



Government Relations

In 2016, FPC continued to collaborate closely with federal and regional authorities to improve quality and availability of long-distance passenger rail services.

As government subsidies in the long-distance passenger service sector tend to shrink (from RUB 24.7 billion in 2015 to RUB 18.9 billion in 2016, and with RUB 9.7 billion expected in 2017), boosting the efficiency of long-distance passenger services through updating the regulatory framework and optimising traffic on unprofitable destinations has become a priority task.

In 2016, very important regulatory initiatives were adopted at the federal level, seeking to improve the competitive ability and appeal of railway services:

- from 1 January through 31 December 2016, a 10% VAT rate was applicable to long-distance rail services for passengers and baggage (Federal Law No. 386-FZ On the Deflator Coefficient for 2016 and Amendments to Individual Legislative Acts of the Russian Federation dated 29 December 2015);
- Federal Law No. 401-FZ On Amendments to Parts One and Two of the Tax Code of the Russian Federation and Certain

Legislative Acts of the Russian Federation dated 30 November 2016, which set a zero VAT rate for the long-distance passenger services, came into effect;

- Order of the Federal Antimonopoly Service of the Russian Federation No. 1836/16 dated 23 December 2016 updated the current pricing for long-distance railway infrastructure services, thus driving development of high-speed train services.

However, no long-term transparent subsidy mechanism to support transport services based on government contracts is in place yet. FPC jointly with Russian Railways, its parent company, continues to cooperate with sectoral ministries and agencies and the Russian Government on draft Regular Railway Passenger Services Bill, Amendments to Individual Legislative Acts of the Russian Federation, and the Interregional Passenger Service Long-Term Regulation Concept.

In 2016, the Company also went on with the preparation of the draft Federal

Law On Amendments to Article 83 of the Federal Law Railway Transport Statute of the Russian Federation, seeking facilitate lower ticket prices for long-distance passenger rail services throughout Russia. The draft introduces amendments authorising a carrier to sell non-refundable tickets, i.e. tickets which are not refunded if the trip is cancelled by the passenger. The State Duma of the Russian Federation approved the draft in the first reading in March 2015.

Regionally, the Company liaised with Russian regional governments to improve the network and find new profitable routes, including tourist destinations. For example, in 2016, workshops were held with the Governors of the Nizhny Novgorod Region, Krasnoyarsk Territory, Saratov, Rostov and Yaroslavl Regions, the Head of the Komi Republic, and Pskov Region and Trans-Baikal Territory government officials, who supervise the transport sector. The work will be continued in 2017.

