

Passenger Traffic Reform

Reforms in the Passenger Traffic Segment

By 2012, the main activities in the passenger traffic segment relating to the organizational and legal division of the passenger complex were carried out. Currently all commuter passenger transportation is carried out by suburban passenger companies created with the participation of the Russian regions. "Russian Railways" is only liable for long distance and high speed train passenger services. In the course of the reform, conditions to improve efficiency rates of the suburban passenger companies business are being created.

It should be noted that this type of activity, while providing significant social benefits, remains unprofitable. Therefore, the service and the level of development of this segment are largely determined by the size of budget subsidies.

The legislation of the Russian Federation states that the regulation of passenger railway operations, as a natural monopoly, is performed by imposing tariffs. The tariffs should allow for break-even traffic operations otherwise the carrier's lost income must be compensated in full by subsidies from the budgets at the respective levels: federal budget for long distance transport and regional budgets for commuter passenger traffic.

In 2012, within the railway system there were 100 agreements signed with 73 constituents of the Russian Federation relating to the organization of public transport services. 51 agreements with 37 constituents do not specify a level of financial compensation for the carrier's lost income while (bearing in mind the legislation) subsidies are not required to be provided in just five regions: Moscow, the Moscow region, St. Petersburg, the Republic of Adygea and the Astrakhan region. In 2012 the shortfall of budget subsidies exceeded RUR 6 bln for long distance passenger traffic and reached RUR 9 bln in total for commuter traffic.

JSC "Russian Railways" proposed a mechanism to resolve this problem on the basis of the federal (regional) government contractual work system. This provision has been included in the Concept of the development of commuter railway passenger transport, as well as an unconditional obligation of the federal subjects of Russia to compensate the carrier's lost income in relation to the tariff regulation of their activities.

The concept has been already considered and generally approved by the Commission of Transport and Communications of the Government.