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Government Mulls Railways Subsidies Increase

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Loss-making passenger services have been a constant headache for Russian Railways since 2005.
Andrei Makhonin

The government may double subsidies to Russian Railways next year in a bid to stave off reductions of passenger services.

Deputy Prime Minister Arkady Dvorkovich said at the Baikal Economic Forum on Thursday that subsidies to the monopoly in 2012 amounted to 100 billion rubles ($3 billion).

"If we exclude the Moscow and northwest transportation hubs, one third of all rail routes are loss-making," he said, Interfax reported.

He added that the government would seek to resolve the deficit in order to avoid reducing passenger services, possibly doubling the amount of subsidies next year.

In August, Russian Railways announced cuts to commuter services in a number of regions

because regional governments had failed to provide the subsidies that make loss-making routes sustainable.

Analysts said at the time that the move was more of a warning shot than a genuine plan, since slashing essential commuter services that are relied on by millions of Russians carries such political risk that the government can not allow it to happen.

Russian Railways President Vladimir Yakunin said at the forum that failure to invest in upgrading rail infrastructure by 2020 could knock 1.5 percent off annual GDP.

Loss-making passenger services have been a constant headache for Russian Railways since it was incorporated in 2005.

Russian Railways has said it lost over 9 billion rubles ($280 million) on commuter services in 2011, and 4.6 billion rubles in the first half of this year alone.

The company, which controls the second-longest rail network in the world, takes federal subsidies of between 30 to 60 billion rubles per year for its capital expenditures.

Meanwhile, it was reported that Russian Railways is the front runner to take over a 75 percent stake in GEFCO, a logistics operator belonging to French car maker PSA Peugeot-Citroen.

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