



FEDERAL ANTIMONOPOLY SERVICE

Liberalization and Structural Reorganization of Natural Monopolies (energy, transport, communications) as a Factor of Economic Development

International Competition Network
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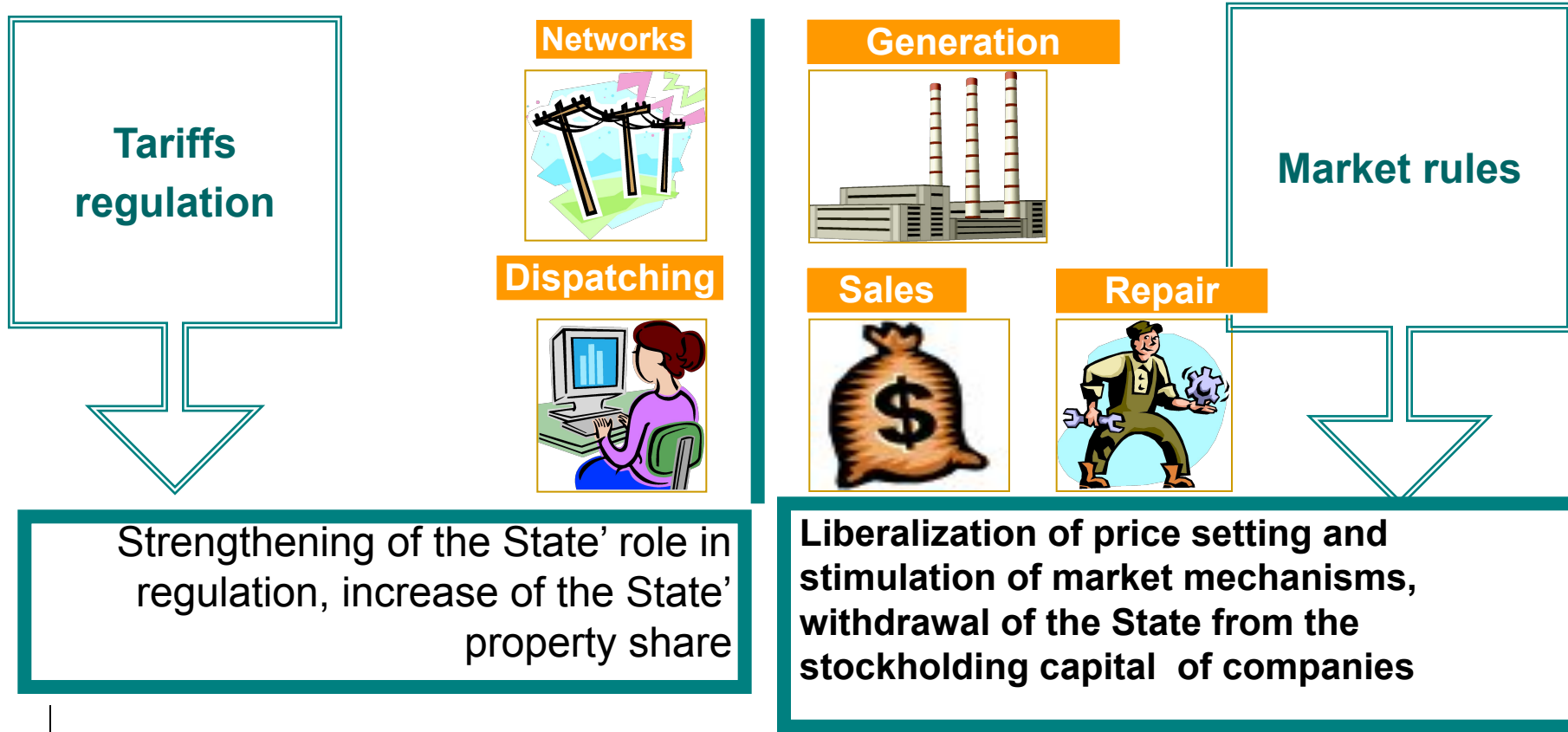
Major spheres of reforms aimed at demonopolisation and development of competition:

- Electricity industry,
- Telecommunications,
- Transport (railway, air, water).

Electricity Industry

Separation of activities: monopolistic and competitive

The economic entities who are involved both in naturally-monopolistic and in the competitive activities must make that separation happen till March 1, 2008. The FAS Russia is realizing control over this process.



Electricity Industry

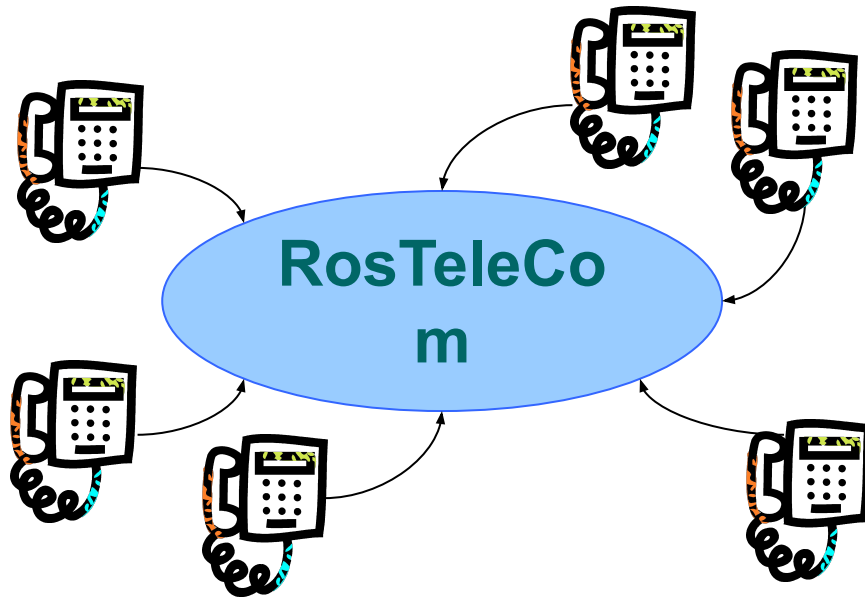
Development of competition in the wholesale market of electric energy:

- Gradual withdrawal of the State from the stockholding capital of the generating and sales companies.
- Attraction of investments into the companies generating electric and heat energy.

Generating companies (21 Territorial Generating Companies and Wholesale Generating Companies) based on the assets of the RAO “UES Russia” have been founded taking into account the maximum degree of market power limiting, i.e. the configuration has been deemed warrantable in terms of minimum influence on the prices in the wholesale market of electric power.

Telephony

Before the disclosure of the long-distance telecommunications* market all the subscribers in the Russian Federation had the opportunity to make use of services provided by the single “long-distance” communications operator.

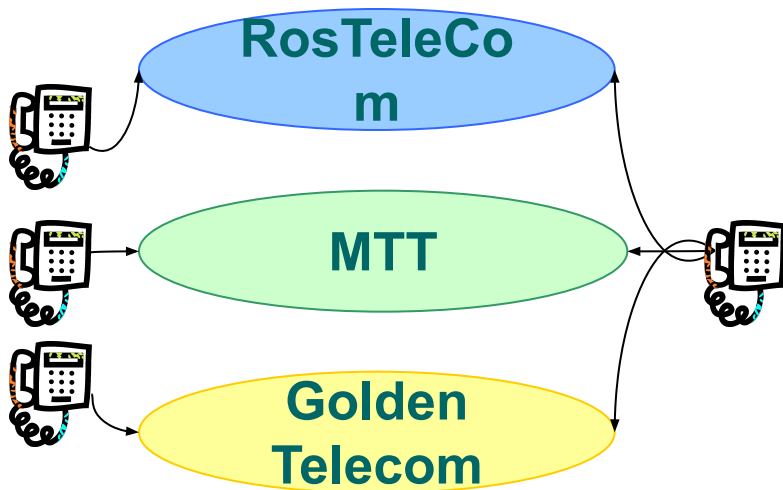


The services were granted on non-alternative basis, the tariffs were overstated.

* international and intercity telecommunications

Telephony

Liberalization of international/intercity communications market



After the changing the legislation the disclosure of the “long-distance” telecommunications’ market took place. New players entered the market, two of them, at present, render services in the whole territory of the Russian Federation. More than 20 licenses have been issued for the right to provide international/intercity communications.

The subscribers now have the choice among suppliers of “long-distance telecommunication” services, or else they can choose the operator for each individual call. The international/long-distance call tariffs have dropped considerably.

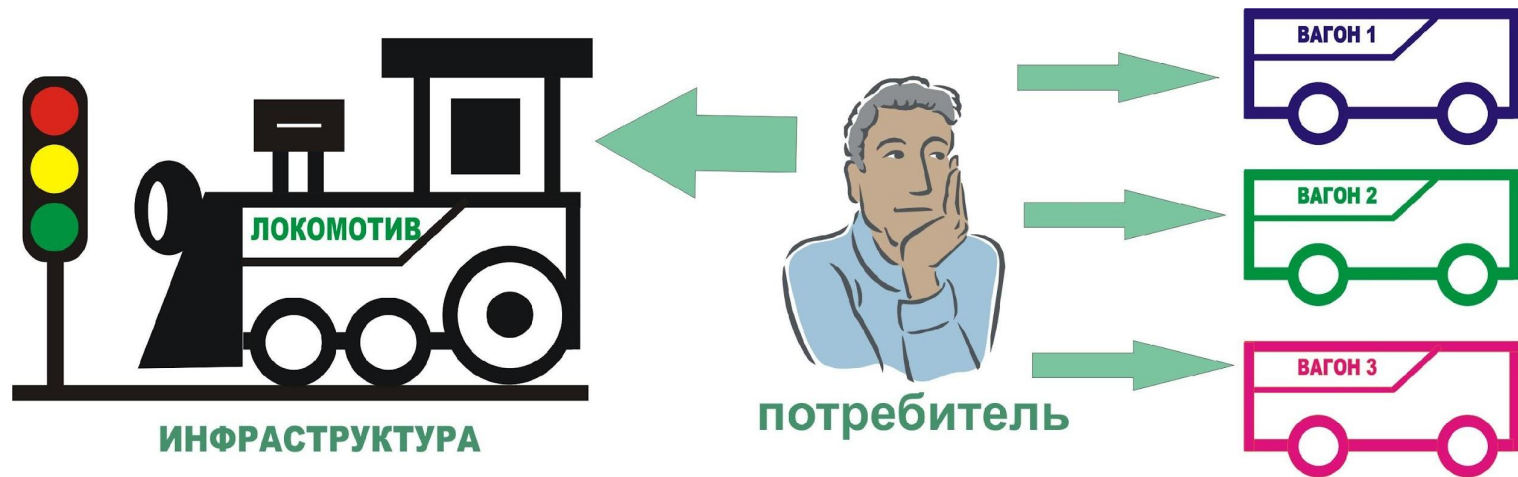
Development of competitive relations in the sphere of railway haulage is the priority challenge of the railway transport reforming



Initially, the functions of a Federal Executive Authority and an economic entity acting in the sphere of railway transportation were concentrated by the Ministry of Railways. At present these functions are separated.

Railways transportat ion

- The wagon-specific component into the gross haulage tariff has been Introduced,
- The private operating companies have appeared, at present, about 35% of the wagons used in the rail haulage belong to private companies.



The shippers have been enabled to choose the owners of wagons.

Railways transportat ion

In the next phase of rail transport reforming it is planned to separate the infrastructure-related activities from the haulage operations.



This should enable the shipper to choose not only the owner of the railway wagon for the transportation episode but also to choose the owner of the locomotive traction.

The Concept of Managing the Airport Network in the Russian Federation

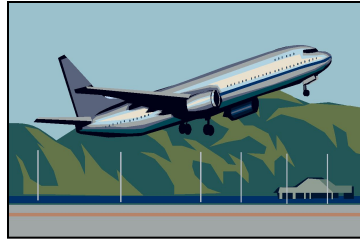
To ensure the effective development of the air transportation market based on the competition principles it is intended:

- to privatize or to give into concession the property packages of the civil aviation;
- to split mandatory the united aviation enterprises into independent airports and air companies;
- to terminate the State regulation of airport fees and tariffs in potentially competitive and competitive sectors of airport activities;
- to elaborate and implement the rules of non-discriminatory access to the airport infrastructure.

Civil aviation

Non – discriminatory access securing

With respect to landing
strips:



With respect to refueling
stations:

Transfer from distribution (licensing and quotation) of routes to the licensing of the whole activity of airports and air companies;

Selling of slots at auctions but not more than 35% to the single company and without the right to re-selling;

FAS Russia' control over the observance of the using of slots and the rules of non-discriminatory access to the airports' infrastructure.

Mandatory allotting by airports and local governments the territories for alternative refueling companies;

Fixing the refueling companies' obligation to store the fuel belonging to air companies;

Withdrawal from the airports, that are the subjects of natural monopolies, of competitive and potentially competitive service sub-divisions;

Water transport

- The Russian State has abandoned the monopoly on seaports which now belong to private companies that compete among themselves.
- FAS Russia will be striving to abate State regulation of economic entities involved in cargo handling terminal operations related to internal water transport.
- The right of specialized ports (fish, timber, oil-loading) to trans-ship not only the special cargoes but also the ones of general trading nature is fixed (the amendment into the draft Law “On Sea Ports”). This will considerably improve competition in the sphere of marine cargo haulage.
- FAS Russia is elaborating the draft Regulation on Non-Discriminatory Access to the Services of the Subjects of Natural Monopolies including the railway transport for common use, seaports and river ports as well as infrastructure of in-land water ways and airports.



Thank you for your attention!

