

# ALSTOM T&D SALE TO AREVA IMPROVES COMPETITIVE POSITION: "THIS IS EXACTLY OUR PLAN, TO CHALLENGE ABB"

By Randy Hurst

The sale of Alstom's T&D activities to Areva is necessary in order for the company to advance its competitive position in the world T&D market, according to Alstom worldwide T&D president Philippe Joubert.

Speaking at a news conference this past month to mark the expansion of Alstom's high voltage switchgear manufacturing facility in Charleroi, PA, the Alstom T&D company president was candid about the recently-announced Euro950 million (1.124 Billion USD) sale of Alstom's T&D business to Areva.

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Areva is a world leader in the nuclear power industry and is scheduled to take over the Alstom T&D business in January 2004. Alstom's T&D sector sells products, systems and services for the medium and high voltage markets. Alstom's Power Conversion activities are not part of the transaction and will remain within Alstom.

"Areva is in the power generation business and they are looking for ways to expand their services to utilities, while remaining in their core business, which is energy," Mr. Joubert said.

For Areva, it was a good opportunity, he added.

"Alstom needed to sell for two reasons. First, Alstom needed money to repay its debt and the second is that Alstom realized that it did not have the strength and the financial structure to sustain the T&D business and its development and needed to find another shareholder. Areva is cash rich and a safe structure and was able to write a cheque for one billion euros. Not a lot of companies in the world are able to do this," he said.

He pointed out that the United States market has been a priority for Alstom

T&D and it has a lot of examples of development that the company has made over the years, one example being the Charleroi switchgear facility, which has recently undergone a \$5 million expansion (See story page 6).

"The United States is also a key market for Areva. As you can see from our Charleroi facility, we have a strong base in the high voltage switchgear business now and I think we are ready for a changing and developing market, both in terms of systems and products," he said.

The Alstom T&D president is bullish about the company's competitive prospects in the T&D marketplace. Worldwide, Alstom is number two or number three in the world T&D business behind Siemens and ABB, which is 1.6 times its size, globally.

There are other players that are not as global as ABB, Siemens and Alstom. They are more specialized either in a part of the T&D business or in a specific region, like the Japanese or the Koreans who are stronger in their region, and not really covering the world market, he said.

"If you ask me where we are in the competitive landscape, I think we are very well positioned to clearly become number two ahead of Siemens in the years to come and then eventually to challenge the number one position. This is exactly our plan, to challenge ABB," he predicted.

"In fact, I think that Siemens may already be behind us. Areva will give us the means to grow in this area. In the United States, we are clearly behind ABB, that have been investing for years before us, but we are clearly ahead of everybody when it comes to new solutions, for example, energy management solutions, and even in some high voltage products," he added.

"A main precondition of the sale to Areva was to sell Alstom T&D as a bulk. It was everything, and a clear commitment of Areva that it was there to develop the business and this is why the whole T&D business, everything from medium voltage to high voltage including the



Philippe Joubert,  
President, Alstom Worldwide T&D

information systems, the protection and control, the turnkey operations, the services, everything is included."

"As a major utility supplier, we are prepared to assist our customers in modernizing the transmission grid," he continued, noting that the need for modernization had been dramatically underscored by the power outage and blackout event of last August. "Our investments in product development and advanced technologies are driven by U.S. requirements," he said, "and we remain fully committed to fast response and extraordinary service for every customer."

When asked to explain his position on what parts of the transmission grid need the most investment, he commented: "It is obvious there is clearly a need for upgrading the existing grid and better using the capacity that the U.S. already has. First, in the better management of the flow of energy (I am speaking about energy management); secondly, in using new technology to increase the capacity of the lines without having to build new lines; and third, we are convinced that the T&D equipment should be replaced or updated to utilize new technology."

"Our investment in the nearly 65,000 square-foot expansion of our high voltage switchgear facility in Charleroi is the most recent example of Alstom's commitment to the U.S. market and the escalating demands of the energy industry," he said. **ET**