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Medvedev to Let Yakunin Raise Railroad Shipping Rates by 10%

By The Moscow Times

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Over the objections of government and shipping companies, Prime Minister Dmitry Medvedev will let Russian Railways chief Vladimir Yakunin raise shipping rates by 10 percent next year, reaping more than $850 million for the rail monopoly, Vedomosti reported Wednesday, citing two officials close to the decision.

The Economic Development Ministry had previously insisted that the rise be limited to 7.5 percent, the same allowed for other monopolies. The ministry argued that the massive state railroad corporation has the resources necessary to avoid losing money in the coming year, Vedomosti said, citing a copy of a ministry presentation.

The increase will also add to inflation, which has shot above 7 percent this year.

The decision goes against the objections of shipping companies, which had claimed that raising freight tariffs will negatively impact the many players with no alternative to using rail

transport.

The move will bring Russian Railways an additional 32.8 billion rubles ($855 million) in revenue next year, the report said.

On top of the rate rise, Yakunin has pushed for 45 billion rubles ($1.2 billion) in state subsidies, Vedomosti reported. Combined with 25 billion rubles ($650 million) the company says it needs to compensate losses from passenger traffic, these subsidies would demand a total of 70 billion rubles ($1.8 billion) from a state budget already overloaded with requests for aid from companies hit by Western sanctions and struggling with an economic slowdown.

Russian Railways — Russia's largest employer with about a million people on payroll — has seen its profits squeezed since the government imposed a freeze on freight tariffs last year. The company recorded a loss of 440 million rubles ($11.5 million) in the first quarter of this year.

An ardent supporter of state involvement in the economy, Yakunin, 66, has headed Russian Railways since 2005. Widely viewed as a member of President Vladimir Putin's inner circle, he was sanctioned by the United States in March following Russia's annexation of Crimea from Ukraine.

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