



## Highly rated *As the second largest lessor of intermodal railcars in Europe, Touax Rail is a first name for its customers*

**S**pecialised in operational leasing, the history of Touax begins in 1855 in on-river towing activities. Organised into four branches today this Group acts globally in the provision of mobility solutions, responsiveness, and flexibility towards client projects, both on its own account and on behalf of investors. In particular it is the European leader in shipping containers and river barges, and the second largest lessor for intermodal freight cars through its subsidiary Touax Rail.

The diversification of these leasing and sales businesses is a key part of Touax Group's value creation strategy. Other facets included strong levels of recurring revenues with 70 per cent of leasing income, excluding services, coming from multi-year contracts. This is leveraged through the Group's owned assets, which number around 45 per cent of the total number, at a value of €710 million. The remaining assets are managed on behalf of third parties, which help improve Touax Group's profitability

without tying up capital.

As to how the railcar fleet fits into this, Louis Pastré, business development and marketing director of Touax Rail, elaborates: "We have invested regularly in our wagons over the past ten years to grow the fleet to its current size of 9100 units. This growth is the result of a successful partnership with our clients and suppliers, as well as our investment capacity. Around 65 per cent of the fleet is based on intermodal railcars of various types for the loading of containers, as well as automotive carriers, coal wagons, steel coil carriers, and hopper cars in the US.

"We primarily lease railcars in Europe, Turkey and the US, but Touax continues to diversify geographically establishing new business in Asia with a very promising outlook. The need for flexibility, short delivery times and cost effectiveness, alongside environmental awareness, the increase in transport of raw materials and agricultural goods, and the liberalisation of rail freight transport in many

countries all promote the leasing of railcars internationally. We rent to national railways such as DB, SNCF and SBB, private railway undertakings, operators like Greenmodal, Geodis and Gefco, and industrial companies including Solvay and BASF," he continues.

In terms of other developments within this fleet Touax Rail now manages its wagons under VPI rules, which allows it to deliver maintenance such as reprofiling and revisions closer to its clients' operational areas. This reduces transportation costs and downtime. "After our accreditation to ISO 9001 in 2010, we became one of the first to achieve Entity in Charge of Maintenance (ECM) certification in December 2011. This European certification recognises Touax Rail's know-how in the field of technical management and maintenance of railcars, and will continue to accelerate its development opening up prospects for growth throughout Europe," describes Louis.

Already the company has been selected to manage the ECM services of a large intermodal fleet of over 1100 wagons for the next three years. Other projects that Touax Rail has been successful in include the supply of a large number of coal wagons for traffic between the Benelux countries and Germany.

Describing the general feeling within the industry Louis notes: "Rail market share



versus road will increase regularly in Europe.” Continuing he outlines where investment is required to facilitate this: “In addition, the European fleet is getting older and needs a strong replacement programme over the coming years. Whilst the market needs 10,000 to 20,000 new wagons per year, the last five has seen only 5,000 to 7,000 produced. Compared to a European fleet that numbers around 700,000 wagons this represents around only one per cent. This is a structural

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under-investment trend that should end soon.

“These combined parameters will position leasing companies as key partners to accompany this development. Leasing ensures flexibility and low capital expenditure for our clients who need to optimise their organisation, traffic management, and costs. This enables them to focus on their core business of customer service and transportation. In addition, industrial companies are also leasing wagons in order to stay independent from the rail undertaking – in the case of lower quality service they keep control of the wagons and simply have to find another solution for the traction,” he adds.

There remains a differentiation between western and eastern Europe with the ongoing financial crisis generating certain changes in the market, whilst competition from the roads, and rolling stocks of national railways presents their own challenges. Still though the market expects quick availability and delivery of units, which is where Touax Rail benefits with its

good reputation and solid customer orientated organisation. The company is positive that the market will slowly recover in 2014 with many opportunities only postponed as opposed to cancelled, and the need for new wagons reflecting well on Touax Rail's seven-year age average.

“We're focusing on business development in order to improve utilisation rates. As such we are proposing a range of services to our clients including financial solutions such as sale and lease back, and our new capabilities in ECM. We offer these services alongside the operational leasing solution services. In the coming years Touax Rail aims to manage over 15,000 wagons mainly in Europe including a portion in the USA. Touax Rail is also well positioned to an international expansion. Through this we intend to keep investing and diversifying our wagon portfolio,” concludes Louis. ■

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1. maja 71/36  
014 83 Bytca  
Slovakia

**Tel:** +421 41 5556 620

**Fax:** +421 41 5556 616

**e-mail:** [marketing@kinexbearings.sk](mailto:marketing@kinexbearings.sk)

**[www.kinex.sk](http://www.kinex.sk)**