

June 23, 2013 6:20 pm

MTR seeks further expansion in Europe

By Mark Odell, Transport Correspondent



MTR, the operator of Hong Kong's mass transit system, is looking to expand in Europe and lessen its dependence on its local market.

The Hong Kong-listed group is looking at opportunities in Germany, which is starting to put some of its regional and urban rail services out to private tender.

"We are looking very closely at continental Europe. One of the markets that we've been looking at for example is Germany," Jay Walder, chief executive of MTR told the Financial Times.

The company, in which the Hong Kong government retains a 77 per cent stake, is considering a bid to run part of Berlin's S-Bahn overground urban rail network, part of which is being put out to competitive tender for the first time. The winner is to take over running services across five of its 15 lines in 2017.

MTR has had a presence in Europe since it won a UK contract to run London Overground as part of a 50:50 joint venture in 2007. After a change of ownership, its partner in that venture, dubbed Lorol, is Deutsche Bahn.

It also operates in Sweden, where it has run the Stockholm metro since 2009.

While eyeing opportunities in Germany, MTR's main focus in Europe is the UK, where it is bidding for two London commuter rail franchises – Essex Thameside and Thameslink. The company also wants to bid for the contract to operate services on London's newest rail link – the £14.8bn Crossrail route – when it opens later this decade.

Mr Walder is familiar with the project, having spent just over six years as finance director at Transport for London, the city's transport authority, until early 2007, where he was one of the driving forces behind getting Crossrail funded. "It's a project that is incredibly near and dear to my heart," said Mr Walder, who headed up New York's Mass Transit Authority for just over two years before joining MTR in 2011.

MTR is one of a number of state-backed transport groups looking beyond their home markets. Deutsche Bahn and SNCF have both been expanding abroad.

Earlier this year, Guillaume Pépy, chairman and chief executive of SNCF, the French national rail operator, identified MTR as the “big newcomer” in the bidding for international mass transit contracts.

MTR is expanding in Australia, where it operates Melbourne’s urban rail system. It is one of two shortlisted bidders to operate services on Sydney’s new A\$8.3bn (US\$7.7bn) North West rail link, which is due to open in 2019.

The company operates five metro lines in mainland China, including two in Beijing. Last year, its international operations, including mainland China, carried almost 1.2bn passengers a year.

This compares to 1.8bn passengers that used the metro services and MTR’s bus operations in Hong Kong last year.

Revenues from its international and Chinese operations reached HK\$12.8bn (US\$1.6bn) in 2012, fast approaching the HK\$14.5bn turnover of its Hong Kong transport operations.

Commercial income from stations and revenue from its large property portfolio in Hong Kong, lifted group revenues to HK\$35.8bn in 2012, up 7 per cent on a year earlier.

Once earnings from real estate development are included, almost half the group’s HK\$13.7bn net profit comes property.

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