Cards redealt in global industry reshaping

The world’s railway supply industry looks fundamentally different after a year marked by changes to the established order. Murray Hughes investigates.

Change on a huge scale has swept across the world’s railway industry in the last 12 months. As emerging markets develop and existing markets mature, suppliers have been bought and sold, reshaped and amalgamated.

Perhaps the biggest shift has occurred in Europe, where the domination of ‘systems integrators’ has been challenged by the arrival of Hitachi Rail. The newcomer is becoming firmly established thanks to the opening of a train assembly plant in the UK and the acquisition of AnsaldoBreda and Finmeccanica’s 40% stake in Ansaldo STS. AnsaldoBreda’s involvement in the Frecciarossa 1000 high-speed train contract for Trenitalia means that Hitachi is already co-operating at the production level with Bombardier Transportation.

Nor is Hitachi’s venture into Europe simply in the field of rolling stock. In July the company signed a contract with Network Rail for its traffic management technology to be used on the core of the cross-London Thameslink route.

These moves have inevitably caused alarm among established suppliers, and European association Unife has repeatedly articulated its concerns about the lack of reciprocal access to the Japanese market for its members (RG 8.15 p24). On the other hand, JR East continues to court European suppliers, with plans for a multi-city ‘roadshow’.

Potentially of greater concern to Europe’s railway supply industry are developments in China, where CNR and CSR merged in June last year to form CRRC, a powerful conglomerate able to draw on huge resources. The slowdown in China’s economy may sooner or later have an impact on the domestic market for railway equipment, which suggests that CRRC will be keener than ever to tackle markets in the rest of the world. It may also make access to China’s domestic rail sector even harder for European suppliers.

China’s forays into the European railway market have had mixed success to date, but the seeds for deeper involvement are already being sown with research partnerships or joint ventures established with universities in Britain and Germany. And the rollout on July 7 last year of the first passenger vehicle built in China for a European operator was yet another pointer to the ambitions of Chinese suppliers.

Agreements for Chinese builders to set up rolling stock production plants in Argentina were signed in 2013, but last year saw CRRC sign up to construct its first train assembly facility in North America. This followed the signature of a contract originally awarded to a CNR joint venture to supply 284 metro cars for Boston’s Orange and Red lines — the first entry of a Chinese train builder into the North American market. As the deal requires 60% US domestic content, the supplier agreed to build a US$95m final assembly plant and test track at the former Westinghouse site.
in Springfield; a groundbreaking event was held in September.

In the same month a consortium of Chinese companies announced that they and project promoter XpressWest had agreed to set up a joint venture to develop, finance and build a 370 km high speed railway between Los Angeles and Las Vegas. Whether or not this project comes to fruition, the agreement was further evidence of Chinese intentions.

**Alstom-GE deal**

One of the most significant changes in 2015 was the transformation of Alstom into a business focused entirely on the railway sector. This followed the sale of the group’s energy activities to General Electric, a deal concluded on November 2, which was coincidentally the same day that Hitachi closed its transaction with Finmeccanica.

In terms of market volume, Alstom has secured a role in some of the largest rolling stock orders ever placed. These include a £51bn contract for 3600 electric multiple-unit cars signed by Passenger Rail Agency of South Africa and the Alstom-led Gibela joint venture in October 2013, plus the provision of technical support and spares for 18 years.

On November 30 2015 Alstom signed a contract to build a factory and supply 800 twin-unit electric locomotives for Indian Railways under a joint venture initiative which includes maintenance. It has also won an order to provide electrification, signalling and telecoms equipment for part of IR’s eastern Dedicated Freight Corridor.

Just one day earlier GE Transportation was also rewarded with a deal from IR for 1000 diesel locomotives, again involving construction of a locomotive assembly plant under a PPP venture. These long-awaited landmark contracts confirm India’s resurgence as a strong market for railway equipment as the country moves to upgrade its congested networks to support a booming economy.

Elsewhere, Alstom has its eyes on expansion in the UK where it is planning a ‘purpose-built transport and technology facility’ at Widnes.

For its part, GE has made much of the running in the US domestic market for diesel traction complying with Tier 4 emissions legislation (RG 12.15 p28), having booked orders for more than 1400 locomotives. Rival builder EMD, now part of Caterpillar subsidiary Progress Rail, hopes to have its first series-built Tier 4-compliant locomotives ready for delivery in the second half of this year.

**Bombardier refinances**

Following a period when problems with its aircraft business led to a loss of US$4.6bn in the third quarter of 2015, Canadian-owned Bombardier moved to strengthen its financial stability on November 19, announcing an agreement for pension and insurance fund investor Caisse de Dépôt et Placement du Quebec to invest US$1.5bn to take a 30% stake in a new holding company for Bombardier Transportation.

Shortly afterwards, in early December, French Minister for the Economy Emmanuel Macron mooted the possibility during an appearance before the Senate of an ‘arrangement’ between Bombardier Transportation and Alstom. An earlier approach by Beijing Bombardier Transportation had been rejected in September.

The appointment on December 9 of Chief Operating Officer Laurent Troger as President of Bombardier Transportation to succeed Lutz Bertling may herald further moves to improve performance. Bombardier Inc President & Chief Executive Officer Alain Bellemare, said Troger ‘has continuously been one of our top executives, driving superior project execution and performance across the business’. The company added that Troger’s priority would be to put a ‘strategy together with its customers and partners to grow the business’.

On July 7 CRRC rolled out its first train for a European customer: MTZ in Macedonia.
be ‘to deliver on our commitments to customers, while increasing profitability at Transportation’.

The group continues to win business in China, with Bombardier Sifang (Qingdao) Transportation logging an order for 15 more eight-car CRH380D trainsets on September 2. Its Traxx locomotive platform remains popular, the latest addition to the family being the dual-system F120MS broad gauge locomotive for the Russian market—a prototype was rolled out by the First Locomotive Co joint venture between Bombardier and a group of Russian investors at the newly-built Engels factory on August 19. In August, Israel Rail-

ways ordered 62 Traxx units for use with a fleet of push-pull trains as the 25 kV electrification programme comes on stream. Yet another order came in November from leasing company Railpool.

Bombardier’s UK arm has received further orders for its Electrostar design, including a speculative order for 80 cars from leasing company Porterbrook. The company’s Derby assembly plant is currently working on 66 nine-car EMUs for the cross-London Crossrail project which will be the first of its new Aventra platform (RG 11.15 p50). Another 45 four-car Aventra units were ordered by Transport for London in June for London Overground services. Bombardier’s

GE Transportation continues to dominate the North American market, with order for more than 1400 Tier 4 diesel locomotives.

Siemens on target

Siemens reports that it has met its forecasts for the 2015 financial year that ended on September 30, with the Mobility division taking orders worth more than €10bn. From a turnover of €7·3bn, the business achieved a profit of €171m.

The company is working on several large rolling stock orders that include the ICE4 inter-city fleet for Deutsche Bahn and 1140 Class 700 EMU cars destined to form 115 trains for Thames-

metro and tram business saw several orders signed during the year, among them a contract for 162 more cars for Delhi Metro.

Siemens will deliver the first of 80 broad gauge Vectrons to Finland during 2016. Operators in the USA are also ordering Siemens motive power, with SEPTA in Philadelphia contracting for 13 ACS-64 electric locos in November and a further 34 Charger diesel-electric locomotives being ordered by the states of California, Illinois and Maryland in the same month.

Significant signalling and train control contracts were secured in the USA and Algeria; Siemens was also part of a consortium awarded a contract in May to electrify 550 route-km in Denmark.

The company announced on October 20 that it would build a tram factory in Gezbe near Istanbul at a cost of €30m, indicating that it views Turkey as a promising market.

Acquisitions

The names Stadler Rail and Wabtec feature prominently in our timeline, as both companies are in acquisition mode. Stadler’s activities in seeking new markets such as the Asia-Pacific region and Spanish speaking states were influenced by the strong value of the Swiss franc. The Swiss national bank’s decision to decouple the franc from the euro in January 2015 led to a 20% rise in the price of Stadler’s products.

Stadler’s range will expand to encompass diesel-electric locomotives and tram-trains following an agreement announced in November to buy the Valencia-based Rail Vehicles business unit of Vossloh AG. Completion of the deal is expected during the first quarter of 2016. Meanwhile, Vossloh Locomotives expects to open a new production facility at Kiel-Suchsdorf in mid-year.

Wabtec’s position in the railway components market changed significantly with an agreement in October to purchase a 51% share of Faiveley Transport, subject to approval by various competition authorities. Described as creating ‘one of the world’s largest public rail equipment companies’, the move followed a string of smaller acquisitions by Wabtec during the year.

November 19: Bombardier announces agreement for pension and insurance fund Caisse de Dépôt et Placement du Québec to take a 30% stake in a new holding company for Bombardier Transportation, investing US$1·5bn.

November 26: Alstom announces agreement to buy a 51% stake in South African rolling stock refurbishment company Commuter Transport & Locomotive Engineering.

December 8: Vossloh Locomotives France SAS and Socofer establish a joint venture called l星座 aimed at expanding business in the locomotive and servicing sector.

December 3: Nomad Digital and Bombardier Transportation agree a partnership to provide passenger and fleet management connectivity technology in North America.