

Ambitious Plans

NTV is an 80 % privately-owned company, the three main private **shareholders** being MDP Holdings (33.5 %), IMI Investimenti (20 %), the Winged Lion Fund insurance company (15 %), and the public one SNCF (20 %). Services started up on 28 April 2012 between Napoli Centrale and Milano Porta Garibaldi (see R 3/12, p. 6), and then steadily expanded, to embrace Torino, Salerno and Venezia. The latest addition to the NTV network was a Milano to Ancona service in December 2013, three train pairs daily, one extended to and from Torino. All NTV's services are promoted under the brand-name *Italo*, though this is the operator's registered format, and are usually referred to as just „Italo“, without the dot.

The **backbone** of the NTV network has been formed since December 2013 by a service linking Torino with Salerno, with stops at Milano, Firenze, Roma and Napoli. The trains also use conventional lines, some upgraded for fast running, between Bologna and Venezia, Napoli and Salerno, and, during 2014, between Bologna and Ancona.

However the economic situation in Italy is not conducive to generating long distance train travel. NTV's new timetable, introduced on 14 December 2014, saw the **withdrawal** of all services between Torino, Milano, Bologna and Ancona. The Venezia to Salerno and Torino to Salerno services have been retained.

The **2015 timetable** offers five daily Salerno to Milano services (one of them continuing to Torino). From Torino there are three (6.15, 7.40, and 16.40) through services to Salerno. There are also two daily Milano to Salerno trains. From Venezia there is one through train service to and from Salerno. Most services are, however, concentrated on the corridor between Napoli, Roma, Firenze, Bologna and Milano - the core part of the network, though the proliferation of timetable footnotes indicates that around half of these trains are either „dated“, or do not run daily.

Demand Does Exist - But Debts Spiral

In late April 2014 NTV stated that it had sold 10 million tickets for its services. This reflects the considerable demand for high speed travel, prompted in part by the very low fares offered in an effort to lure passengers from Trenitalia's long distance services, and also from domestic flights offered by the budget airlines. But even this level of demand was insufficient to cover operating costs, or to help NTV pay back the cost of its expensive new rolling stock.

The result is that the operator found itself becoming ever deeper in debt. This amounted to 781 million EUR owed to the banks at the end of 2013, with an **operating loss** of 156 million EUR for 2012 and 2013 combined. In summer 2014 it was decided to cut costs drastically by dismissing around 300 of the workforce, which had started at around 1,000. Very few of those dis-

NTV At The Crossroads

In spring 2012 Italian open access company Nuovo Trasporto Viaggiatori (NTV) started up high speed passenger services using Alstom-built AGVs (see R 6/11, pp. 24 - 30). NTV had ambitious plans to capture the passenger market on domestic high speed routes, but the reality has been somewhat different.



This photo, taken at Bologna Centrale on 7 November 2012, shows AGV 25 (ETR 575 025) forming an Italo service to Milano. This AGV is the last of the batch ordered from Alstom. On account of the fact that patronage has not yet lived up to expectations, NTV has not taken up its option for ten more of these trains. Notably, NTV is still the only operator using AGVs since the type was introduced on the market in 2005 (see R 1/08, p. 19).

missed were offered part-time employment. Employees were expressly forbidden to talk with outsiders about the operator's problems. The result was not exactly a good advertisement for the company, whose objective was to offer a viable and attractive alternative passenger service to that provided by Trenitalia.

NTV made it public knowledge that it blamed the entire FS group, of which **Trenitalia** is only part, for making unfair competition, by lowering its fares on stretches of line served by the Italo trains, but charging higher than normal fares on other routes. Even politicians were implicated. For instance in 2014 Maurizio Gasparri, the vice-president of the Italian Senate, wrote on Twitter: „NTV's almost bankrupt. (It's) risky to buy tickets sold by Della Valle and Montezemolo.“ The two latter individuals were the founders of NTV.

Evidently this was a rather personal comment, and one designed to make the travelling public worried. It was sufficient to provoke NTV to sue Gasparri for what it described as „shocking statements“, and „to protect its image and especially that of the over six million passengers who, despite this unbelievably contrary attitude adopted by someone in such a high constitutional position, have chosen and continue to choose to travel on Italo trains.“

Remedial Measures?

NTV has taken a number of measures to improve its own services, and to make them more useful. On 15 June 2014 calls for some of the trains at

Roma-Ostiense were abandoned (all continue to call at Roma-Tiburtina). Although these two stations are close to major residential areas, they are not that popular with business travellers. Initially two services were redirected to **Roma-Termini**, one terminating there, the other reversing and continuing to Napoli. Roma-Termini is Europe's second busiest railway station, with around 150 million passengers per annum. The December 2014 timetable changes result in six northbound through services calling there on weekdays, and another two starting there in the early morning. The southbound pattern of trains serving Roma-Termini is similar, with two trains, one from Venezia and one from Milano, terminating there in the evening. Other NTV services terminating in the capital do so at Roma-Ostiense.

Milano does not present the same difficulties as does Roma, since Milano-Centrale is not served by any of the trains, while Porta Garibaldi terminus, on the western side of the city, is close to the central business district and the main urban area.

In mid-January 2015 NTV introduced a new range of „**mini-biglietti**“ - cheap fares for journeys over the short distances between Napoli and Salerno, Torino and Milano, and Padova to Venezia. For the first and last of these journeys single fares start at 6 EUR in Smart class, and 13 EUR in Smart XL and 14 EUR in Prima. Between Torino and Milano the lowest Mini-Biglietto fare is 8 EUR. These fares also rise according to yield management principles, so should one want to take advantage of

the cheapest offers, one has to buy tickets in advance.

As regards Trenitalia, the cheapest Frecciarossa/Frecciargento single fare for all three of these routes is 9 EUR, so the competition is hotting up.

In addition to stiff **competition** from the budget airlines, there are road competitors in Italy. One of the newcomers is the long distance coach operator Megabus (part of the Stagecoach Group in Britain), which offers yield management fares starting at one euro.

The Growing Electricity Bill

NTV's main operating costs, in addition to staff wages, are of course electricity for its trains, and infrastructure access charges levied by manager RFI. These amounted to 137 million EUR in 2013, when NTV had a turnover of 240 million EUR. Electricity bills are expected to rise by between 15 and 20 million EUR per annum over the coming years.

There is a **historical reason** behind this, with present-day repercussions. In 1963 the ownership of FS's power stations was transferred to a new concern, Enel, which was completely state-owned until 1999 and has now grown into one of the world's greatest electricity providers, present in 32 countries and four continents. The deal with Enel, in which the state now holds around 25 % of the shares, resulted in FS being granted an interminable 15 % discount on its electricity bill. Other Italian operators using electrified lines also received this discount. Then Matteo Renzi's government decided that, as

a cost-saving measure, the discount was to be terminated in 2015.

Starting in autumn 2014 NTV and Trenitalia, although competing over passengers, decided to share **rescue locomotives**. Two of Trenitalia's Class 445 diesels are based south of Firenze, and are crewed by Trenitalia employees. NTV has a type G 2000 diesel, which is on lease from Dinazzano-Po, and which is fitted with Scharfenberg couplings. Since 6 October 2014 this has been based on the high speed network north of Firenze.

2015 is likely to be a testing year for Italy's ambitious open access high speed passenger service operator. Will NTV's efforts at pruning services pay off? Will it, through its fares and marketing policies, be able to increase patronage sufficiently to cover more of its fixed and operating costs?

The circumstances in which NTV finds itself are all the more remarkable when one considers that one of its shareholders is **SNCF**, with experience of over 30 years operating high speed trains. For SNCF, involvement with NTV enabled it to compete with FS for the passenger market on the Italian high speed network. However, the involvement of SNCF is not particularly evident, even though it was one of the reasons advanced for French participation when SNCF entered NTV in 2008.

Unflagging Optimism

Given this situation, it is not that surprising that NTV's strategy is to battle on regardless, rather than to beat retreat. In early spring 2015 the company announced a 100 million EUR re-financing programme, to run from April 2015



AGVs 07, 18 and 19 on 8 November 2012 in Nola depot, near Napoli, where Alstom realises maintenance on NTV's Class ETR 575 trains under a 30-year contract.

until 2020. Under this programme it was first envisaged that between six and ten more high speed trains would be acquired. Presumably the option with Alstom for ten more AGVs could have been taken up, but apparently this is not so, since in June 2015 it was announced that the **new trains** would have a top speed of just 200 km/h. This is being done to keep purchase and operating costs, and hence fares competitively low, to attract as wide a travel market as possible.

The new 200 km/h trains are to be used on new services linking Venezia and Milano, Milano and Genova, and

Roma and Verona, together with a revived Adriatic coast service. The main obstacle at the moment is the fact that by late 2014 NTV had run up a current **debt** of 670 million EUR. Before refinancing can begin, and before any of these plans can be realised, the entire debt has to be renegotiated with those financial institutions with which loans have been arranged.

NTV also considered the possibility of acquiring the AnsaldoBreda-built Fyra 250 km/h EMUs, but rejected this option.

It is interesting to note that NTV's **strategy** is essentially similar to that

recently adopted by Westbahn (see R 3/15, p. 62). Both operators, rather than opting out of the fray, are adopting a positive attitude to their difficulties, by acquiring new trains and expanding their services, with the possibility of increasing their patronage and revenue. The consequence could well be that profits will ultimately be generated.

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OUIGO And Thello: Mixed Fortunes

While OUIGO is maintaining its position on long distance budget-priced daytime high speed services in France, Thello is demonstrating that the market for conventional international overnight trains is generally on the wane, and is now seeking to develop new daytime international routes as a panacea.

OUIGO - Situation Stable, But What Next?

SNCF's low-cost OUIGO TGV services have not yet evolved significantly since start-up day, 2 April 2013 (see R 2/13, pp. 66-67, and R 2/14, p. 6). Initially hopes were voiced that services would gradually expand, but this has not yet taken place. There are still the same two **original routes**, from Marne-la-Vallée Chessy (near Paris Disneyland) to Marseille Saint-Charles and between Marne-la-Vallée Chessy and Montpellier Saint-Roch. Completion of the LGV from Tours to Bordeaux, possibly in 2017, may result in OUIGO looking at a further service from Paris to south-west France. OUIGO has also mentioned the possibility of starting up other routes, but nothing new is expected until 2016.

Fares and booking conditions remain unchanged, after more than two years, and there have been only minor timetable modifications, services still being provided by **the same** four TGVs. OUIGO, which is a wholly-owned SNCF subsidiary, states that 400,000 seats are offered every year at just 10 EUR. In September 2014 OUIGO stated that between April 2013 and April 2014 around 3 million passengers had used its trains. This was encouraging, but not as many as had been hoped for. Plans for 2015 involve a greater focus upon attracting group travel and tour operators, with a view to reaching financial stability during the year. SNCF recently announced plans to introduce OUIGO services from the Paris district to Nantes in 2016, followed by Rennes and Bordeaux in 2017.

OUIGO did however achieve a world **record** with TGV 760, which is formed

of the power cars from the DASYE (Duplex ASYNchronous ERTMS) TGV 721 and the intermediate cars of TGV Duplex 220. During the 31 days of May 2014 the train clocked up 91,007 km, an average of 2,936 km per day, or almost the equivalent of two return trips per day between Paris and Marseille. One of the other OUIGO TGVs covered 88,707 km in the same month. The average monthly diagrams for SNCF's ordinary TGV Duplexes at the time involved „only“ a total of 55,211 km.

Following these first two years of operation, and the results obtained, it is interesting to consider what developments OUIGO plans next, and to **query** whether the OUIGO concept is a step in the right direction. It would appear that SNCF is satisfied with its budget-fare subsidiary. Evidently the offer of low fares encourages a certain section

of the market to travel by train, and to embark upon journeys which otherwise they would not have undertaken, or to change transport mode, and leave the car in the garage. But what is also happening is that there has been some abstraction of passengers from SNCF's other TGV services, with their standard (and usually higher) fare ranges. This could conceivably not be in the best interests of SNCF.

OUIGO fares remain the same as in 2013. Single **fares**, tickets sold on a yield management system, range from 10 EUR, increasing in steps of 5 EUR, to 85 EUR, while accompanied children under 12 years of age travel at a flat rate of just 5 EUR. Starting on 4 March 2015 the sale of 100,000 tickets at 10 EUR for the period between 5 July and 12 December began. It is clear that the sale of tickets alone would not be sufficient