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UPDATE 2-Deutsche Bahn trims Siemens train order -document

Fri, Sep 20 2013

- * Deutsche Bahn trims order by 31 trains - document
- * Move cuts order by almost 1 billion euros
- * Companies say order for first 130 trains unaffected
- * Deutsche Bahn orders trains from Siemens Rival Bombardier

FRANKFURT, Sept 20 (Reuters) - Germany's Deutsche Bahn has trimmed an order for next-generation high-speed trains built by Siemens by almost 1 billion euros (\$1.4 billion), an internal Deutsche Bahn document seen by Reuters showed.

"As part of modifications decided in early 2013, the procurement volume ... has been reduced by 31 trains," the document said.

This marks another setback for Siemens, which has been dogged by delays at its rail business, incurring project charges of more than 250 million euros this year alone.

The engineering group has been at loggerheads with Deutsche Bahn over the delayed delivery of ICE high-speed trains, which forced the rail operator to push back from this year plans to launch a direct train connection from Frankfurt to London.

Deutsche Bahn's move to buy fewer next-generation ICx trains than planned is also a major embarrassment for Siemens because the 6 billion euro order signed in 2011 was at the time celebrated as the biggest in Siemens' 166-year history.

Then, state-controlled Deutsche Bahn agreed to buy 130 trains immediately and 90 later. The deal, valid through 2030, also gave Deutsche Bahn the option of ordering an additional 80 trains at any time.

Deutsche Bahn and Siemens both said the order for the first 130 ICx trains, to be delivered between 2017 and 2020, was unchanged.

"Anything beyond that is based on options from the framework agreement that relate to the time after 2020," a spokesman for Deutsche Bahn said on Friday. Siemens also declined to comment on the delivery of further trains.

TOO MUCH TO HANDLE

Deutsche Bahn had planned to use the ICx trains, which will be lighter and more fuel efficient than previous models, and others, to replace its ageing InterCity (IC) fleet.

Now it looks like Deutsche Bahn is taking its business elsewhere. The internal document showed it is planning to buy another 17 double-decker IC trains from Siemens' Canadian rival Bombardier for 293 million euros, in addition to 27 it has already ordered.

Siemens, which also makes products ranging from gas turbines to ultrasound machines, has been going head-to-head with major rivals like Bombardier and France's Alstom in the highly competitive market for long-distance trains.

It trumped Bombardier for a \$2.4 billion contract to build carriages for Britain's Thameslink rail line, and Alstom went to court trying to block Eurostar from finalising a 600 million euro train order with Siemens.

But there have been growing signs that the company has taken on more than it can handle.

It emerged earlier this year that the delivery of trains to Eurostar, the operator of the Channel Tunnel passenger train service, would be delayed, with Siemens saying it had underestimated the project's complexity.

And in July, Siemens pulled out of the bidding to provide trains for Britain's multi-billion pound Crossrail project, saying it no longer had the capacity to deliver 600 carriages.

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