

Russia's Government Questions Siemens' \$2.6 Billion Train Deal With Russian Railways

By [The Moscow Times](#)

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Lastochka fast train.

Correction appended.

Russian Railways' 2.1 billion euro (\$2.6 billion) order for 1,200 high-speed train cars from German company Siemens is under threat due to government complaints over what they argue are unsustainable maintenance costs, business daily Vedomsti reported.

The contract, which state-owned Russian Railways signed with Siemens and local partner Sinara in 2011, was to boost the number of Lastochka fast train cars running on Russian rails to 1,470 by March 2015, up from the current 270.

The contract price of each 5-car Lastochka train — lastochka means the bird "swallow" in Russian — is 410 million euros (\$520 million).

According to Vedomosti, government agencies have proposed that Russian Railways cancel the contract, saying the company has failed to take into account the trains' upkeep costs.

The Finance Ministry on Tuesday cut a more moderate line, saying that there is still no plan to cancel the contract, but that the trains operating costs were under debate, the Prime news agency reported.

According to Russian Railways, maintenance for a single Lastochka railcar costs 9 million rubles (\$230,000) per year, totaling 10.8 billion rubles (\$275 million) per train. Government officials, however, fear that expenditures could rise to 17 million rubles per car, or 20.4 billion rubles per train.

Barred by regulation from raising suburban passenger ticket fares, Russian Railways would have to absorb these upkeep expenditures. According to an unidentified government official cited by Vedomosti, this would mean losses to the company of about 6 billion to 14 billion rubles per year.

Defending the deal, Russian Railways said it would economize by lowering servicing costs, increasing the time between overhauls, and localizing production of 80 percent of the train's components by 2017. Negotiations on these details are ongoing, a government source told Vedomosti.

Russian Railways, which has seen ticket sales dip by 8 percent this year compared with last, has little incentive to purchase more passenger trains, said Kirill Nikoda, a senior analyst at Gazprombank's center for economic forecasting.

Sinara's owner, Dmitry Pumpyansky, said earlier that his company and Siemens had invested 10 billion rubles for local Lastochka production in Russia's Ural Mountain region. Production of the Lastochka began last year.

Correction: An earlier version of this article said the contract with Siemens was for 1,200 high speed trains. In fact, it is for 1,200 train cars. Also, the article misspelled the name of Siemens' local partner. The correct name is Sinara, not Sinari.

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