

Economy

Work and Jobs

Liberalisation

FS's foreign policy will take the Frecciarossa trains to Paris and Berlin

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The final step in EU liberalisation comes into force in December and the Italian group, which has won a contract in Spain, is betting on France and Germany.

Meanwhile it is also growing in Asia and South America, and is keeping a close eye on the US market.

So far the most prestigious time it has hoisted a flag was in Spain, where less than a year ago the FS won the tender for high-speed rail services in the Iberian peninsula. That means FS will run, amongst other things, and in competition with Renfe, the Madrid-Barcelona route, one of the ten most profitable in Europe. Whereas the most recent success, came at the end of August on the other side of the Atlantic, in Colombia, where the FS won – as part of a consortium – an important batch of work on the new metro system in Bogota (in a tender run directly by the World Bank). The FS's "foreign policy" is thus going through a period of acceleration: the group led by Gianfranco Battisti is active in every corner of the world market, from Asia to America, to Africa. But right now the main target is Europe, where at the end of the year the last stage of rail market liberalisation will be implemented: domestic routes. And of course people are talking about the most profitable ones in terms of potential demand.

Thus far the EU liberalisation scheme has ended up opening

international links, but for the moment these are restricted to ones involving countries that border one another, and just traditional lines, not high-speed ones. So basically we haven't yet seen French TGVs in Italy, or Frecciarossa trains in France and Germany on their respective high-speed networks. But that is going to happen now, because liberalisation is opening competition up on the domestic routes between French, German and Spanish cities. So what has occurred in Italy since 2011, with the birth of Italo, and which has made the country a front-runner in the opening up of the market for passenger services will now take place in Europe as well.

Spain has already had its tender process, although the service will only start in two year's time. Great Britain (despite Brexit) is already liberalised, as is so often the case. Now it is the turn of France and Germany, which will have to open up to competition routes that are amongst the top ten in Europe by traffic volume, such as Berlin-Frankfurt, Cologne-Hamburg, Paris-Lyon and Paris-Bordeaux.

And there is also the Paris-

Brussels line, which will be freed from the restricted logic of liberalisation being limited by the bilateral agreements between adjoining countries. The approach is the same that has been used in the progressive opening-up of air transport.

FS has been preparing for this for years, with an international presence that is spread across various levels, from managing lines – as in Spain or Great Britain, where it has been running the London-Edinburgh-Glasgow route (although that is not high speed) since January. Or by getting involved in the engineering aspects of implementing new projects, such as the tender that was won in Colombia, where it will have to build a metro line.

In this case the know-how that Battisti's group brings to the game obviously lies in infrastructure engineering: signalling systems, power supply and controls which it provides through its subsidiary Italfer. And finally through a third area that is what has marked FS's presence in, for example, Saudi Arabia, Thailand and South Africa. That is Operation and Maintenance,

and unlike engineering contracts, which end once the project is built, in this case the work extends over time, and functions alongside the operations of the company that actually handles the rail traffic itself.

They are outsourcing services which range from maintaining the technological equipment of the network to managing signalling, or ticketing and reservations. Those are areas in which the FS can bring to bear the fact that it was one of the most active railway companies when it came to setting up European train traffic digitalisation standards. And indeed the ERTMS, the European Railway Traffic Management System, which is the standard that ensures interoperability through the EU of networks and rolling stock (and is effectively a kind of GSM for trains), was extensively developed in Italy with FS technicians.

Added to that is the know how that has been developed over ten years high-speed service. "With 350 million passengers carried in Italy on the high-speed network, we have unique skills, and ones that are appreciated in competitive markets, both in Europe and beyond," explained Gianfranco Battisti, CEO and General Manager of the FS

Group, who also emphasised the role it plays as a driver of the supply chain. "We will be sending 23 Frecciarossa 1000s to Spain in 2022," he continued. "They are the spearhead of our fleet, and have been completely built in Italy. Next year we will be operational in Greece, on the Athens-Salonika line."

So FS's international expansion strategies follow different approaches. Obviously direct rail traffic management is mainly going to be done in the European market, and is currently limited to the most profitable high-speed routes, and with joint ventures with partners: from Ilsa in Spain, where it has 45%, to Avanti West Coast in Britain (where it owns 30%). In Germany, which is perhaps the largest foreign passenger market in which FS is involved, in 2011 it took over Netinera, which works on local lines. Dutch firm Qbuzz, bought in 2017, does the same and also handles urban bus and tram transport.

While France's Thello, which was bought at the end of 2016, is a rail company in the true meaning of the word, which handles links like Paris-Venice and Marseilles-Milan. And again in 2017, FS bought Trainose, the main Greek operator in

freight and passenger transport. It is thus difficult, for the moment, to see FS competing on traditional lines, where there isn't the value added from a new high-speed network that is able to increase passenger numbers by taking them from air traffic.

For the moment this thus rules out the Frecciarossa getting involved in eastern European markets. But not far away, Turkey has high speed lines and in recent months FS has renewed an agreement that extends its engineering consultancy and certification work on the high-speed lines.

But at Villa Patrizi, where the FS management is based, they are also keeping an eye on the US market. A call for tenders is expected in Texas over the next few months, but the American market still suffers from a great degree of fragmentation in terms of rules and tenders divided by state, which doesn't make it easy for incoming foreign investment. It is a bit like Europe: the one right now that is to say, and not that which will come after December 2020.

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Opinion

They are focussing a lot on the third kind of contract: Operation and Maintenance, which provides outsourced services that range from maintenance to ticketing and reservations

Gianfranco Battisti

CEO and General Manager of the FS Group

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FRECCIAROSSA TRAINS

Will be built in Italy to be deployed in Spain in 2022

350

MILLION

The number of passengers who have so far travelled on FS high-speed trains

Focus

THE ROUTES BEING COMPETED FOR

At the end of the year the last stage of European liberalisation of the railway sector comes into force: thus far only freight has been opened up. What is happening now is that high-speed routes will have to be opened up to competition between operators (in the photo the EU Competition Commissioner Margrethe Vestager). In particular the following profitable routes will thus be opened up to competition: Paris-Lyons, Paris-Brussels, Paris-Bordeaux, Cologne-Hamburg, Cologne-Brussels, Berlin-Frankfurt, Paris-Milan, Madrid-Barcelona.

The figures

From Asia, via Arabia and South Africa, to Latin America

FS presence around the world

A Frecciarossa 1000 in Atocha Station in Madrid

45%

STAKE

That is the amount that FS holds in the Ilsa consortium that has won the tender for Spanish high-speed routes