

May 7, 2013 10:20 pm

## National Express eyes German rail tenders

By Mark Odell, Transport Correspondent

National Express underlined its focus on expanding its position in Germany, as it looked to build on its initial success in Europe's largest rail market by bidding for new tenders that could bring in annual revenues of €900m.

The company declined to specify the number of tenders it was bidding and said it would not expect to win all the contracts. The German regional rail market is being gradually liberalised, with 35 contracts expected to be let over the next two years.

Earlier this year, National Express announced it had won two rail contracts operating local and express rail services in the state of North Rhine-Westphalia. The 15-year contracts, which begin at the end of 2015, are expected to generate €100m in annual revenues, carrying 18m passengers.

The UK-listed bus and rail group is not just focusing on rail. Last month, it entered the intercity coach market, which has also recently been deregulated, with services between the Rhine-Ruhr region and southern Germany.

The service, branded city2city, will link nine German cities, including Düsseldorf, Frankfurt, Stuttgart and Munich, with up to five daily services, using a fleet of 13 Mercedes coaches.

“Germany is an increasingly interesting market for us,” National Express said. “We will be monitoring the results of the city2city services and if demand is there we will look at adding new services and routes.”

Analysts cautioned that it will take a long time to build up any sizeable presence in point-to-point coach operations in the country. “It is a massive market with significant opportunity but naturally it will attract a lot of interest and it will be very competitive,” said Gert Zonneveld, transport analyst at Panmure Gordon. “It’s going to be a long haul.”

Other UK transport groups have looked at the intercity coach market but are concerned by the competition from Deutsche Bahn's well-developed, high-speed rail network.

A rail journey between Frankfurt and Munich, for example, takes one hour and 18 minutes and the cheapest return quoted on DB's website is €39, depending on time of travel. In contrast, city2city offers a €16 return fare with a journey time of 2 hours 55 minutes.

Germany's regional rail market started to liberalise in the early 1990s but progress has been slow, with Deutsche Bahn's regional arm still running about 75 per cent of services. The intercity rail services remain in the hands of DB, which also controls the country's rail infrastructure.

Shares in National Express closed 3 per cent higher at 210p after the London-listed company said trading was in line with expectations. Investor sentiment was bolstered by the company's comments about the "resilience" of its Spanish operations, which have recently been hit by declining sales.

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