

GOVERNMENT RELATIONS

In 2019, FPC, together with federal and regional authorities, implemented measures to increase the attractiveness and competitiveness of rail passenger services.

At the federal level, the Company focused its efforts mostly on improving the regulatory and legal framework as well as the pricing system for long-distance passenger services.

The Company representatives were included in key working bodies at the level of the Russian Government, ministries and agencies to implement the regulatory guillotine mechanism.

Resolution of the Russian Government No. 545 On Amendments to the Rules on Rail Transport Services for Passengers, Cargo, Baggage, and Unaccompanied Baggage for Personal, Family, Household and Other Needs Not Related to Conducting Business dated 30 April 2019 simplified the transportation terms for travelling with newborns on long-distance trains. Travelling with newborns on long-distance trains is now allowed upon presentation of a medical birth certificate, not just a birth certificate issued by a civil registry office.

On the tariff front, FPC pulled efforts with Russian Railways and FAS Russia in 2019 to develop new approaches to government regulation of fares. The Company believes that in the current market landscape, the procedure for regulating fares for passenger services in third-class open sleeping carriages and fourth-class seating carriages and for subsidising these services, in force since 2007, has lost its relevance and needs to be updated. We will continue our efforts in this regard into 2020.

By Decree of FAS Russia No. 1232/19 dated 20 September 2019, regulated segment tariffs for 2020 have been revised upwards by 3.5%.

It should be noted that by rolling out major marketing campaigns and offering discounts for both individual passengers and certain groups (children, people of retirement age, large families) FPC succeeded in keeping the growth of fares in the regulated segment at 2.9% in 2019, well below the official indexation rate established by FAS Russia at 3.9%.

As part of its interactions with regional authorities, the Company's management has regular working meetings with leaders of Russian regions to discuss improvements to the quality of services provided to the local population. For instance, in 2019, we held meetings and joint events with governors of the Amur, Ryazan, Belgorod and Penza Regions, and the leaders of the Udmurt Republic and the Republic of Karelia to mark the launches of new or refreshed trains in their respective regions.