

## **Ukraine approves 23% freight rate hike for Ukrzaliznytsia**

### **Bus./Industry**

Posted by:

Posted on : 2017/9/4 21:00:06

**Analyst: "So far, we maintain our neutral view on RAILUA bonds."**

KYIV, Sep 4, 2017 - The tariffs committee of Ukraine's Infrastructure Ministry has approved a draft resolution to hike by 22.5% domestic goods transit rates by railway, Concorde Capital informed clients, based on an Interfax-Ukraine reported of Sept. 1. The increase is planned as of October 1, and the draft resolution is being placed on the ministry's website "for public discussion" by end-September. The rate hike will lead to a 0.2% increase in producers' inflation in Ukraine, according to the explanatory letter to the draft. The assumed revision has been included in 2017 business plan of railway monopoly Ukrzaliznytsia (RAILUA), which forecasts that the rate hike will bring UAH 2.8 bln in additional revenue to the company this year. A hike in freight rates in 4Q17 was promised by new acting CEO Yevhen Kravtsov last month. Initially, Ukrzaliznytsia was counting on a 22.5% increase in freight rates as of mid-June 2017, expecting to generate additional UAH 5.8 bln in revenue in 2017 from the increased rates. Concorde analyst Alexander Paraschiy added: "Better late than never, so we treat this news as positive for Ukrzaliznytsia. While we are anticipating a massive media campaign against the planned freight rate hike, to be supported by the key customers of Ukrzaliznytsia (coal, iron ore and steel producers), it is highly likely that the ministry's plan will be implemented in October. "It still remains critical for Ukrzaliznytsia to secure some automatic adjustment of railway rates, which won't be dependent on the will of any ministry and would allow the company to perform any long-term planning, as had been insisted upon by its previous management. So far, we maintain our neutral view on RAILUA bonds."

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