

Stadler Rail fights economic turbulences

On 19 June 2015 Stadler Rail held its annual press conference. There were even fewer tangible figures than on previous occasions. Peter Spuhler, majority shareholder and Group CEO, never provides information concerning profits or losses anyway. On enquiry, turnover in 2014 amounted to CHF 1.87 billion; the budget for 2015 foresees a turnover of just under CHF 2 billion.

Trains delivered in 2014 include Flirt units for Norwegian State Railways (NSB), Hungary, Serbian Railways (ŽS) and DB Regio in Rhineland Palatinate (Germany). In the "tailor-made" sector, customised coaches were supplied to various narrow-gauge rack-and-pinion railways: Mariazellerbahn (Austria), Wengernalpbahn (Swiss Jungfrau region) and Matterhorn – Gotthard-Bahn.

Orders received

A new orders received record of CHF 2.9 billion in 2014 together with the high level in 2013 compensates for the massive slump of 2011/2012. This positive situation has helped to largely guarantee full capacity utilisation of production facilities for the near future in a difficult monetary environment. However, in Germany orders received were below budget, as several hoped-for major contracts, like that for the S-Bahn Berlin, were postponed, or like that for RRX in North Rhine Westphalia, were lost to competitors.

In May 2014 Stadler won the tender for 29 SBB Eurocity EMUs, the so-called "BeNe" trains or "Girunos". With these vehicles Stadler ventures into the high-speed segment up to 250 km/h. The contract is worth about CHF 970 million, and the domestic (Swiss) content requirement is supposed to be 80 per

cent. A further success was the sale of the 1000th Flirt, to Junakalusto Oy in Finland. The total number of Flirts sold to date is 1099.

The year 2015 did not start badly either: with the order from Dutch Railways (NS) for 58 Flirts Stadler's great flexibility is once again a major advantage: less than two years after the order was received, the trains are already to be delivered by the end of 2016. Stadler also won the tender for 33 four-coach Kiss double-deck EMUs for the Swedish operator Mälard. The contract is worth about SEK 3.5 billion (around EUR 380 million) and is linked to 110 options; delivery starts in 32 months. The trains will be deployed in the Mälard Lake region. There was no mention of the follow-up order for ten trains by the Austrian operator Westbahn, although work on these trains is already in progress.

In June 2015 Stadler signed the contract in Fort Worth, Texas for eight diesel-electric Flirt 3 trains. The total volume amounts to about USD 100 million and the trains are due to be delivered ex works in July 2017. The ensuing certification period is set to last until March 2018. The order for the railway company "The T" is Stadler's fifth U.S. contract. To date the company has sold 49 articulated multiple units (GTW) in the USA. In contrast to previous U.S. orders, federal funds are here involved in the financing, so for the first time Stadler has to conform to the "Buy America Act", according to which the domestic (i.e. U.S.) content requirement is 60 per cent. It has not yet been decided whether Stadler will build its own or rent an existing plant there.

In May 2015 bimodal Flirt units were sold for the first time. The contract from the Italian

Aosta Valley Region for five bimodal (hybrid) multiple units (BMU) is worth about EUR 43 million. These BMUs can run diesel- or catenary (3 kV DC)-powered. They belong to the latest generation, Flirt 3, and will be delivered in 2018 for passenger traffic between Aosta and Turin. With the commissioning of the bimodal Flirts Stadler in Bussnang hopes to obtain approval for a diesel-only Flirt version in Italy at the same time, especially as the well-known GTW DMUs can only be sold until the end of 2017 due to further tightened crashworthiness regulations.

An important "tailor-made" vehicle contract is the collective order by various metre-gauge railways in western Switzerland.

Open tenders

A further option for 44 Flirts can be expected from NSB. MÁV-Start in Hungary has issued a tender for another 21 trains and the German Bochum – Gelsenkirchener Strassenbahnen AG for 50 trams. The tram order from Verkehrsbetriebe Zürich (VBZ) is also pending.

Developments concerning the Geneva S-Bahn are disappointing for Stadler. Instead of a unitary fleet of about 40 Flirts there will be separate SNCF and SBB fleets. SNCF is procuring 17 Alstom trains, whereas SBB can fall back to a large extent on the Flirt France units which, like the previously-purchased Flirt Alsace EMUs, can no longer cross over to France from Basel. For this reason there was a follow-up order for merely nine further Flirt France units in 2014. Only a small Flirt France series will still have to be supplied, as needed, for the route via Delle to Belfort.



Left: Painful losses: instead of the Flirt, Macedonian Railways are buying trains from China (above). Neither will there be a Kiss for Rhein – Ruhr-Express (RRX): Siemens won this contract (graphics: Stadler).



Right: Passenger coaches for the U.S. Rocky Mountaineer and the Brazilian Corcovado rack railway are still in the bidding phase (graphics: Stadler).





The exchange rate challenge

Stadler also suffers from the 15 January 2015 decision by the Swiss National Bank to abolish the fixed minimum CHF – EUR exchange rate. The products from Bussnang and Altenrhein were suddenly again at least 20 per cent more expensive. Due to the price shock Stadler felt compelled to reduce costs and increase working hours.

As of 1 March there has been an agreement with the Unia trade union over provisional longer working hours. Since then the temporary jobs are being gradually reduced. With unchanged productivity this longer working week, from 42 to 45 hours at the Swiss works, is calculated to lay off about 200 employees.

As a further measure purchase volume was changed from CHF to EUR, but there was also investment in innovations. The transfer of individual orders from high- to low-wage countries will only be considered as a last resort. Stadler is doing everything possible to retain workplaces in Switzerland.

Stadler is causing considerable confusion with its varying information about its workforce. For some time now the internet mentions 6000 employees, including 3000 in Switzerland, but the daily and financial press a figure of 6500. Stadler comments that "the number can vary, according to whether it is a budget figure for the coming year or the current workforce. Furthermore, the figure mentioned depends on whether the enquiry

Under construction: at Minsk trains for Aeroexpress (above left; photo: Stadler), at Bussnang EMUs for JungfrauBahn (above right; photo: an) and for Transport publics fribourgeois (photo right: J. Lüthard).



concerned the entire workforce or the number of full-time jobs. The workforce levels quoted are mean values for the whole year and the budget figures for the current year."

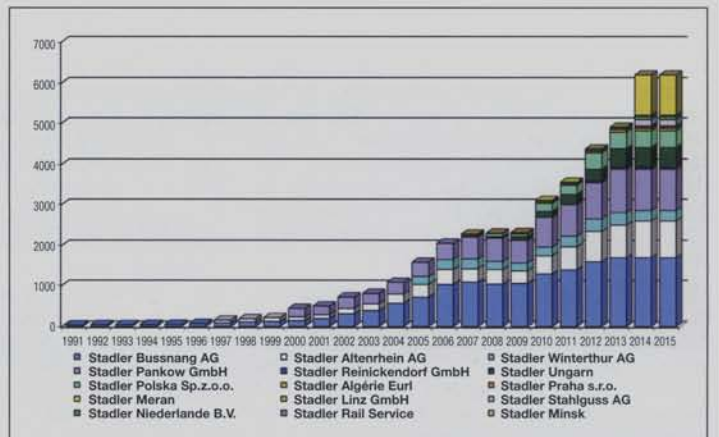
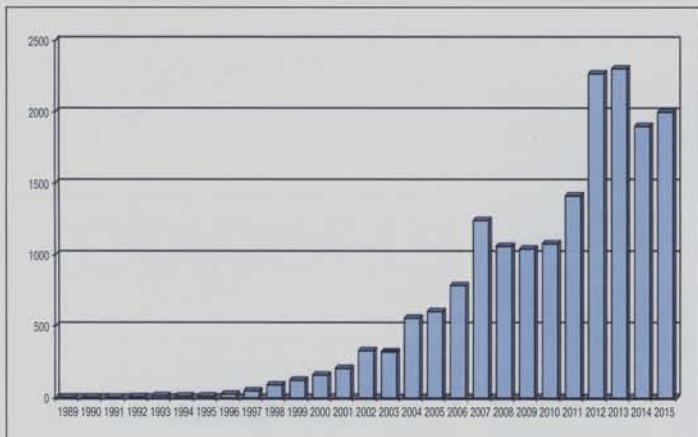
Expansion in the CIS states has been slowed down by the weak rouble and the international sanctions against Russia. Since 2013 Stadler had held a 60 % share in "OAO Stadler Minsk" (in English "OJSC Stadler Minsk"; formerly "OJSC Electric Transport"), a public company according to Belarus law. After withdrawal of the local partner the company was converted to the Closed Joint Stock Company Stadler Minsk in 2014. Negotiations are still in progress concerning the possible integration of Belkommunmash into Stadler Minsk. For the year 2015, 1000 employees were budgeted at CJSC Stadler Minsk, but owing to the ongoing rouble and Ukraine crises, and the associated poor degree of

capacity utilisation, there are currently only about 800.

Directly affected by the weak rouble is the prestigious contract for 25 double-deck EMUs for Moscow airport traffic. The operator Aeroexpress has declared solvency problems and is asking for changed payment conditions or a reduced number of ordered trains. Negotiations with the financing banks and the Swiss Export Risk insurance are ongoing.

There is a valid contract between Aeroexpress and Stadler. Until there is a mutually signed refinancing agreement, Stadler sees the contract as binding and is manufacturing as planned. The detailed finishing work for the 22nd Aeroexpress train has started. More than half of the vehicles are completely assembled, and the rest are in various assembly stages. Two trains have already been delivered to

Growth has suffered a setback, both in turnover (left) and in the workforce (graphics: Stadler).





The first Flirt DMU for the USA will run in Texas (graphics: Stadler).

Aeroexpress and are being used for the certification procedure. Five of the already built trains can be sold at short notice to Azerbaijan.

Stadler lies clearly behind expectations in the Arab states too. The company is therefore changing its strategy. Instead of the CIS and Arab states, it is now extending its feelers

increasingly towards Great Britain and the USA.

Consolidation wave in vehicle construction?

The two Chinese companies CSR and CNR have merged. The industrial giant now has 180 000 employees and a turnover of EUR

30 billion, which is causing unrest not least in the European railway vehicle industry. Discussions on this subject are assumed to be ongoing between the three major manufacturers Alstom, Bombardier and Siemens. Both Talgo (Spain) and Newag (Poland) went public. Vossloh wants to get rid of its rail vehicle sector. Stadler vaguely announces that it will consider the strategic relevance of purchasing such "for sale" candidates.

Stadler first felt the Chinese advance into the European market with a tender in Macedonia. The contract went to China, because Stadler's bid was – depending on the source – three, four or even five per cent more expensive.

For tax reasons Stadler's holding company is not allowed to be active: to date all holding functions have been dealt with via the budget of Stadler Busssnang AG. In order to achieve better cost transparency, a new legal company, Stadler Rail Management AG, was entered into the trade register on 15 December 2014. (an)

Abellio and National Express to operate Rhein – Ruhr-Express services

In March 2015 Siemens was commissioned to build 82 EMUs of the new Class Desiro HC (High Capacity) for the Rhein – Ruhr-Express (RRX) services; the order also included the maintenance of these trains for 30 years (see RU 5-6/2015, p. 70). Now, in late June 2015, a legally binding announcement was made as to who will be operating these trains from December 2018 until December 2033.

- Abellio Rail NRW (North Rhine Westphalia) lot 1 with lines RE1 Aachen – Köln (Cologne) – Essen – Hamm and RE 11 Düsseldorf – Essen – Dortmund – Hamm – Kassel (around 6.2 million train kilometres),
- National Express lot 2 with lines RE 5 Koblenz – Köln – Düsseldorf – Wesel and RE 6 Köln/Bonn Flughafen (Airport) – Köln – Düsseldorf – Essen – Hamm – Minden (6 million train kilometres), and
- lot 3 with line RE 4 Aachen – Mönchengladbach – Hagen – Dortmund (2.4 million train kilometres).

The RRX lines are to go into service step by step and be gradually converted to the new Siemens EMUs; until then DB Regio NRW will be operating the routes involved. The Desiro HC units are to initially run on line RE 11 from 12 December 2018, on the lot 2 lines from 2019, on line RE 1 from June 2020, and finally on line RE 4 from December 2020 onwards.

The public sector vehicle owner involved in addition to the five organisations placing orders under the leadership of the Verkehrsverbund Rhein-Ruhr (VRR) is not one of the public transport authorities responsible for regional railway passenger services. While the organisations conclude transport agreements

with the railway operators for periods of up to 15 years, the vehicle owner purchases the trains, maintains them for 30 years and concludes a vehicle transfer and maintenance contract with the railway operators. This obliges the latter to adopt on trust many of the duties arising from the ownership responsibility and most of the risks, to monitor the maintenance work and document the vehicles' conditions. However, transport operators are not allowed to sign any direct contracts with the industry; these are always handled by the public authorities.

The contract awards for running the services had been delayed by three months in comparison with the tender for the vehicles, as the public transport authorities believed that there was still a "need for some clarification" after the bids had been initially evaluated. Those with inside knowledge revealed that National Express had submitted the most favourable bid for all three lots, so services on the entire most important network in NRW should have been awarded to a company without operational experience in Germany. Those drawing up the complex RRX contract had evidently not given any thought to providing simple legal requirements such as lot limitation and particular suitability criteria.

The complicated RRX contract with its many players and interfaces involves major organisational efforts and only make sense if there are several operators. The VRR finally announced that personnel costs were not the crucial factor in the contract award decision, but rather the indirect costs and primarily the energy costs, which were calculated in different ways by those involved in the tendering procedure. The unsuccessful bidders Keolis,

DB Regio and Netinera opted not to make use of any review procedure, despite the surprising results. Even before the final contract award decision, DB Regio conceded that it had lost the RRX tender.

The decision criteria finally leading to the RRX network award are unclear, so more attention is again being focussed on the vehicle tender contract award process. In this connection the NRW Transport Minister attracted attention already in October 2014 by announcing in the press that Siemens had won the tender to supply the trains.

The result and how it came about raise the question as to how precisely the public transport authority stuck to the tendering procedure rules. For example, no renegotiations were planned, but they took place with several companies none the less. It is also questionable whether legal factors should now take precedence over customer benefits in these procedures. The original goal of implementing a fast RRX service every 15 minutes on partly separate and upgraded infrastructure between Köln, Düsseldorf and Dortmund has at any rate now receded into the far distance.

Meanwhile, the NRW public transport authority VRR has now announced in the press that the RRX model with separate tendering procedures for the operational aspects on the one hand, and for the public sector purchasing the trains and having them maintained by a third party on the other, will also be used for the planned contract award process for services on lines S5/S8, S7 and S28 of the Rhein – Ruhr-S-Bahn (rapid-transit) network. (5777)