

Press release

Rail industry's market volume records significant growth worldwide – Trends like urbanization and digitalization will sustain growth

- **Sixth UNIFE World Rail Market Study conducted by Roland Berger: Global rail market volume hits new peak close to 160 billion euros in 2015 and is forecast to reach 185 billion euros by 2021**
- **Asia Pacific and Western Europe are the biggest regional markets, accounting for a combined 58 percent of the world market**
- **Rolling stock and services constitute the two biggest segments, together making up 72 percent of industry market volume**
- **Worldwide market accessibility declines to 63 percent in 2013-15 compared to 68 percent in the 2011-13 period**
- **Trends like digitalization compel rail suppliers to take action to compete with technological advances in the automotive industry**

Munich, 20 September 2016: The world rail market volume hit a record level of nearly 160 billion euros in 2015 – and the growth is set to continue in spite of certain regional differences. In the coming years the market volume will grow 2.6 percent per year on average worldwide and reach about 185 billion euros in 2021. These are some of the findings of the sixth UNIFE World Rail Market Study, conducted by Roland Berger and commissioned by the European Rail Industry Association (UNIFE). Experts predict that urban transport will demonstrate the highest growth rates, whereas in absolute figures the demand will remain strongest in regional and long-distance travel.

"The attractiveness of rail transport as a reliable and efficient means of travel is steadily rising," said Philippe Citroën, Director General of UNIFE, unveiling the study at the InnoTrans trade fair in Berlin. "Megatrends like population growth and the global increase in urbanization will ensure that demand continues to grow, especially in urban areas. The ongoing efforts to achieve the targets set at the 2015 UN COP21 climate conference will further enhance the role of rail in the near future. Digitalization and the resulting changes in customers' mobility habits are having a measurable effect as well." New rail technologies like driverless trains are bringing added safety, capacity and reliability to the railways, serving to make rail travel even more attractive and competitive with other transport modes.

Public policy is also bolstering the industry's growth: "Measures like the EU's Fourth Railway Package are fostering market liberalization, furthering the harmonization of Europe's rail system and helping it adjust to changing transport needs," added Andreas Schwillig, Partner in Roland

Berger's Transportation Competence Center, "all of which serves to make Europe's rail suppliers even more competitive, reinforcing their leading position in the global market."

Record sales of locomotives and wagons

The size of the world market for rail supplies has grown by an average of 3 percent per year since 2013, hitting a record of 159 billion euros in 2015, with the Asia Pacific region accounting for the majority of the growth. The fastest growing product segments are rolling stock and services: "Together, these two accounted for 72 percent of the total market volume in the period 2013 through 2015," said Schwilling. "Rail vehicle manufacturers were among the key players to profit from record sales in engines and freight cars and from numerous major contracts in other areas like metros, trams, regional trains and high-speed trains." This market segment therefore recorded the highest growth rate at 5.8 percent, followed by signaling technology with a 4.9 percent rise. Incidentally, ERTMS (European Rail Traffic Management System) and CBTC (Communication-Based Train Control) continue to play a prominent role in the rail signaling market.

In line with the overall market development, rail infrastructure also saw growth in the 2013-2015 period: 26,000 kilometers of new track were built, predominantly in the urban and high-speed sectors, expanding the global rail network to a length of more than 1.6 million kilometers (+2%/year). "The largest proportion of new track was laid in Asia Pacific," said Citroën. "Alongside India, China has invested a great deal in its rail infrastructure in the past two years and laid 6,200 kilometers of new high-speed tracks alone." But track building is not the only area that Roland Berger expert Schwilling sees as a lucrative field for rail supply companies: "Only about 40 percent of all rail tracks in the world are electrified," he pointed out, "and these are mainly located in Western Europe and Asia Pacific. So there is considerable market potential in refurbishing and electrifying existing infrastructure."

Asia Pacific, rolling stock and services are the growth drivers

For the next five years, experts forecast continued stable growth for the world rail market: in the period through 2021 they anticipate a rise of 2.6 percent per year, taking the market volume up to about 185 billion euros. Asia Pacific will continue to account for the biggest portion of the growth (32%), followed by Western Europe (26%). Western Europe is top in the growth stakes with 3.1 percent, just edging ahead of Africa/Middle East with 3 percent. Asia Pacific's growth averages 2.6 percent, with Russia/CIS bringing up the rear with 0.9 percent.

Owing to their sheer size, the rolling stock and services segments will continue to be the key growth drivers, accounting for a combined 68 percent of absolute market growth. In rolling stock the percentage growth will be 1.9 percent per year, with the stronger demand from local and regional rail transport offsetting the decline that will be experienced in locomotives and long-

distance rail cars. Services and control systems will each grow at 2.9 percent per year and the study authors anticipate 2.8 percent growth in infrastructure.

"The outlook for the rail supply industry is positive overall," said Citroën, who explained that, "the market volume is at a record high and will only get higher as rail travel remains an attractive and important element of society's mobility. That said, the European rail supply industry will also have important challenges to face, such as advancing digitalization, the need to secure adequate financing for rail projects and the greater difficulty in accessing certain markets. Whereas overseas suppliers can operate freely in European countries, some Asian markets are barely accessible or completely closed to European players. Policymakers are not the least of those called upon to help create a fair framework, including with trade and competition agreements." Across segments, worldwide market accessibility declined to 63 percent in 2013-15 compared to 68 percent in the 2011-13 period.

Digitalization is not exclusively a threat. It also represents an opportunity in that it creates new possibilities for linking up the individual modes of transport. "Rail operators and suppliers will be able to use the benefits of digitalization to really give their customers door-to-door mobility options," said Roland Berger's Schwillig. "The past has already shown in no uncertain terms that the rail industry can be innovative and come up with modern and sustainable solutions. But vigilance will be called for in the face of non-industry players making their own moves into the market – established players will need to act fast."

You can download the executive summary of the study free of charge here:
www.rolandberger.com/pressreleases

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UNIFE

UNIFE represents the European Rail Industry in Brussels since 1992. The Association gathers around 85 of Europe's leading large and medium-sized rail supply companies active in the design, manufacture, maintenance and refurbishment of rail transport systems, subsystems and related equipment. UNIFE also brings together 14 national rail industry associations of European countries. UNIFE members have an 84% market share in Europe and supply 46% of the worldwide production of rail equipment and services. For more information, visit www.unife.org or follow @unife on Twitter.



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