

# International Activities

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In 2016, FPC operated 40 international routes, providing direct and transit passenger services to 19 European and Asian countries, including Germany, France, Poland, Austria, Slovakia, the Czech Republic, Hungary, Serbia, Montenegro, Bulgaria, Monaco, Italy, Finland, China, Mongolia, and North Korea.

Despite relative macroeconomic stabilisation in Russia, 2016 saw a 6.5% fall in the passenger numbers carried by the Company on international routes.

As in the previous year, the decline was mainly driven by lower household incomes and depreciation of the national currency against the US dollar, Euro and Swiss franc.

In this context, the Company continued to cut costs and focus on service quality improvement in an effort to address increased competition in the passenger services market through leveraging opportunities offered by both bilateral cooperation and membership in international industry associations such

as OSJD, UIC, CIS Railway Transport Council and CIT (the International Rail Transport Committee).

The Company was able to maintain its leadership in the international railway sector through collaborative efforts, including proactive adjustments proposed to the Tariff Policy and policies for providing access to rail infrastructure for international trains, as well as improvements to the quality of its passenger services.





## Improvement of the Pricing Policy and optimisation of international rail services

In 2016, FPC stayed in contact with railway authorities and carriers from the CIS and Baltic states to discuss pricing, discounts and surcharges. The Company continued to pursue the pricing strategy introduced in 2015, which offered discounts and special prices for certain trains running to the CIS and Baltic states. In particular, discounts were offered depending on the booking date (Russia – Belarus/Moldova/Lithuania/Latvia/Estonia/Kazakhstan / Uzbekistan / Kyrgyzstan / Tajikistan), onsidebunks in third-class carriages (Russia – Belarus / Moldova), round-trip tickets (Russia – Belarus), and for purchasing tickets for an entire compartment

in first-class and compartment carriages (Russia – Latvia). Discounts ranged from 10% to 58% depending on the route and applicable tariff.

Another set of discounts was offered on all category tickets in international trains (17/18 Moscow – Nice, 23/24 Moscow – Paris, 21/22 Moscow – Prague, and direct carriages Moscow – Vienna, Moscow – Cheb, Saint Petersburg – Vienna and Saint Petersburg – Prague). These discounts were offered on upper bunks depending on booking dates, passenger age (children, young and senior people), to passengers travelling

in groups (more than two or more than six passengers), to just married couples and on the passenger's birthday. Discounts ranged from 20% to 50%.

In the reporting year, FPC continued to optimise its international route network.

Due to lower passenger flows, direct carriages on the routes to Eastern Europe became unprofitable, and in 2016 Moscow – Budapest, Moscow – Sofia, Moscow – Varna, Moscow – Burgas, Moscow – Bar and Moscow – Cheb routes were removed from the train schedule for 2016/2017.

## Promotion of transport products on international markets

On 17 December 2016, the new higher-speed Strizh train set off on its first journey from Moscow to Berlin, departing from Kursky railway station in the Russian capital. The train was launched as part of the events to celebrate the "Day of High Speeds" in Russia.

The Strizh train has a unique technical profile that enables automatic track gauge changeover from 1,520 mm to 1,435 mm track gauge and vice versa, a 20% increase in travel speeds without the need to upgrade railway tracks, and reduced centrifugal force on passengers in small-radius turns.

The new train provides a more comfortable journey for all passengers, including those with special needs, since it has an increased number of compartments for people with reduced mobility. Another benefit is a 5-hour faster travel to Berlin – the entire trip now taking a little over 20 hours.

## Improvements to the international regulatory framework

During 2016, FPC's representatives took part in a number of meetings held by the Inland Transport Committee (ITC) Working Parties at the UN Economic Commission for Europe (UNECE) and in meetings of the OSJD's Informal Ad Hoc Working Group of Experts focused on the development of a convention on the facilitation of border crossing procedures for passengers, luggage and load-luggage carried in international traffic by rail (the "Convention").

In particular, from 22 to 24 November 2016, FPC's delegation participated in the 70th Anniversary Session

of the UNECE ITC Working Party on Rail Transport (SC.2), during which the Company made a presentation at the Workshop on International Rail Passenger Traffic on the Route East-West and contributed to the discussion on the Draft Convention.

The Company's presentation focused on the current state of affairs in the international passenger services sector, outlined the current issues, and offered solutions to them. Participants of the Workshop supported the initiative of the Russian side and decided to develop a draft resolution submitted to the UNECE

ITC for inclusion into the final document of its next session scheduled for February 2017.

During the meeting, the Working Party made progress towards achieving consensus among all members on the need to develop a new Convention on the facilitation of border crossing procedures for passengers. To finalise the draft document, the Secretariat of Working Parties SC.2 and WP.30 proposed a roadmap which provides for signing of the Convention at the 2018 Session of the UNECE ITC.





## Expansion of bilateral cooperation

Ticket sales via the Euronet system for trains operated by SNCF and other European carriers remain high on FPC's agenda for bilateral cooperation.

In December 2016, FPC and Voyages-SNCF Benelux SPRL signed a new bilateral contract for distribution of international services which provides for continued sales of tickets for trains run by European operators, using Euronet ticket forms and available in Moscow, Saint Petersburg and Rostov-on-Don. From March 2017, passengers will be able to buy e-tickets for European trains via the Russian version of the agent website [www.voyagessncf.eu](http://www.voyagessncf.eu) in ticket offices of Moscow, Northern, Northwest, North Caucasus, Gorky and Ural ticket agencies. Since 2012, FPC has been taking efforts to integrate

the Company into the EU's transport system. In 2016, FPC ran a joint project with SNCF to include Russian carriages into the night trains serving the Paris – Nice route.

The project participants noted the high occupancy rates of the carriages (approximately 69% on average) and passengers welcoming the opportunity to travel across Europe in highly-comfortable Russian carriages. In 2016, the project delivered a positive rate of return for the Company.

Given the success of the pilot project, a Russian-French Ad Hoc Working Group was established to look into the case for launching a joint venture for operating passenger services in the night train

segment of the European market, which now offers attractive opportunities for new entrants to exploit.

The target market for the proposed JV is overnight trips lasting between 6 and 12 hours, including, in particular, the routes with no alternative to high-speed train services. At the moment, this segment of the European market for passenger services faces severe competition from high-speed services and airlines, but still it has some undeniable advantages such as high level of comfort, convenient schedule, boarding and alighting at the centre of departure and destination cities (unlike air mode); therefore, there are customers loyal to this segment of services.