. to 30.5%.

This dynamics is caused not only by people's income growth, but also by flexible fares of airlines and the public policy. Flights from East Siberia and the Far East, as well as lease payments of airlines are subsidized from the federal budget. Moreover, constituents of the Russian Federation receive subsidies to support regional and local transportation by air.

As a result, in the segment of transportation for distances over 1.5 km the share of air transportation is steadily growing at the expense of railways, and the accumulated gap is rather significant for a number of the destinations. For example, along the Moscow — Novosibirsk route (2,891 km), the decrease in railway passenger turnover over 11 years has fallen to 73.8% with an average fare of a little less than RUR 10.5 th. (in 2011, for a sleeping car), while the share of air transportation has increased from 58% to 89% with a fare of only RUR 7 th. (in 2011, economy class).

According to the Russian Ministry of Transport, rail transport has distinct advantages to passengers for journey distances less than 700 km. Long-distance passenger transportation remains competitive for distances under 1.5 th. km mainly because of the price factor. For distances over 2 th. km, the competitive advantages of rail transportation decrease because of significant travel time.

Public transport passenger turnover in 2012

473.7

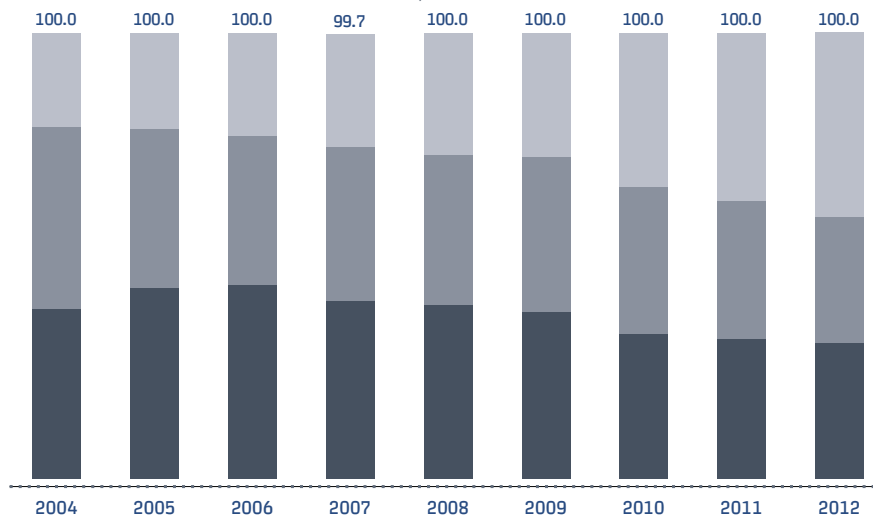
bln pass-km

Number of passengers who used rail transport services in 2012

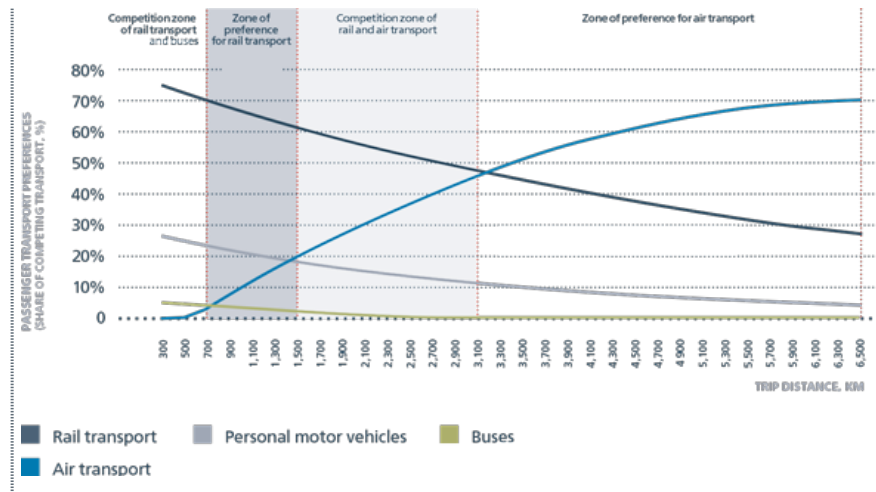
1,058.8

persons

PASSENGER TURNOVER BY PUBLIC TRANSPORT, %



Railway
 Road
 Air



The creation of hub airports to increase transportation volume by 30–40%, acquisitions of small-capacity airplane fleets for regional services and high-capacity airplanes for international transportation, and other measures, could decrease the zone of rail transport leadership for distances between 1,000–2,000 km. However, in this case, rail transport will gain new opportunities related to the development of intermodal passenger service.

In 2012, the Federal Passenger Company, a subsidiary of JSC “RZD” launched direct trains to Nice and Paris, which increased the passenger traffic on these routes by 2.5 times. Thus, the railways have a fairly good development potential in the international passenger transportation segment as well. With a quality service, railways remain an attractive mode of transportation even in Europe, where aviation and road service are well developed.