IN FOCUS Industry Review

Cards redealt in global industry reshaping


Photo: Tony Miles

Hitachi Rail Europe's assembly plant at Newton Aycliffe was officially inaugurated on September 3.

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

January 6: VTG completes acquisition of Swiss rolling stock leasing company AAE.

January 7: The Greenbrier Companies announce an agreement to acquire a 19·5% stake in Brazilian wagon builder Amsted-Maxion Hortolândia for US$15m.

January 8: Knorr-Bremse announces the acquisition of Selectron Systems of Switzerland under an agreement signed on December 19 2014.

January 20: UK train leasing company Eversholt Rail Group announces agreement for its purchase by CK Investments, which is jointly owned by Cheung Kong Infrastructure Holdings Ltd and Cheung Kong (Holdings) Ltd.

January 20: Equistone Partners Europe and Bpifrance announce participation in a €10m capital increase for the holding company that controls seat supplier Compin, allowing it to purchase Spanish seat specialist Fainsa.

January 20: KB Holding makes an offer to acquire the entire stock of Vossloh AG.

February 4: Wabtec Corp acquires Rail Road Controls, a signalling construction services subsidiary of RCL Services Group.

February 24: Hitachi and Finmeccanica announce an agreement for the Japanese group to buy AnsaldoBreda and Finmeccanica's 40% stake in Ansaldo STS.

March 11: Swiss company Alpiq announces the acquisition of Italian rail electrification business Balfour Beatty Rail SpA.

March 15: Stadler Rail and Dunakeszi Járműjavító sign a memorandum of understanding to jointly produce rail vehicles for the Hungarian market.

July 27: Wabtec Corp announces plans to acquire Faiveley Transport SA.

July 27: Hitachi Rail Europe signs contract for Thameslink traffic management system with Network Rail in the UK.

August 4: Škoda Transportation Group announces the acquisition of a controlling stake in Finnish rolling stock builder TransTech from investment company Pritech Oy.

August 18: Arcus European Infrastructure Fund sells its stake in the UK train leasing company Angel Trains to Australian pension investor AMP Capital Investors and Canada's PSP Investments.

September 3: Hitachi Rail opens its UK train assembly factory at Newton Aycliffe.

July 23: Slovakian rolling stock builder Tatravagónka takes a 26% stake in Jupiter Group's subsidiary Jupiter Wagons and castings business Jupiter Alloys & Steel India.

July 17: Vossloh Locomotives launches construction of an assembly plant in Kiel.

July 9: Indian supplier Titagarh Wagons completes the purchase of Italian rolling stock builder Firema Trasporti SpA.

July 7: CRRC rolls out first passenger train for a European customer, Makedonshi Zeleznici Transport in Macedonia.

July 6: CRRC takes a minority state in a US joint venture to build freight wagons in North Carolina.

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 R51bn contract for 3 600 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 1 000 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 update its congested network 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 1 400 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 Québec 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 Infrastructure Investment to acquire between 60% and 100% of 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

On July 7 CRRC rolled out its first train for a European customer: MTZ in Macedonia.

July 1: Greenbrier Europe Wagony Świdnica and PKP Cargo sign a letter of intent for the joint production of wagons in Poland.

June 17: Wabtec Corp announces acquisition of Metalocoucho, a supplier of rubber-metal components with sites in Spain, China and India.

June 10: Stadler announces plan to build an assembly plant in the USA after winning its fifth contract from a US operator; Stadler US Inc was established in 2011.

June 1: CRRC Corp is officially launched, completing the merger of CNR Corp and CSR Corp to form the 'largest rolling stock supplier in the world'.

May 28: Alstom acquires Balfour Beatty's 50% stake in the Signalling Solutions Ltd joint venture, giving it sole ownership of SSL.

April 2: Hyundai Rotem lays the foundation stone for a rolling stock assembly plant in Araraquara, Brazil.

April 7: The European Commission approves the acquisition of UK rolling stock leasing company Porterbrook by Allianz of Germany, Alberta Investment Management Corp of Canada and Utilities Trust of Australia.

April 17: Ricardo announces an agreement to acquire Lloyd's Register Rail.

May 7: Shares in Spanish train builder Talgo SA begin trading on the Madrid stock exchange.

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September 3: CRRC breaks ground for a US rolling stock plant in Springfield, Massachusetts.

September 18: China Railway International USA Co is set up by a consortium of Chinese companies to develop and build a high speed line from Los Angeles to Las Vegas in conjunction with project promoter XpressWest.

September 24: Bombardier awards a contract to build additional manufacturing facilities at its Wrocław plant in Poland.

October 6: Wabtec Corp signs a share purchase agreement to acquire a 51% stake in Faiveley Transport SA.

October 12: Wabtec Corp announces the acquisition of lineside sensor manufacturer Track IQ.

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

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 €7·5bn, 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 1 140 Class 700 EMU cars destined to form 115 trains for Thameslink services in the UK. The company described a contract won in March to supply 82 Desiro HC trainsets for Rhine-Ruhr Express services as 'a huge success' and 'the largest regional rail transport order ever won by Siemens in Germany'; this €1·7bn deal includes maintenance for 32 years.

Operators continue to place orders for the company's Vectron locomotive design, with contracts booked during 2015 from leasing and service company Mitsui Rail Capital Europe, DB Schenker Rail, PKP Cargo and BLS Cargo. 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 Gebze near Istanbul at a cost of €30m, indicating that it views Turkey as a promising market.

Photo: David Lustig

GE Transportation continues to dominate the North American market, with order for more than 1 400 Tier 4 diesel locomotives.

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 2: Finmeccanica and Hitachi close the transaction for Hitachi to acquire AnsaldoBreda and Finmeccanica's 40% stake in Ansaldo STS, launching an offer to acquire the rest of the signalling business.

November 2: Alstom announces the close of its €12·4bn sale of its energy business to GE as part of GE's 'largest-ever industrial acquisition'; part of Alstom's proceeds are used to acquire GE Signalling for €700m.

November 3: Stadler Rail signs an agreement to purchase Vossloh Rail Vehicles, Vossloh's locomotive and rolling stock business based at Valencia in Spain.

November 17: Stadler Rail founds Stadler Australia with an office in Sydney.

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

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