

Assurance of Stability and Financial Balance of JSC “RZD” Operations Through Cost Reduction Measures

The Company takes continuous efforts in cost management to ensure balance of JSC “RZD” financial performance. As a result, JSC “RZD” ensures dynamics of the transportation cost (in kop./10 virt. tkm) below a level of price advance in the country. Thus, with an industrial price advance in 2012 at a level of 6.8%, the cost increase in comparable conditions amounted to 3.2%, which is two times lower.

In 2012, the tangible economic benefit of implementation of the cost optimization program aimed at settlement of tasks of the Company’s Development Strategy for 2012 amounted to 7.6 bln roubles.

The strongest economic benefit from activities was secured thanks to improvement of arrangement and technology of production processes — 61%, including efficient use of materials — 79.1%.

Cost saving was also attained due to the introduction of track structure materials recovery activities. Cost effectiveness of this activity was secured by:

- ▶ reduced costs on purchase of new materials;
- ▶ transportation of new materials;
- ▶ reduced time of fixed asset downtime for repairs.

A governing factor in enhancement of company’s competitive power is outrunning growth in labor productivity through increased efficiency of labor resource use.

The company elaborated and introduced measures aimed at improvement of labor rating, integration of new technologies, enhancement of production processes that secured a balance between strength and scope of work.

For example, in 2012, due to a reduced traffic volume, efforts were taken to further ensure transition to single-person train operation, consolidate stations under common management, close low-intensity lines.

A special-purpose investment project titled “introduction of resource saving technologies at the rail transport” significantly contributed to the enhancement of transportation efficiency, which enabled improvement of the infrastructure condition. The resource saving program not only ensures project payback accounting, but also enables application of the railway budget adjustment mechanism based on implementation results.