



Fiscal Compass Programme

MAPPING REPORT

Railway Sector

**A Report by UKTI FCP Business Specialists
& Pera Business Intelligence
Prepared for: UK Trade & Investment
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1 The Fiscal Compass Programme

The Programme is part of UK Trade & Investment's response to the global economic downturn and aims to help UK companies capitalise on business opportunities arising from major overseas spending programmes.

1.1 Programme Objectives

- To help UK-based companies capitalise on opportunities from G20 and other selected countries' fiscal stimulus packages/sovereign wealth funds, to enhance the UK's effectiveness in world markets;
- Ensure relevant UK-based companies are seized of the opportunities arising from G20 and other countries' fiscal stimulus packages/sovereign wealth funds;
- Reach 1,000 target companies per annum through Programme focused events and Business Specialists' contribution to overseas missions;
- Ensure that the Programme provides UKTI with a legacy of up-skilled colleagues through knowledge transfer of Business Specialists skills to Posts who will be able to identify and deconstruct business opportunities.

1.2 Programme Focus

Business Specialists are currently distilling potential business opportunities from significant government spending in the following overseas markets:

- Australia
- Brazil
- China (including Hong Kong)
- France
- Germany
- India
- Saudi Arabia
- South Africa
- Spain
- United States

1.3 Programme Business Specialists



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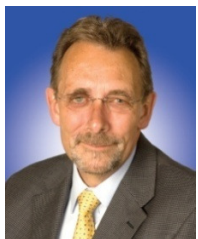
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2 Where Are the Opportunities?

The countries where opportunities in the Rail sector have been identified are:

- Australia
- Brazil
- China
- France
- Germany
- Hong Kong
- Saudi Arabia
- South Africa
- Spain
- United States

The UK regions where the Railway sector is considered a priority are:

- East Midlands
- West Midlands

UKTI Sector Group (SG) recognises the following countries as Priority markets for the Rail sector:

- China
- France
- Hong Kong
- India
- Saudi Arabia

UKTI Sector Group (SG) recognises the following countries as Opportunity markets for the Rail sector:

- Australia
- Brazil
- Germany
- Spain

3 By Country

3.1 Australia

- AU\$1.2 billion Equity Injection to the Australian Rail Track Corporation (ARTC) will fund 17 Projects to improve efficiency on the nation's railways.
- AU\$150 million over two years for the construction of boom gates at rail crossings. Funding of AU\$42 million for these projects has already been announced in Queensland.

3.2 Brazil

The government launched PAC, the 'growth acceleration plan', to boost the economy, with £368.54 billion on a number of infrastructure projects - of which the following are relevant to the railway sector:

- Social/Urban Infrastructure Plan (worth £82.49 billion), focused on the amplification and completion of projects in four cities.
 - £802million will be invested in the improvement and expansion to the metro and urban passenger railway system in all regions of Brazil. A key project includes the conclusion of Line 1 from El Dorado to Vilarinho, extending the line by 6.6km with 5 stations and 2 terminals (including train signalling, the modernisation of trains and of the maintenance centre - tendering process for the Vilarinho manoeuvring patio to be re-launched by 30/06/2009). Project to be completed by 30/06/2010 with a total value of £6.48 million.
- Logistics Infrastructure Plan (worth £42.43 billion), focused on the modernisation and expansion of the railway system under the PAC plan including:
 - 2,518km of new rail build and system improvements (worth £2.54bn).
 - Wide gauge railway studies Ferrovia da Integração Oeste-Leste Ilhéus-BA to Figueirópolis-TO, Ferroanel de São Paulo - Tramo Norte, Concession for the Southern Stretch of the Ferrovia Norte-Sul - sub-stretch Palmas-TO to Estrela do Oeste-SP, and Ferronorte Alto Araguaia-MT toondonópolis-MT.

- Narrow gauge railways studies Variante Ferroviária Camaçari-Aratu-BA, improvements to the Barra Mansa to Rio de Janeiro line, the Contorno Ferroviário Joinville-SC, Variante Ferroviária Oeste do Paraná, and lowering of the level of the railway line Maringá-PR.
- High Speed Train São Paulo to Rio de Janeiro - 518km - auction process planned for 2nd half of 2009 (Halcrow formed part of the advising consortium for this project) - worth £3.53bn.
- North-South Railway (Ferrovia Norte-Sul) Southern Stretch between Palmas-TO and Estrela D'Oeste-SP - 666km Anápolis to Estrela D'Oeste - project being prepared (855km Palmas - Anápolis concluded) - worth £2.09bn.
- Ferronorte Rondonópolis-MT - 260km of railway - project approval for Segment 3 (64km) is expected by 15/08/09 with work due to start by 01/12/09 (worth £240.73m).
- East-West railway 1,490km to be concluded by 31/12/2012 - regional project between the states of TO and BA (worth £1.9bn).

3.3 China

- The Chinese government's latest stimulus package includes 70 new rail projects costing RMB1 trillion in 2009 to build 10,000kms of lines, followed by another RMB1 trillion in 2010 for an additional 10,000kms, and RMB500 billion on rolling stock in the period from 2009-2011. Current rail projects include:
 - Rail lines - 20,000km in 2009-10 worth RMB2 tn.
 - Rolling stock - Between 2009-11 worth RMB500 bn.
 - Beijing to Guangzhou - High-speed passenger rail line worth RMB24 bn.
 - Beijing to Shanghai - High-speed passenger rail line.
 - Beijing-Shenyang High Speed Rail - High-speed passenger rail line.
 - Shanghai-nanjing Intercity Rail - High-speed passenger rail line, proposed (worth RMB39.4 bn).
 - Datang-Xingxian rail link (worth RMB8.9 bn).
 - Jinan Light Rail. Under approval process (worth RMB10-15 bn).
 - Qingdao Metro.
 - Heilongjiang Metro network (worth RMB8.71 bn).
 - No 1 underground rail line Xian.
 - Shanghai rail. Improvements to network, underway (worth RMB122 bn).
 - Beijing Metro Lines - One in 2009, two in 2010 (total 560km track by 2015).

3.4 France

- The French government is injecting an additional €4bn into infrastructure and large projects, of which €510m will be invested on rail projects. The following are amongst the major rail projects currently planned or under construction:
 - **LGV Rhin-Rhône** - 425 kms of new high-speed line with 3 branches, centred on Dijon, comprising a link to Mulhouse in Eastern France and two links to the existing Paris-Lyon TGV line; one near Auxerre to the north and the other near Macon to the south. Construction started in July 2006 on the 189 km eastern branch between Dijon and Mulhouse. This section is expected to cost just over €2 billion.
 - **LGV Est – phase II** - with the first section of the LGV Est line from Paris to Baudrecourt in the Moselle now operating since June 2007, work on the second phase is to start in 2010. This section, of 106 kms in length including a 4 km tunnel under the Vosges mountains is expected to cost €1.7 billion and enter service in 2014.
 - **Lyon–Turin** - a 270 km rail link comprising several sections, the most important of which is a 53 km Franco-Italian base tunnel through the Alps, expected to cost €7.5 billion. This project includes a high-speed rail link for passengers between Lyon and the tunnel, and a new line for freight services. Completion is expected in 2020.
 - **Perpignan-Figueras link** - a new 45 km line, including an 8 km tunnel through the Pyrenees, for both freight and passenger services between France and Spain. The project was awarded in 2003 on a concessionary basis to the Franco-Spanish consortium TP Ferro. Construction costs are estimated at €952 million and the link should enter service in 2009.
 - **Nîmes-Montpellier by-pass** - 60 kms of new high-speed line for freight and passenger services to be funded as a PPP project. Estimated to cost a total of €1.2 billion it should enter service in 2012.

- **LGV Tours-Bordeaux** - 302 kms of new high-speed line linking Tours with Bordeaux to be funded as a PPP project. Three French contractors (Bouygues, Eiffage and Vinci) were selected in November 2007 to enter a competitive bidding process that should conclude with a winner being announced in early 2009. The first phase from Angoulême to Bordeaux should open in 2013 and the second, from Tours to Angoulême, in 2016. Estimated cost: €4.5 billion.
- **LGV Provence-Alpes-Côte d'Azur** - new high speed line linking Marseille with Nice, via Toulon. Several route options are possible - between 150 kms and 240 kms in length - with costs estimated at between €5 billion and €7.5 billion. Initial feasibility and technical studies have commenced.
- **LGV Bretagne-Pays de la Loire** - 180 kms of new high-speed line linking Le Mans to Rennes via Laval with a small branch towards Angers/Nantes. Work is expected to start in 2009 with completion by 2013. Estimated cost: €2.2 billion.
- **LGV Paris-Amiens-Calais** - a new, direct, high-speed rail link from Paris to the Channel Tunnel, via Amiens, which would enable a minimum journey time between Paris and London of 2 hours. Various studies are currently under way and a public consultation process was launched in November 2006.
- In addition to the above projects, the government is planning to modernise Lines 12 & 14 and purchase RER Rolling Stock (worth €0.4 bn), and SNCF (National Railway Operator) under a programme of station upgrades and purchases €0.3 bn.

3.5 Germany

- There is a total of €6.9bn on federal investments, of which €0.7bn will be invested on railway projects (a number of them already in the pipeline).

3.6 Hong Kong

The total stimulus package implemented by the government is worth GBP20 bn, with the following railway projects in the pipeline:

- MTRC Contracts - Five projects from Q2 2009-2016
 - Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) Construction Contracts.
 - Contract 803A – West Kowloon Terminus Diaphragm Walls (Site A). MTRC - Express Rail Link tender.
 - Contract 803C – West Kowloon Terminus Piles (Site A South). MTRC - Express Rail Link tender.
 - Contract 803D – West Kowloon Terminus Diaphragm Walls and Piles (WKCD).
 - Contract 802 – Nam Cheong Property Foundation Removal / Re-provisioning. MTRC - Express Rail Link tender.
 - Contract 801 – Tree Transplanting. MTRC - Express Rail Link tender.
 - Rail revamping of the Huanggang and Man Kam To control points.
- Rail link for Hong Kong and Shenzhen airport
- Other
 - West Island Line. Construction from 2009.
 - South Island Line (East). Construction from 2011.
 - Kwan Tong Line Extension.
 - Shatin-Central Link.
 - Northern Link.
 - Kowloon Southern Link. Commissioning late 2009.

3.7 Saudi Arabia

- Saudi Stabilisation Fund (2009-2014) – worth USD430bn, of which an undetermined sum will be invested in the following railway projects:
 - Design and Build of Stations and Termini
 - Signalling
 - Provision of rolling stock
 - Rail Transport Operations and Charging
 - Mono / Light Railway design and feasibility
 - Network and Station Security

- Construction of 3000km of new track and associated ground works
- Economic City Programme (2009-2025) – worth USD130bn, of which an undetermined sum will be invested in the provision of logistic services at Prince AbdulAziz bin Mousaed Economic City (Hail). This city will have its own airport and dry port on the north-south railway, and will ultimately accommodate 30,000 students out of a total population of 300,000 people.

3.8 South Africa

The country has made significant progress towards building stadiums and transport infrastructure for the 2010 FIFA World Cup. Connected with this major sporting event there has been investment in rail projects as follows:

- Of the budgeted ZAR 787 billion Public Infrastructure Programme, ZAR25 billion will go to the Rail Commuter Corporation to invest in new trains and new routes. Overland and underground construction on a multi-billion rand high-speed rail link between Johannesburg, Pretoria and OR Tambo International Airport is well under way. Nearing completion the link between Sandton and Tambo International Airport to be completed by early 2010.
- Over the period 2009-2013 ZAR 19.5 billion will be spent on upgrading the country's ports and rail infrastructure.
- The government is also planning to invest ZAR11.9 bn in the period 2009-2012 on public transport projects.
- Furthermore, ZAR80 bn will be spent on other projects to upgrade the country's ports, rail and pipeline networks.
- The 2009 government budget includes an expenditure on public transport roads and rail networks of ZAR6.4 bn.

3.9 Spain

- The main stimulus package designed by the Spanish government to come out of the recession includes a plan to invest €140 million on transport and infrastructure projects, such as small transport infrastructure actions including the removal and/or protection of railway level crossings.

3.10 United States

- \$48 billion available nationwide for transportation infrastructure covering all modes - highways and bridges, public transportation, passenger and freight rail and airports.
 - Mass Transit Intercity rail: \$5 billion over five years allocated from 2010 budget (starting Oct 2009) on high-speed rail, adding to the \$8 billion allocated in the fiscal stimulus package. Strategic plan for the development of East and West coast mainlines.
 - Key intercity routes San Francisco to LA, and Boston – New York, Philadelphia and Washington, also being considered is LA to Las Vegas
 - Further upgrades of NY subway is also planned - \$6.5Bn investment over next 2-5yrs.
 - Transit/Multi-modal - development of transit corridors, multi-modal transit hubs, complex tunnelling (e.g. ARC Tunnel between NJ and NY).

4 UK Regions Where This Sector is a Priority

4.1 East Midlands

- Considered Europe's densest cluster of rail engineering companies.
- Highly skilled workforce and presents opportunities for businesses from across the industry.
- According to industry participants, the heart of the region's rail industry lies in Derby.
- Derby is home to over 230 rail engineering companies and over 1,800 trains were expected to be built in 2008. Key companies in the area include world leaders Bombardier (the world's largest rolling stock producer), Siemens Transportation, Scientifics, Catalis Rail, and key freight and distribution businesses.
- UK Rail Centre will be based in Derby, becoming a focal point for trade, investment, and R&D.

4.2 West Midlands

- Concentration of high-value-added engineering, design and integrated supply companies.
- Over 350 rail companies employ some 30,000 people and turn over in excess of £3 billion annually.
- Significant strength in rail engineering, consultancy, project management and support with a unique blend of expertise and multi-disciplinary strength.



5 Fiscal Compass Programme – Contact Details

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