

## Tariff regulations



**The fundamentals of state policy with regards to natural monopolies, including the principles of state regulation and forming of the tariff policy in the freight transport sector are determined by law.**

On the basis of federal law, the decisions of the government of the Russian Federation and departmental regulations of federal agencies of executive authority were adopted on natural monopolies regulation. The resulting documents contain state-defined principles of tariff regulation.

During 2013 work on the formation of a tariff policy for the freight transport sector was continued.

Transition to long-term tariff regulation

Implementation of the action plan on the implementation of the target model

Work on improving pricelist №10-01

**The transition to long-term tariff regulation in the freight railway transport sector was completed during 2013.**

The FTS of Russia<sup>1</sup> approved the Guidelines on State Regulation of Tariffs for Railway Transportation Services and the use of railway public infrastructure during Freight Transport. In accordance with these guidelines, the target indexation level of the freight transport tariffs will be calculated for a period of five years.

A fundamental difference between the new guidelines and the previously existing order of tariff indexation is the calculation of the required indicator of return on invested capital (ROI) in addition to the traditional forward expenses indicator. Application of the market rates of return should allow Russian Railways to increase revenues and spend more of its own funds on the implementation of the investment programme.

Transition to the long-term tariff policy is a key element in the formation of a long-term financial model for Russian Railways operations. The availability of a long-term financial model based on a long-term tariff policy is evaluated by ratings agencies as an indication of the Company's financial stability and is also an important factor of investment attractiveness for Russian Railways.

Despite the transition to the long-term tariff policy, the government of the Russian Federation passed a resolution to preserve the 2014 tariffs for freight transport at the 2013 level and to subsequently carry out their annual indexation in accordance with the inflation indicators in the prior period.

<sup>1</sup> : FTS of Russia - undefined