Schwarzenegger checks out China's high-speed rail

ELAINE KURTENBACH - AP Business Writer - Associated Press

Gov. Arnold Schwarzenegger is engaging in a little window-shopping of China's new high-speed train lines while peddling Californian exports and tourism in the world's second-largest economy.

His own state budget $19 billion in the red, Schwarzenegger says he is hoping for some "creative financing" from Asia to help lower costs and get California's proposed high-speed rail lines up and running.

Industry experts say cash-rich China may be best placed to help with funding, and less risk averse than others whose banks are still recovering from the financial crisis. That could prove a key competitive advantage as it goes head-to-head against better established high-speed rivals rail in Asia and Europe.

"That is something very attractive about the Chinese which the Europeans will find very difficult to compete with," said Michael Clausecker, director general of Unife, the Association of the European Rail Industry. "Even in America, finance is a scarce resource. Rail investments need a lot of investment up front."

China has invested huge prestige, and tens of billions of dollars, in its high-speed rail industry — building on mostly European know-how acquired in joint ventures with Siemens AG, Alstom SA and to a lesser extent Japan's "Shinkansen" bullet train operators. It is gearing up to fight for a chunk of what Unife estimates to be a 122 billion euros ($155 billion)-a-year global market for railways.

Schwarzenegger posed for photos Sunday on a high-speed train in Shanghai, after spending Saturday, the first day of his weeklong trade mission of nearly 100 business leaders, hobnobbing in Hangzhou with Jack Ma, founder of Internet trading behemoth Alibaba.com, and other Chinese entrepreneurs.

"Today what I have seen is very, very impressive. We hope China is part of the bidding process, along with other countries around the world, so that we can build high speed rail as inexpensively as possible," he told reporters.

He also announced a plan for Silicon Valley to bid for the 2020 World Expo, which would be California's first time to host the event since 1940.

The governor will also check out high-speed rail in Japan and South Korea — two others among at least seven countries that have officially shown interest in helping develop California's system — assuming the state can find the money.

"There is great potential over there and in Japan and Korea, when it comes to

building our high-speed rail and also providing the money for building the high-speed rail," Schwarzenegger told reporters before leaving California.

The fact-finding mission is also aimed at better understanding the technologies on offer.

"He will learn a lot from that," said T.C. Kao, director of the Railway Technology Research Center at National Taiwan University, who has introduced many U.S. delegations to the technology.

"They get the impression, 'We need it.' They feel behind," he said. "You have to experience it to understand."

The U.S. is the world leader in freight railway technology but has almost no high-speed rail expertise. It will have to import the technology for the 13 regional projects that have won $8.5 billion in initial federal funding, with $2.5 billion more to come this year and hundreds of billions needed before lines are up and running.

China already has the world's longest high-speed rail network, about 4,300 miles (6,920 kilometers) of routes, including nearly 1,250 miles (2,000 kilometers) that can run at top speeds of 220 miles per hour (350 kph). It aims to develop 9,900 miles (16,000 kilometers) of such routes by 2020.

All of that construction involves "highly sophisticated work on infrastructure, on rails and design of track structure," says Chris Barkan, director of the Railroad Engineering Program at the University of Illinois at Urbana-Champagne, who recently toured facilities in China, Japan, South Korea and Taiwan.

A visit to a mammoth manufacturing plant in the eastern city of Qingdao "absolutely blew me away," he says.

Having already build up a huge capacity for manufacturing trains and the systems to serve them, China is looking for a chance to prove it has the wherewithall to export the most advanced technology.

"China now owns the most advanced high-speed rail technology and winning contracts in the U.S. would surely help it to sell more to other countries," said He Xin, an industry analyst at Donghai Securities in Beijing.

Other industry experts say it is difficult to know just how much China has achieved on its own. Both European and Japanese industry officials have expressed skepticism.

But Chinese officials insist the technology they plan to export is truly their own. They also have hired American lawyers to check for potential intellectual property problems, says T.C. Kao, director of the Railway Technology Research Center at National Taiwan University.

"China is probably pretty sure it can pass the test on IP," says Kao, former vice

president of Taiwan's high speed rail company. "China has copied, yes, but it has improved on the technology. Many things have been altered."

Kao and other experts say that as newcomers, the Chinese would face logistical and regulatory challenges in entering a brand new market, compared with companies like Siemens, Alstom SA and Canada's Bombadier Inc. which already have train factories in the U.S.

But China's experience in gradually raising the speeds of its train systems and then adding high-speed rail, sometimes on dual-use tracks, may give it an edge in designing systems suitable for the U.S., which in most areas plans a similar incremental approach.

South Korea's KTX high-speed rail, which is based on France's TGV technology, shares the same advantage, said Kim Seok-gi, director of the international railroad division at South Korea's Ministry of Land, Transport and Maritime Affairs.

South Korea is "absolutely interested" in California's projects and meanwhile is preparing a bid for a high-speed rail project in Brazil linking Rio de Janiero, Sao Paulo and Campinas, he said.

For Japan, which pioneered high-speed rail in 1964, billions in contracts would be a welcome boost to the faltering economy. But its bullet trains, despite their impeccable record for safety and efficiency, run on dedicated tracks.

California and other states will eventually have to adapt whatever systems they choose to local conditions, and step up training of engineers and other personnel needed to build and run those trains by "orders of magnitude," said Barkan from the European rail industry group.

"We're not going to be able to pick up train technology from elsewhere, drop it down in the United States and expect it to work perfectly," he said. "The question is where is the intellectual talent to build all these systems?"

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AP Business Writer Kelly Olsen in Seoul and researcher Ji Chen in Shanghai contributed to this report.

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