

Russian Railways to Purchase Record Number of Locomotives

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Russian Railways plans to buy a record number of locomotives next year to upgrade its aging fleet, Transportation Minister Maxim Sokolov said Thursday.

That is good news for French engineering conglomerate Alstom and its German competitor Siemens, which hold stakes in key Russian locomotive suppliers.

State-owned Russian Railways will spend 85 billion rubles (\$2.7 billion) on the purchases next year, or about a fifth of its investment program for the period, Sokolov said.

The money will buy 770 long- and short-haul locomotives, he said.

"This is the most that the Russian Federation can produce per year," Sokolov said at a regular Cabinet meeting, which endorsed Russian Railways' spending for next year.

Industry and Trade Minister Denis Manturov said that Transmashholding, co-owned

by Alstom, will supply most of the machines.

Siemens is a partner in a joint venture named Sinara that makes locomotives.

Russian Railways' total investment spending approved for next year measures 411 billion rubles. The number dwarfs the 1.1 billion rubles that the company expects to earn in profit next year.

It will receive a federal subsidy and borrow 176 billion rubles to raise the funds for investment.

Some of the other major priorities for Russian Railways are completing its railway projects for the 2014 Olympics in Sochi, which will require 33 billion rubles next year, and increasing the through-put capacity of the rail network in and around Moscow, with 17.5 billion rubles set aside for the task.

New Defense Minister Sergei Shoigu, a Cabinet veteran who has come back after an incredibly short stint as Moscow region governor, wondered if the domestic industry would be able to digest the huge locomotive contracts and received assurances from Manturov.

Opening the Cabinet meeting, Prime Minister Dmitry Medvedev jokingly introduced Shoigu as "a little-known person."

Sokolov made an effort to show the government's restraint in supporting the railway monopoly. He said officials hadn't revised the plan to raise rail cargo rates despite changing the inflation outlook upward.

The government approved a 7 percent increase in the rail rates for next year, when consumer prices are expected to go up 5 percent. Officials now believe inflation will total 7 percent.

Economic Development Minister Andrei Belousov took issue with the company's social spending, which comes to 30 billion rubles next year, suggesting some of it could go toward investment instead.

"You need to look for reserves there," he said.

Belousov said rail-cargo rates contribute to inflation more than other key services when they become more expensive, such as electricity.

Interior Minister Vladimir Kolokoltsev brought up the question of railcars to transport inmates to prisons. Russian Railways' fleet of these cars has worn out and needs 400 new units, he said, but neither the ministry nor the company has the budget to finance the replacements.

Medvedev ordered the finance and transportation ministries to look into the matter.

The government may sell a 5 percent stake in Russian Railways to state development bank VEB or an investment fund, Deputy Transportation Minister Alexei Tsydenov said Thursday, Interfax reported.

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