



SJ International

Mr M Wiedenhof
Ministry of Transport, Public
Works and Water
Management
Project Organisation HSL
PO Box 43
3500 AA Utrecht
The Netherlands

Projectorganisatie HSL-Zuid	
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Stockholm July 29, 1999

Venw/DG/100-2009/4719

Re: HSL-Zuid Project.

Dear Mr Wiedenhof,

Further to my discussions with Ms. Wahlberg and Roel Testroote and in response to the letter from Wim Korf, the project Director of the HSL-Zuid project I wish to submit our letter of interest for the purpose of registration to this very exciting project.

This letter is divided into two sections. In **section one** I have to the best of my ability tried to answer the questions that have been posed by the Dutch government under point 3, expertise. I have indicated to certain appendices and enclosed documentation in this section to support the answers. I hope that you will find them satisfactory. However, if there are any unclarified points please feel free to get back to me.

In **section two** I have briefly tried to summarise some of the salient factors raised in your section under consultation questions. My observations though considered are spontaneous and I would request that you allow them the value you feel they may be worth.

Section I. Expertise specific to the project

SJ International is the external operating arm of the SJ Group of transport and allied services, where passenger transportation in Sweden is one of the main activity areas. We are incorporated as any other private limited liability company under Swedish law.

1. During the past decade of restructuring and dramatic changes that have taken place in the passenger services market, SJ has been able to meet the growing competition from other modes of transport. This has been done by concentrated efforts on meeting the customers needs rather than solving a railway operational "problem". We have developed specific IT systems as well as invested in human resources to meet these challenges. We have also wide experience on new investment in HSL.

SJ has been able to meet low-price competition from bus transport and take additional market shares from air transport for business travel by means of active product development and flexible pricing. This has been made possible by the use of creative resources in-house and also due to the long-term goals of the Swedish political arena

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SJ International

Interest registration – HS-services contract(s)

Details of Company

Name	<i>SJ International</i>
Current Trading Name	<i>SJ International</i>
Previous Trading Names (if different)	<i>N/A</i>
Principal Address	<i>105 50 Stockholm, Sweden</i>
Name of contact person	<i>Mr. Sunit Ray, President</i>
Telephone	<i>+46-8-762 36 23</i>
Facsimile	<i>+46-8-762 36 06</i>
E-mail	<i>sunit.ray@int.se.sj</i>
Type of Organisation	<i>Railway Operator</i>
Country of Registration	<i>Sweden</i>
Registration Number	<i>556334-4620</i>
Year of Registration	<i>1999</i>

Describe the nature of the business and the services the company provides.

Managing innovative railway operations solutions to ensure and enhance customer benefits through rail transportation.

Is the company a subsidiary of another organisation? Yes / No. If yes, please provide:

Name of the parent company *Statens Järnvägar, SJ (Swedish State Railways)*

What interest does the parent company have in the company?

Fully owned subsidiary

Type of contract(s)

1. Assuming the objectives and conditions laid out in this document and assuming both international and domestic contracts will be publicly offered, do you intend to register for:

- International transport contract *yes*
- Domestic transport contract *yes*
- The combination of the two *yes*

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which has seen the need to upgrade rail infrastructure to provide “viable mobility” for the travelling public. From the information contained in the Registration document for HSL-Zuid it is apparent that the Dutch Governments key objectives:

- Encourage people to use rail services rather than cars and aircraft to reduce congestion and pollution
- Accommodate future travelling needs and forecast growth and,
- Maximise socio- economic benefits from the infrastructure investment,

are in essence exactly the same as in Sweden. Therefore SJ International will have the knowledge that the Dutch government requires and the emotional feel of operating in the environment that the HSL-Zuid project will be established.

2. In the following section we indicate some of the key parameters that characterise our present transports in the passenger sector. We would also request you to look at the section on passenger traffic in our annual report, which gives a concise resume of our total experiences.

Projects that are relevant to the HSL-Zuid transport services are the following:

- We have over 100 years of experience in passenger service by rail
- The planning and introduction of the high-speed train X2000 to the HSL network in Sweden. (Detailed information is available, and some key factors can be seen from enclosed documents)
- The SJ group has a decade of successful operational experience in running HSL-trains and understands the operational requirements in totality

SJ Passenger Traffic	98	97
Operating income (SEK million)	6 710	6 649
Operating profit/loss (SEK million)	477	272
Operating margin (%)	7.1	4.1
Return on capital employed (%)	9.5	4.7
Investments (SEK million)	598	235
Passenger-km (million)	6 997	6 814
Average no. of employees	5 897	6 219

The above figures show our current situation in Sweden. We also have experience in other Scandinavian countries and have worked in projects, specially railway consulting, restructuring and operations, all over the world.

3. To understand the customers needs for the HSL-Zuid transport services it is an imperative for an outside operator to at least form a consortium with a local partner.

SJ International is extremely sensitive to the fact that even though the basic requirements of the Dutch Government and the Swedish government may be similar there will be a

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strong need for cultural interfacing. We are also clear on the fact that we will and must look at this project as long term, and will therefore identify, based on the advise given to us by our customer and the market a forceful team of expertise to deliver the required services.

At this stage, it is sufficient to indicate that we have very good relations with merchant and other banks. Our financial and performance credibility is high and we have an excellent international network with suppliers to the railway industry to be able to draw on to ensure a best possible consortium for the project.

The standards we set will be high and we will only engage with the best partners for this project. We are good at team work and will be able to field a powerful consortium.

Section II. Consultation questions

Tender process

1. The project document for HSL-Zuid is well defined and easy to understand, and should attract serious operators who see the potential. However since you also specify that the registration is open to setting up of different forms of consortium you might consider spreading the information to a wider public, both in the finance and rail industry sectors as well as public services since you already have experience from Lovers rail i.e. Vivendi. There may be other "Vivendis" around, who could act as a balancing factor. Simply put encourage new constallations, and participate actively.
2. The Government has a crucial and difficult role in this process, as the customer as well as the supplier to the travelling public. Sufficient time must be made available to accommodate and understand the needs of non-local operators so as to get most value for money. At the same time the Government will face the questions from the public for having "bought" the services if they work in disharmony with the intentions of the local travellers. Ideally there should be a process, which can bridge the complex requirement. Setting up support groups to actively participate in the tendering process in open and non discriminatory manner will enhance the Governments image as well as facilitate the process.

Objectives

3. The objectives of the Government are explicit and understandable. They will not be appreciated by the airline or road sectors. Substitution by rail will be a gradual process and adequate resources must be made available to let the operators use their creativity and knowledge to initially "buy" back the travelling public. The contract arrangements should include incentives for the operators and their partners to make commercial profits as opposed to regulated profits in a public service operation. The contract should also allow value add partnerships downstream, and most importantly even ensure that the Government gets a "bonus" for its policies.

Contracts on offer

4. Contract lengths should be realistic. 5 years is a minimum. A 5-10 year, with option to renew every 10 years would allow serious relationships and proper planning.

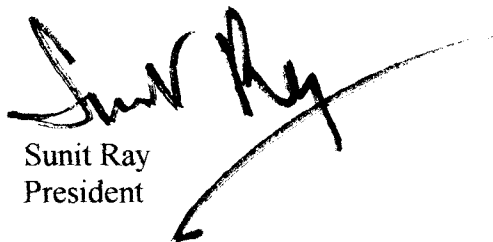
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5. There is a tendency to advocate openness in cross border traffic on the policy level. The technical barriers that do exist in the proposals such as signalling systems etc. will impose a considerable premium. The Government should actively support disbanding of such hindrances, which may not be the primary priority of each of the national operators or national companies that are in place. Thus a wide "cultural" base in the operators profile may prove valuable in these forms of international transport services contracts.
6. The domestic carrier will have a considerable edge and rightly so over international operators. To gain cross fertilisation the domestic operator could consider partnerships with the support of the government that are often the shareholders. They must also be allowed real commercial equality and accountability. This is a political question.
7. Since a major part of the estimated catchment of travelling public will be domestic combined with international customers, it will be more expensive to isolate them from each other, if not impossible. The economies of scale in such a large project needs as broad a base as possible.
8. The four alternatives that have been identified would work in different situations and are a function of your policies. Ideally there should be open competition, but in reality allowing voluntary co-operation with clear incentive schemes for a number of "preferred" operators who would watch over each other and even deliver your requirements may be the solution. The system must be flexible otherwise the public will continue to use their cars and travel by air.
9. As free as possible in as much as the traveller is rarely interested in the identity of the operator per se, they will want good, preferably the best service. By making too many rules prior to a situation where co-operation may be allowed to develop naturally will serve as an impediment rather than a support. It is in the governments interest however to seriously study the trackrecords of the operators it shortlists, in as much as the domestic operator will play a key role in the scenario, and will need if necessary a value add partner only.

I hope that my spontaneous remarks are of some use, and look foreword to being considered for your registration process.

I remain,

Yours faithfully,



Sunit Ray
President