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UK

by Miles Johnson

Spain raises heat in fight to build high-speed rail link

By Miles Johnson in Madrid and James Boxell in Paris

A Spanish consortium jousting with France over a €7bn contract to build the first high-speed "pilgrim train" between Mecca and Medina has raised concerns with Madrid that a last-minute French lobbying effort could have tilted the competition in its rival's favour.

Tensions between the two sides have risen since the Saudi Arabian authorities announced another delay last month on deciding which side will build the 444km service running through the desert between Islam's two holiest sites. The Spanish and French governments have been lobbying Saudi officials intensively for the last year.

Senior members of the Spanish consortium, which includes the state-owned rail operator Renfe, had been confident its offer would win because it was almost 30 per cent cheaper than the French proposal. But the Spanish consortium has become concerned that recent French overtures to Saudi Arabia – in contravention of the rules of the bidding process – could have swayed the decision, people briefed on the bid said.

The terms of the contract, seen by the Financial

Times, stipulate that any lobbying after bids were submitted could cause the offending bidder to be disqualified by the Saudi government.

The project to design, build and operate the Haramain high-speed railway is regarded as one of the most prestigious and lucrative infrastructure projects currently out for tender.

It is viewed by both Madrid and Paris as crucial to advancing their high-speed rail industries abroad ahead of possible contracts from Brazil and other emerging markets.

Launched by the Saudi Railway Organisation in 2006, the projected route will require specially designed tracks to cope with desert heat and sand accumulation. During peak periods, it is expected to carry 166,000 passengers a day at speeds of 350km an hour from Mecca, though Jeddah Central Station, King Abdulaziz Interna-

tional Airport near Jeddah and on to Medina.

The Spanish and French consortiums both said they would not comment on the contract before the winner was announced. The Spanish government declined to comment, and said the matter was for the Saudi government to decide.

One person close to the French offer, however, said Spanish concerns over lobbying were "mystifying". "Everybody has been lobbying for this contract, the King of Spain has been lobbying for this. If you have a contract that is worth a lot of money and you are a head of state, you are going to pick up the phone."

France and Spain have held diplomatic meetings with Saudi officials since the turn of the year, with Nicolas Sarkozy, France's president, meeting King Abdullah in New York, and Trinidad Jimenez, Spain's foreign minister, visiting Saudi Arabia.

"It would be one of the biggest Spanish consortium projects outside Spain ever, so when there is a delay the race inevitably becomes tense," said Philip Moscoso, a professor at IESE business school. "In the short term there is a lot of money on the table, and in the longer term it is a reference project for international projects in the future."

€7bn

Value of contract to build line from Mecca to Medina

350km/hr

Speed of the train through the Saudi desert