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Freight One Mulls $3.4Bln Locomotive Investment

By The Moscow Times

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Billionaire Vladimir Lisin's Freight One, the country's largest rail operator, is ready to spend as much as 100 billion rubles ($3.4 billion) in five years on locomotives if their usage is opened to non-state companies.

"The liberalization will widen the range of services provided by the company and significantly improve their quality," Freight One chief executive Oleg Bukin said in an e-mailed reply to questions from Bloomberg News. "Using our own locomotives seems very promising from the point of view of optimizing production expenses."

Lisin's UCL Holding bought 75 percent of the operator last year for 125.5 billion rubles in the largest acquisition in Russia's railroad industry. Freight One had a fleet of more than 192,000 cars, or about 20 percent of the country's rolling stock, when it was auctioned in October, Russian Railways said at the time.

Russia wants to promote competition in the industry to woo investors into renewing the country's locomotive and car fleet. The authorities allowed non-state companies to offer freight services starting in 2003, prompting them to spend 850 billion rubles to rebuild the fleet.

Private operators currently control most of the country's rolling stock, with Russian Railways supplying the locomotives. Overhauling the market may begin as early as next year, Bukin said.

The government hasn't laid out a detailed plan for the industry, complicating estimates of how large a locomotive park will be necessary, Bukin said. Having an in-house fleet will increase operational efficiency and reduce car traffic by 10 percent to 15 percent, partly through process optimization, Bukin said.

Freight One plans to switch to its own locomotives only on sections where the introduction of a free transportation market will allow for better use of technology, Bukin said.

"During the first stage, we plan to introduce our own locomotives for short and medium distances," he said.

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