

Interview Patrick Kron, chairman and ceo of Alstom

‘Closer ties to Areva, one option among several’



Patrick Kron, 55, is ceo of Alstom, a global company in equipment and services for power generation and rail transport. A graduate of Ecole Polytechnique, he started his career as a civil servant before joining the Pechiney chemical group. He was head of industrial minerals producer Imerys before he joined Alstom in January 2003. Alstom is located in more than 70 countries and employs 65,000 people. World-famous for its high speed trains, Alstom recently expressed a desire to expand into the nuclear industry. Kron spoke to European Energy Review and explained his hopes of a ‘rapprochement’ with Areva.

| by Yves de Saint Jacob

Alstom is already involved in one nuclear power station out of every three, you’ve recently sold gas turbines to Algeria, you are market leader in hydro-electric power and you have a Russian subsidiary, Atomenergomash. What are your future plans in the energy sector?

We have two major competitive advantages in the electricity generating sector. First of all, we have a broad base which provides many opportunities to modernize existing plants and equipment. Around the world, one light bulb in four is powered by electricity generated by our installations.

Secondly, as opposed to our rivals, we have a wider range of application. We produce electricity using gas, oil, coal, hydraulics, and nuclear fission, to which we have recently added a certain amount of wind power.

You have two core specialties: generating electricity and transport. Is it possible to develop both at the same time?

Do you know of any of our major rivals in the energy sector being a “pure player” when it comes to energy? No. General Electric and Siemens both have several spheres of activity. This is also true for the railway industry; Bombardier and Siemens do not limit themselves to railways. So we are very comfortable having several strings on our bow, especially as we need a powerful international network to develop our activities, to supervise the realization of our projects and to provide after-sales services.

One of your essential strategic projects is to expand your nuclear power sector and, in order to achieve this, forge closer links or even merge with Areva. What stage have you reached?

We apply the ambitious, autonomous development strategy I have just described to both branches, and over the past few years have achieved a very high rate of growth. We are in a good position to seize development opportunities.

'It is not always easy to promote the idea of nuclear power abroad when people back home don't support it'

It is true that we are studying options of strategic discontinuity with respect to this autonomous scenario. One option would be to foster closer ties with Areva. Our activities are exceptionally complementary, we serve the same customers, and our rivals are bigger than we are. Joining forces would give us a competitive advantage, as much for critical reasons of size as for ensuring an international presence and a commercial and industrial synergy. I think it is time to create a world leader of French origin. It would be a pity not to. However, it is up to the government, which is Areva's major shareholder, to choose the path it prefers. I cannot and do not want to prejudge its decisions or make any predictions.

It seems that Areva prefers to stress its own autonomy, relying on ad hoc partnerships as was the case with the recent EPR power station projects in Abu Dhabi, in conjunction with Total and Suez. What are your thoughts?

Everything that moves in the direction of nuclear power development is good news. The last time Total and Suez joined forces with the Abu Dhabi electricity provider, we supplied the turbines. It is an encouraging precedent. However, I believe that if we want to fully exploit the nuclear options, Areva has everything to gain from an alliance with us. As we grow, we can capitalise on our commercial presence and submit integrated offers - if customers wish it - and present both nuclear and conventional options.

There are those who theorize that customers often prefer to compile their own selection of constructors and that an integrated offer is not necessarily an advantage. What do you think?

Do you think that if Alstom and Areva were working together closely, customers would be afraid to exercise their freedom of choice? I don't see that a customer who wants to make use of Areva for its nuclear reactor while contracting with one of Alstom's competitors in the conventional domain, or the other way around, would be prevented from doing so. It is always up to the customer to decide.

Critics of your rapprochement also claim it automatically spells the end of Areva's collaboration with Siemens, which could result in problematic Franco-German relations. Is this necessarily the case?

I don't want to get drawn into a game of "what ifs". Siemens is

a minority shareholder in Areva's nuclear reactor subsidiary. If a merger between Alstom and Areva offends Siemens, it would have to draw its own conclusions.

As for the idea that a negative response by Siemens to closer ties between Alstom and Areva would result in a backlash from German electricity suppliers - obviously that is just a fairy tale. We work with the German power suppliers day in, day out, and have even installed one third of Germany's electricity supply capacity. Let's be clear about this: Siemens does not need a loving relationship to work with EDF. Alstom doesn't need a loving relationship with Siemens to work with the Germans.

And, politically, are you afraid of a strain on Franco-German relations?

It is not always easy to promote the idea of nuclear power abroad when people back home don't support it...

But let's go back to the option of the strategic discontinuity with respect to Alstom's development. We have to be rational. Alstom will not go under if the merger doesn't happen. The recent publication of our order book and our turnover easily prove that.

All I would say is that in my view, 1 + 1 = more than 2, and it is an opinion I am trying to get people to share.

So, if it doesn't happen, you will carry on in your own way...

I'm trying to work out if it would make me want throw myself out of the window. My conclusion is: no!

What role does sustainable development play in your overall strategy?

As far as we're concerned, it is a major source of commercial opportunities in both of the fields we operate in.

In the area of generating electricity, our customers want more efficient power stations which will restrict greenhouse gas emissions, in particular carbon dioxide, in the future. In the field of urban transport (trams and underground networks) and railways, it is clear that in comparison to cars, lorries and aeroplanes, railways have the advantage in the matter of sustainable development.

Environmental concerns and development options do not clash, in fact, for us it is quite the opposite. ■