

# INTERNATIONAL ACTIVITIES

In 2017, FPC provided direct and transit passenger services to 22 European and Asian countries, including Germany, France, Poland, Austria, the Czech Republic, Monaco, Italy, Finland, China, Mongolia, North Korea, Latvia, Lithuania, Estonia, Ukraine, Moldova, Belarus, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Azerbaijan.

In the reporting period, the Company saw a 1.5% decrease in passenger traffic on international routes (6.9 million passengers in 2016 vs 6.8 million in 2017). Notably, the passenger traffic between Russia and EU countries and between Russia and Central and East Asia grew by a total of 8.3%.

The increase in traffic on the above routes was driven by the Company's balanced marketing policy, efficient transportation processes, and a stronger customer focus.

This was also supported by a more extensive cooperation with other national operators within international industry associations (OSJD, UIC, CIS Railway Transport Council, and CIT).

In 2017, FPC's international activities followed corporate development plans and focused on strengthening its leading position in passenger services and improving the efficiency of passenger transportation.

## INTERNATIONAL COOPERATION IN EQUIPMENT AND TECHNOLOGY

In 2017, international cooperation in equipment and technology focused on the improvement of traffic safety, rolling stock servicing and online sales.

In October 2017, Svetlogorsk (Kaliningrad Region) hosted an annual international passenger train safety conference attended by representatives of the largest rail carriers from Central and Eastern Europe, including DB Fernverkehr AG (Germany), SNCF (France), PKP Intercity (Poland), OBB Personenverkehr (Austria), and FPC. European rolling stock experts discussed important aspects of traffic safety and passenger experience, among them technical condition of the rolling stock,

updating the International Coach Regulations (RIC), and further cooperation prospects.

One of the more significant outcomes of FPC's participation in such conferences is more than a tenfold reduction in the number of registered faults for FPC's rolling stock when travelling in Europe.

Starting from 29 June 2017, in a pilot project, passengers were provided with an opportunity to buy tickets for train No. 9/10 'Polonaise' via the website of PKP Intercity (earlier, such option was provided on the website of Belarusian Railway).

The operators involved signed an online ticketing cooperation agreement with plans for the online ticketing service to cover all international trains crossing Poland. Aiming to extend online ticketing cooperation with Asia Pacific countries in 2017, FPC initiated a research project, which was supported by most members of the UIC Asia-Pacific Regional

Assembly, to explore the possibility of integrating booking systems.

The research focuses on finding a uniform solution for national rail passenger carriers to improve interoperability of online booking systems used in Asia Pacific countries.

## IMPROVEMENT OF THE PRICING POLICY AND OPTIMISATION OF INTERNATIONAL RAIL SERVICES

In 2017, FPC continued its extensive cooperation on current pricing, discounts and surcharges with railway authorities and carriers from the CIS and Baltic states. The Company continued to pursue the pricing strategy introduced in 2017, which offered discounts and special prices for certain trains running to and from the CIS and Baltic states. Discounts were offered:

- Latvia / Estonia / Kazakhstan / Uzbekistan / Kyrgyzstan / Tajikistan)
- for side berths in third-class sleeping carriages (Russia – Belarus / Moldova)
- for round-trip tickets (Russia – Belarus)
- when 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 plan.

Another set of discounts was offered on all category tickets in international trains (13/14 Moscow – Berlin, 17/18 Moscow – Nice, 23/24 Moscow – Paris, 21/22 Moscow – Prague, and direct carriages Moscow – Vienna, Saint Petersburg – Vienna and Saint Petersburg – Prague).

The discounts were offered on upper berths 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 newly wedded couples, and on the passenger's birthday. The discounts ranged from 20% to 50%.

In improving the efficiency of international passenger services, the Company follows a flexible tariff policy and continues its cost-cutting efforts, including through optimisation of international train timetables. In 2016/2017, the Company reduced the number of journeys for train 23/24 Moscow – Paris from three to one a week and train No. 9/10 Moscow – Warsaw from daily to three a week. Significant cost reductions were also achieved for train No. 21/22 'Vltava' (Moscow – Prague) by reducing the number of journeys from two to one a week and the number of carriages from nine to six and by changing its route within the Czech Republic.

Additionally, a new schedule was introduced in 2017/2018 for the trains running between Russia and Mongolia:

- FPC's train No. 6/5 Moscow – Ulaanbaatar was cancelled
- New train No. 306/305 Irkutsk – Ulaanbaatar was launched to run twice a week.

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## COOPERATION WITH SNCF

The successful use of Russian carriages in SNCF's night trains running between Paris and Nice proved the high potential of this initiative.

The project participants noted high occupancy rates of the carriages (approximately 69% on average) and passengers welcoming the opportunity to travel across Europe in highly-comfortable Russian carriages.

The project was initially planned to be continued but was terminated in December 2017 at the initiative of the French side following the French Government's decision to cancel night trains on a number of routes, including Paris – Nice.

The cooperation with SNCF is now focused on improving the existing services – trains 17/18 Moscow – Nice and 23/24 Moscow – Paris.

## COOPERATION WITHIN INTERNATIONAL ORGANISATIONS

In the context of intense competition from other transport modes, growing costs of infrastructure services, and the resulting declines in traffic, FPC suggested and has vigorously promoted creating a competitive environment in the international rail passenger services market, with the national government support for railway carriers.

In February 2017, the UN Economic Commission for Europe (UNECE) adopted the Resolution on International Rail Passenger Traffic on The Route East-West (the "Resolution").

The document notes a significant growth potential for passenger traffic and formulates proposals for national governments and railway carriers to create necessary conditions for unlocking this potential.

Participants of industry conferences held in 2017, including the 32nd Conference of OSJD General Directors (17–21 April 2017, Minsk), 45th Session of the OSJD Ministerial Conference (5–8 June 2017, Sochi), and the International Passenger Forum of the CIS Railway Transport Council (7–8 September 2017, Astana), expressed their commitment to the Resolution and initiated the development of action plans to improve the competitiveness of international rail passenger services.

As specified in the Resolution, one of the areas to enhance the competitiveness is to optimise border crossing procedures for international passenger trains so as to avoid long stops at rail border crossing points.



During 2017, FPC's representatives continued working within the OSJD's informal Working Party tasked with the development of a draft convention on the facilitation of border crossing procedures for passengers, baggage, and unaccompanied baggage carried in international traffic by rail (the "Convention"), and promotion of the Convention at meetings of the Inland Transport Committee (ITC) Working Parties of the UN Economic Commission for Europe (UNECE).

## UNECE INLAND TRANSPORT COMMITTEE RESOLUTION ON INTERNATIONAL RAIL PASSENGER TRAFFIC ON THE ROUTE EAST-WEST

The Inland Transport Committee:

- o invites Railway Undertakings along the East-West route to cooperate on a regular basis in order to envisage, design and establish rail passenger services by agreeing single services, time schedules, competitive and transparent tariffs and itineraries
- o proposes that Governments of interested countries more actively attract mechanisms of Government support to preserve International rail passenger transport services by improving their regulatory framework conditions
- o suggests to Governments on the basis of profound market analysis of passenger traffic to apply the principles of economic responsibility in carrying out international traffic
- o following decision taken during the seventieth session of SC.2 on the road map towards finalization of the new convention concerning the facilitation of crossing of frontiers for passengers and baggage carried by rail, invites interested countries to take action and finalize the draft Convention as well as to inform the UNECE secretariat for their willingness to sign and ratify this new Convention when finalized
- o invites the UNECE secretariat to provide its good offices to facilitate such endeavors in particular to address on a regular basis in SC.2 agenda the topic of international rail passenger traffic
- o requests the UNECE Working Party on Rail Transport (SC.2) to report progress on the above-mentioned issues as well as to suggest possible next steps of the efforts on increasing international rail passenger traffic along the East-West route at the eighty-first session (2019) of the Inland Transport Committee for its consideration and approval.

The work followed the Road Map adopted at the 79th session of UNECE ITC.

The Convention is aligned with the UN Sustainable Development Goals set out in the 2030 Agenda to improve transport infrastructure and international mobility.

When adopted, the Convention will enable carriers to implement innovative railway transportation projects on routes linking Europe and Asia, and provide a framework for the development of cross-border high-speed international rail services.