

Editorial



The EFRTC (European Federation of Railway Trackworks Contractors) was officially launched in Paris on the 12th of March 1997.

The aim of its first Chairman, Mr Werner Schmidt-Weiss, was to bring together the European businesses to allow them to share experiences.

A surprising fact immediately emerged when we discovered that the differences between our organisations were less numerous than expected.

Indeed, in all cases, we only have one client, the national railway operator, on whom we are dependent. Because of the operators dominant position, we are therefore constantly required to justify our existence through the technical and economic quality of our services.

It is quite clear that the existence of one large European market provides us with a partial release and opens up the potential to develop new markets. However the EFRTC members are all presently mainly confined to their national markets because of the constraints due to the different standards and requirements imposed by our clients. This situation is a direct result of the lack of interoperability. Consequently, our main concern is to find a solution to the problem of harmonising the European legislation and documentation governing our business.

This is an enormous problem which is not new and to which our Federation is attempting to make its own small contribution. Here are two examples:

Harmonisation of rail track quality and maintenance requirements

The EFRTC has launched a huge survey on the requirements of each national railway defining the way in which each one deals with the approval of the quality and maintenance of railway tracks. The results of this comparative survey are then brought to the attention of the European railway operators with the request of harmonisation of these requirements.

Harmonisation of procurement procedures (call for tenders)

Each railway network has its own approach which it wants to keep unchanged whilst the market is evolving. It is absolutely clear that if an invitation to tender does not yield a result, which is satisfactory in the client's eyes, the track work company will be held responsible. Therefore EFRTC has published a report, entitled " In defence of fair tendering for railway construction and maintenance" which can be found elsewhere in this newsletter.

In conclusion, we think that the EFRTC can make a small but valuable contribution to the world of railways and we will continue to do so.

In this respect we would like to thank all my European colleagues who joined EFRTC and in such have accepted this challenge of improving the market conditions for our industry.

Loïc Perron, President EFRTC

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EUROPEAN FEDERATION OF RAILWAY TRACKWORKS CONTRACTORS IN DEFENSE OF FAIR TENDERING FOR RAILWAY CONSTRUCTION AND MAINTENANCE

Railway construction and maintenance work is changing radically under the influence of new techniques (very high speeds, safety, quality assurance, etc.). However, the way in which the corresponding tenders are awarded is slowing down this development and in particular most national railways are not yet complying with the rules and procedures laid down by the European Community.

SOME OF THE PROBLEMS

Adapting railway markets to the European regulations raises three categories of problem:

1. Abuse of a dominant market position,
2. Breach of the European Union regulations governing supplies and work,
3. Use of state aid to subsidize loss-making activities.

A -Abuse of a dominant market position

National railways generally have, either directly or through a subsidiary, the resources to construct, replace and/or maintain rail track. This creates a conflict of interest. Compared to independent railway construction and maintenance firms, national railway operators are in a dominant position in that they are both customers and suppliers.

They often abuse their dominant position by keeping for themselves and their railway construction and maintenance subsidiaries all or part of some railway construction, replacement and maintenance work.

They may also use the following procedure, i.e.: after a tender, the national railway operator declares the tender unsuccessful as it considers the prices to be too high in comparison with its expectations. The negotiation phase then starts. The national railway operator takes advantage of its dominant position to try to get an acceptable price from a company which had participated in the tender. If, in spite of this negotiation, the company refuses, it can be noticed that the resources then used by the National Railways to carry out the works on its own, are far more extensive than the means which it had previously proposed during the negotiation phase.

B -Breach of the European Union regulations governing supplies and works.

Directive 93/38/EEC requires national railway networks to put railway construction and maintenance work out to tender when the value of the contract exceeds certain relatively low amounts. Despite this, construction and maintenance work is often undertaken either by the national railways themselves or by their subsidiaries, without inviting independent railway firms to take part in tendering, even if they are qualified to undertake the work. This practice enables national railways to exercise a monopoly on the rail track construction, replacement and maintenance market.

Contracts for constructing and maintaining railways are awarded to the national railways' own internal departments or to subsidiaries, without bothering to find out if their proposals are better from the economic point of view. Consequently, the cost of railway construction and maintenance work to the national railways is considerably in excess of what it would have been had the contract been awarded to independent private track work companies.

National railways have also awarded contracts to external firms without inviting independent railtrack work companies to take part in tendering. The German "Vergabeüberwachungsausschuss" has already stated that the "Deutsche Bahn" practices consisting of granting railway maintenance and construction service contracts as part of negotiated procedures were against German laws governing supplies and public sector work, which require the "Deutsche Bahn" to seek tenders in open procedures in accordance with section 3 of VO3/A. Similarly, for tenders, French railways do not apply the double envelope* procedure which is part of the legal requirements for French public sector deals.

C- Use of state aid to subsidize loss-making activities

The national railway networks grant contracts to their own construction units or subsidiaries at unfairly low prices. Losses generated by the railway construction and maintenance contracts are subsidized by profits made by transport operations or by money granted directly by the state.

In addition, some national railways provide sales and logistic support free of charge or at less than cost price. The support may include specialist staff, free use of railway equipment and free access to maintenance shops.

Because of this type of action, independent railway companies find that tenders are awarded to the national railways themselves, even though they are not the best in terms of true efficiency and performance.

CONCLUSION

EFRTC strongly supports an open but fair and economical market for European railway construction work and infrastructure maintenance.

* Technical tender is separated from the commercial tender which one can be opened only after acceptance of specifications.

2-29/06/00

Luzern, May 12, 2000

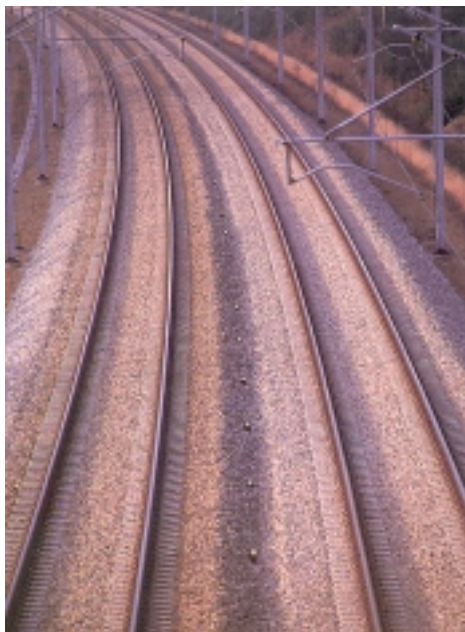
Member News

ANIAF MEETS THE ITALIAN RAILWAYS INFRASTRUCTURE CONTROLLER

In February 2001, the Italian trackworks contractors Association, A.N.I.A.F. (EFRTC Member) was invited to a meeting with the Infrastructure Controller of the Italian State Railways. During this meeting the General Manager, Mr. Mauro Moretti, of the FS Infrastructure Division presented the track renewal program for the years 2001 to 2005 and invited the A.N.I.A.F. Contractors to make new investments on track maintenance machines and on specialised man power.

This approach of FS on the future trackworks maintenance has been very much appreciated by the Italian Association, which confirmed that the Associated Contractors are ready, as in the past, to fulfil the requirements of FS and have already started to make new investments.

However in order to reach the objectives of FS and increase security and quality the following problems will have to be faced: up date the actual price list, review of the new Qualification System of the Trackworks Contractors, review of the Public Procurement Procedures and outsource at medium terms of the infrastructure maintenance.



FOUNDATION OF AN ASSOCIATION OF RAILWAY CONSTRUCTION AND MAINTENANCE CONTRACTORS

The Swiss association of railway construction and maintenance contractors (Vereinigung Schweizerischer Bahntechnikunternehmen VSBU) was founded in April 2001.

The changes in the railroad world, mergers of companies in the private sector, organisational changes of the clients, the appearance of new certification procedures by the authorities, increasing influences of European transportation policies took new dimensions. These factors do bring potential benefits, but also risks.

The VSBU members want to actively participate in these changes. Their association was founded for this reason. Its main goals are:

- To represent members to European and national authorities.
- To represent members to the Swiss government as well as public bodies, railway companies, professional institutions and design offices.
- To promote the status of the specialist companies for track construction and maintenance.
- To promote the common interests of members with regard to any business related problem (finance, tenders, etc.)
- To support members in their efforts towards a fair and unbiased competition with semi-public and subsidised companies and towards preventing irregularities.
- To promote and impart technical innovation and improvements in quality and safety.

The VSBU members are the main private companies, which are first and primarily active in the construction, renewal and maintenance of railroad tracks, in catenary and control equipment (radio, telecommunications, 50-Hz equipment, safety equipment, etc.).

Currently, the association is comprised of about 30 prominent Swiss companies which are active in the above mentioned railroad sectors.

MAINTENANCE CONTRACTS OF MEDIUM TO LONG TERM

The maintenance of facilities is, in general, one of the activities better adapted to planned, continuous and long duration works. But, in the practice, all those conditions can only be given in an appropriate contractual framework. The relationship between the Railway Administration and the Contractor should be stable enough to be able to confront the definition, planning, execution and control of the maintenance works with enough perspective. In that sense, in front of contracts of short duration (two or three years), the five or six years term contracts allow more solid positions:

- Investments in high performance equipment (more than 2.000.000 euros cost machines, each one).
- Systematising of the preventive maintenance of this machinery.
- Personal recruiting (for execution, administration and analysis of the works) with more stable conditions.
- Bigger possibilities of work processes feedback, and to implement procedures of continuous improvement.
- Bigger correlation possibilities between the reached standards of track quality and possible allowances to the personnel and implied companies.

Also, that contractual framework should also be supported by a Railway Administration Managing stable and in tune with those medium-long term goals:

- Reliable planning.
- Maximum use of the non-operational intervals.
- Good co-ordination with the Organisms and implied Departments (security systems, material supplying,...).
- Exclusive dedication of the hired maintenance resources to the maintenance works.

The combination of all those factors will allow to take maximum advantages of operating infrastructure, with a good service for the user, the maximum social economies, and enough guarantees of profitability for implied contractors.

WHAT IS THE INTEREST IN MAGNETIC-SUSPENSION TRAINS?

The testing of guided transport using beams with the hover train built by Jean Bertin, raises the almost insoluble problems of this kind of transport (not least the collection of infrastructure equipment needed to switch lines).

Its natural descendent, the magnetic-suspension train, regularly re-appears and dies again every three or four years.

Why do they try to do it again and again?

What is the interest in this kind of transport?

- An ability to run at high speed? But TGVs are at least equally performant.
- Energy savings? But for these it would not be enough even if it were established that the energy required for magnetic suspension is less than that used by axles on a railway. For a TGV travelling at 400km/h, 85% of the energy used is devoted to overcoming air resistance. So we can estimate that the maximum commercial speed for a terrestrial vehicle is 350km/h.

So what remains in favour of magnetic suspension transport?

→ The photographs

The image of a railway, even the most sophisticated one, will not make a journalists' dream. But a vehicle suspended from a beam – what style, and what a beautiful photograph!



DB AG AND RAILWAY CONSTRUCTION INDUSTRY PLACE COOPERATION ON A NEW PLATFORM.

In the past few years, the Deutsche Bahn (= German Railway), with an annual volume of orders amounting to around 6 billion Deutschmarks, has been one of the largest users of construction work in Germany and will continue to be so within the framework of the planned programme of investments. In the past, and for various reasons which apply to both sides, there have been problems with the business relationships between the DB AG and different companies in the railway construction industry during the carrying out of construction projects.

For this reason, and at the initiative of the Deutsche Bahn, in recent weeks a quality index was developed in a joint discussion circle with the associations in the railway construction industry and representatives of construction companies. The aim of the index is to improve the quality of the cooperation and to put it on a new basis. In addition, within the framework of this agreement, all the participants intend to take steps against irregularities and corruption.

The quality index was presented at the end of 2000 by Klaus Bapp, the new head of purchasing of the DB AG, at a "suppliers' day" for the railway construction industry. It is an opportunity for a new beginning and sees itself as a document of principles and self-commitment for all those involved in construction processes. The main points of these documents can be summarised as follows:

The Deutsche Bahn intends to agree on a code of quality with the German railway construction industry. It underlines the joint interest in a technical and economic realisation of each construction project by means of quality-related processes on both sides. This presupposes a clear definition of the tasks, rights and obligations of the contractual partners while using resources (time and money) economically.

THE CARTEL OFFICE PINS THE DEUTSCHE BAHN

The list of the troubles suffered by the German railways, the Deutsche Bahn, does not stop growing. For example, the cartel office is now investigating the German railways' practices regarding tendering process of maintenance of tracks and platforms, as mentioned by the *Süddeutsche Zeitung*. The federation of Building and Constructing industries has put together a list of serious accusations made by its members, who denounce the systematic preference given to DB's subsidiaries.

The DB has acquired a limited company statute, but its stock is still 100% state-owned. Its competitors, mainly private SMEs and occasionally one or two large constructing companies, think that DB could have abused its bargaining power.

They suggest that to squeeze out the competitors of its public work subsidiaries – the DGB, DGT and IBB- DB has devised a "procedure of the last invitation to tender" which authorizes its branches to be awarded the contracts at the better offering price.

This issue is all the more urgent since an expert pointed to gaps in the maintenance and modernization of the railtracks as the cause of the German trains' chronic delays. *"From the beginning, when it launches a tendering process, DB has no intention to award it to somebody else"*, complained the Federation of the Constructing Industry. As for Konrad Hinrichs, CEO of the Construction Company Holzmann, a private company who won a contract with the DB awaits payments for months, while DB's subsidiaries are paid immediately.

DB has denied all the accusations made against it as *"unfounded"*. It is *"perfectly normal that DB's subsidiaries win (contracts) from time to time"* but there are no privileges, stated a DB spokesperson.

EFRTC WEBSITE

<http://www.efrtc.org>

Press Article, 29th of December 2000

Infrastructure Investment

THE ROME-NAPLES LINE OF THE ITALIAN HIGH-SPEED NETWORK HAS ENTERED THE FINAL PHASE OF ITS CONSTRUCTION.

The TAV S.p.A society has been given the task of building a high-speed network of railways by the Italian Railways, Ferrovie Dello Stato. This contract compliments projects already approved by the Italian authorities, which concern about 1000 km of tracks.

These projects include the following lines:

- Turin-Milan of 124,5 km
- Milan-Bologna of 182 km
- Bologna-Florence of 78,4 km including 73 km in tunnels
- Rome-Naples of 204 km
- Padoue-Venice of 24 km

To this list is added the upgrading of the Rome-Florence line of 254 km and the construction of the rail junctions of Bologna, Florence, Rome and Naples.

The Italian high-speed network plan also includes the line Milan-Verone-Padoue to complete the Milan-Venice line as well as the connection to the French high-speed network SNCF Lyon-Turin.

The Rome-Naples project is the most advanced one and has entered the construction phase. This line is being developed on 204 km, crossing 60 communes and is linked to the classic line through three interconnections at Frosinone North, Cassino South and Caserta North of a total length of 14 km. Once it enters operation, it will raise by 52% the passenger and freight traffic capacity through the linking of Rome to Naples in 1h 05'.

In this last phase, the line construction itself shall be realised, which is divided in three parts: installation of the line, electrification and signalling installation.

For the installation of the line, the work as been awarded in a European-wide tendering process to the CEA AV consortium –Consorzio Europeo Armamento Alta Velocita, which regroups enterprises with long experience in construction and maintenance of classic and high-speed lines.

In this consortium one can find two Italian companies, Valditerra S.p.A, F. Ventura S.r.L. and a Spanish one, Comsa S.A., which belong to our federation, EFRTC.

The line installation work began in January 2001 with the production of an average of 1 km per day, which will enable the construction of the line, including electrification and signalling, to be completed by February 2004.

Conferences & Seminars

April 3 - 5, 2001 - Utrecht, Netherlands
Railtech Europe

May 10-11, 2001 - Paris, France
EFRTC General Meeting

June 8, 2001 - Naples, Italy
**UNIFE Annual Conference and General Assembly
"The European Railway Industry in a Global Market"**

June 12-14, 2001 - Strasbourg, France
**International Railway Exhibition and Congress
"Rail 21"**

September 18-20, 2001
London, England
**Infrarail: The 4th International Railway
Infrastructure Exhibition**

November 25-29, 2001
Köln, Germany
**WCRR 2001: World Congress on Railway
Research**

October 23-25, 2002 - Madrid, Spain
**Eurailspeed 2002
4th World Congress on High Speed Rail**

Structure of EFRTC

EFRTC was founded in 1997. Membership consists of national federations or where these do not exist national co-ordinators, representing the majority of specialist trackworks contractors for countries that are member of the European Union (EU) or the European Free Trade Area (EFTA). National Federations and Co-ordinators from other countries may be admitted as associate members.

EFRTC OBJECTIVES ARE AS FOLLOWS:

- Harmonisation of procurement procedures (call for tenders).
- Exchange of information about the European railway networks.
- Forum for information about new technologies and systems.
- Development of quality standards for track construction and maintenance.
- Improvement of technical competence and safety standards

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EFRTC STUDY GROUPS (JANUARY - JUNE 2001)

STUDY GROUP	SUBJECT OF STUDY TODAY
International tendering Chairman: Mr. D. Schreck (Germany) E-mail address: dieter.schreck@schreck-mieves.de	"Outsourcing of Railway Infrastructure Maintenance"
European affairs Chairman: Mr. L. Perron (France) E-mail address: lperron@tso.fr	"Opening-Up of Public Procurement for Railway Trackworks"
Circulation of construction and maintenance machines Chairman: Mr. J.C. Guedé (France) E-mail address: jcguede@groupepdg.com	"Railway Equipment Maintenance Commission"
European standards Chairman: Mr. R. Naggar (Italy) E-mail address: aniaf.99@flashnet.it	Qualification of Railway Trackworks Contractors"
Railway Trackworks Chairman: Mr. R. Naggar (Italy) E-mail address: aniaf.99@flashnet.it	"Turn Key Project of Track Maintenance"