



# Serving the People and the Country:

## Russian Railways and the Pandemic

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« In 2020, amid the COVID-uncertainty, Russian Railways succeeded in preserving the important instrument, i.e. the carriage process.

When both freight and passenger transportation volumes are falling, a carrier is obliged to optimise its costs. Infrastructure maintenance is a costly process, and its main cost items do not correlate with the negative growth in freight and passenger transportation.

Russian Railways' professional team managed to organise the transportation process with minimum losses and maximum efficiency. This approach helped the Company to retain its highly qualified staff, avoid the shortening

of working hours, and improve labour productivity.

Russian Railways' management capitalised on their ability to maintain high performance under heavy external pressure and implemented remote working solutions across its railway network in the shortest possible time.

Despite a strong negative impact of objective external factors, Russian Railways managed to implement infrastructure projects at its Eastern Operating Domain and the Moscow Transport Hub.

Having realised that the 2020 market conditions would be short-lived, Russian Railways did not cease its efforts to

improve the transportation process and introduce state-of-the-art technologies.

In 2020, it launched a number of quantum communications projects. Within three years, these technologies will provide users of railway services with access to advanced software products facilitating the interaction between the customer, the infrastructure, and the carrier. »

**Pavel Ivankin,**  
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The year 2020 clearly demonstrated how fragile the “sustainable” economy was, both globally and in Russia. The expansion of the COVID-19 pandemic and the escalation of measures to curb its spread disrupted the existing global cooperation chains and restricted the flow of goods. Life virtually stopped all around the planet. Closed national borders and travel restrictions led to a logical decline in the transport mobility of people and had a negative effect on the operations of passenger carriers. During lockdowns, passenger transportation dropped by up to 70%. The decrease in passenger transportation in Russia was on a par with European countries.

It should be noted that Russian Railways and foreign transport operators did their best to assist the governments in fighting against the infection, even by sacrificing their own economic interests. Thus, in Russia, the number of passenger trains remained unchanged to ensure social distancing. Air disinfection systems installed in the trains proved very efficient and became a must-have item of passenger transport equipment. In general, the whole transportation process was redesigned to comply with all mandatory requirements to passenger health protection. For example, the majority of services became contactless to minimise human contact.

Russian Railways also extended support to passenger carriers. Thus, in 2020, it deferred more than RUB 23 bn of payments due from Federal Passenger Company (FPC) and suburban carriers. There were times during 2020 when the amount of deferred payments rose above RUB 30 bn.

Despite a decrease in passenger transportation, the Company saw the development of the passenger network as its top priority and managed to launch 20 new suburban routes and even a retro train connecting Moscow and Pereslavl-Zalessky.

Russian railways use a unique system of running both freight and passenger trains, with freight traffic generating

a much greater income as compared to passenger transportation. As a result, a significant decrease in passenger transportation was not so critical for the Russian Railways Group. However, in late 2019, freight volumes handled by its railway network began declining after several years of steady growth due to a number of domestic and external market factors. In 2020, the negative growth trend prevailed and even worsened under the impact of the COVID-19 pandemic and the slowdown of the global economy.

The greatest decrease was observed for commodity cargoes (oil and petroleum products, coal) and non-ferrous metals. At the same time, the volume of shipped grain grew 28.7%, while construction cargoes went up 6.1%. The pandemic also boosted the development of rail container transportation because quarantine restrictions reduced the supply of road transportation services, mainly for transit shipments. At the same time, cargoes transported in rail containers were delivered without delays. Today, the railway industry must do its best to demonstrate the convenience of rail transportation to new customers in Russia and abroad and win their loyalty.

Russian Railways consistently applied new technologies and an adjusted pricing policy to support its clients and retain the freight volumes. At the onset of the pandemic, the Company offered discounts of up to 42.5% for the transportation of socially significant goods in box railcars. Later, this practice was rolled out so that the total amount of discounts was equivalent to financial assistance of RUB 21.4 bn. In addition, the spread of the pandemic triggered an active development of digital services and contactless interfaces for freight transportation. The Freight Transportation electronic trading platform was expanded to cover more than 70% of legally binding procedures.

In spite of the declining revenue, the Company managed to finance its investments in the acquisition of new railcars and retained the majority of orders for new locomotives. This helped to prevent the collapse of

another important industry, rolling stock manufacturing, and proceed with R&D and other investment projects. The Group also preserved all of its key environmental initiatives.

Thus, Russian Railways demonstrated high professionalism and a coordinated approach to managing its operations in the challenging 2020 conditions. The recovery of the transportation market is strongly dependent on the evolution of the COVID-19 pandemic. However, the industry is unlikely to compensate all of the last year’s losses in 2021. A number of negative effects have just begun to emerge and Russian Railways will have to make additional efforts in order to attain its strategic goals.

The year 2020 changed our way of life, and full-scale and long-term work from home became the new reality for millions of people and thousands of businesses. Accepting these changes and putting them to good use will be a key challenge in the next decade. The recovery and future growth of the Russian economy will strongly depend on how fast the transportation industry can adapt to the changes.



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