The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russian Railways Fined Over Freight Services

By Roland Oliphant

November 13, 2012



Dozens of companies have complained about rising freight transportation prices and a drop in service quality. **Andrei Makhonin**

The Federal Anti-Monopoly Service has hit Russian Railways with a 2.2 billion ruble ($69 million) fine following complaints from businesses reliant on cargo services that the state monopoly created an artificial shortage of freight cars.

The antitrust watchdog said it imposed the fine after receiving complaints from dozens of companies, logistics firms, government departments and legal authorities, including prosecutors, about rising prices for rail transportation and a concurrent drop in the quality of service.

"For large shippers, [satisfaction of service requests] fell from 90 percent to 60 percent, and for small and medium-sized businesses from 75 to 35 percent," the anti-monopoly service said in a statement published on its website Tuesday.

The FAS said the violation was the result of Russian Railways' failure to abide by an order imposed by the watchdog when the rail monopoly's Freight One and Freight Two cargo subsidiaries were established. The order required Russian Railways to provide additional rolling stock in the event of a shortage of cars.

Cargo subsidiaries Freight One, founded in 2007, and Freight Two, founded in 2010, took over the bulk of Russian Railways Freight fleets.

Billionaire Vladimir Lisin's Universal Cargo Logistics Holding bought almost 75 percent of Freight One from Russian Railways in a 125.5 billion ruble ($4.5 billion) privatization deal in 2011.

A Russian Railways spokeswoman refused to answer questions over the phone. An e-mailed request for comment went unanswered Tuesday.

Vedomosti reported that the rail monopoly intends to appeal the fine in the Moscow Arbitration Court, which threw out a similar claim by the FAS in August.

"Russian Railways believes that forcing rolling stock-owning companies to make rail cars available to the overall inventory at regulated prices negates previously made and implemented state decisions on removing the overall fleet from the regulated sector," the company said in a statement seen by the paper.

"Russian Railways is sure that it is unreasonable and unlawful for a state agency like the FAS to hold a state-owned company liable for fulfilling state requirements on reforming freight transportation," the statement continued.

The FAS first filed a case against Russian Railways and its two freight subsidiaries after complaints from cargo operators in 2011, but only the parent company was found guilty, Vedomosti reported.

Andrei Rozhkov, a transportation analyst at Metropole, said there had long been rumors that Russian Railways was creating an artificial freight car shortage in order to demonstrate that reform of the freight sector had not worked.

"The argument is that private companies serve only the largest, most profitable customers, so smaller customers lose out," he said. However, it is almost impossible to tell whether such an artificial rolling stock deficit really existed, he said.

Andrei Bodin, chairman of the Russian Sugar Producers' Union, one of the organizations that complained to the FAS, said the problem was not a shortage of rail cars, but a matter of market mechanisms and getting the right kind of cars to the right places.

"There are enough rail cars. There used to be a regulated tariff set by a government agency when Russian Railways had a monopoly. Now private companies obviously charge according to market rates. That's where the problem was," Bodin said. "The situation has already improved since last year," he added.

Related articles:

- Russian Railways to Purchase Record Number of Locomotives
- Russian Railways Seeks to Up Investment Program by 7%
- Rail Firm Buys Gefco

Original url:
https://www.themoscowtimes.com/2012/11/13/russian-railways-fined-over-freight-services-a19352