Chris Jackson **COMMENT**

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‘International trade has always been a hallmark of the rail sector since the very earliest days’

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Global market under fire

Barely six months after European Competition Commissioner Margarethe Vestager rejected the proposed Siemens-Alstom merger, the first Chinese-built passenger trains for use in western Europe arrived at the port of Bremen last month, en route to Velim for testing. The Sirius EMUs are being built by CRRC Zhuzhou for open access operator Leo Express (p16).

A key premise behind Siemens-Alstom was the idea of creating a European ‘champion’ able to compete against huge rivals such as CRRC. Yet the Commission was not convinced that the potential benefits would outweigh the loss of competition in the signalling and high speed sectors — a view encouraged by regulators around the world. In rejecting the merger, the Commission said Chinese suppliers had ‘not even tried to participate’ in the EEA signalling market, and it was ‘highly unlikely’ that they would ‘represent a competitive constraint’ in the high speed sector for the foreseeable future.

Nevertheless, concerns have resurfaced in recent weeks. Following the announcement that CRRC Zhuzhou was to buy Vossloh Locomotives (p20), European suppliers’ association Unife warned that Chinese firms were pursuing a ‘strategy to enter and conquer the European rail market’.

Pointing out that access to the Chinese market has ‘become increasingly restricted or effectively non-existent for European rail manufacturers’, Unife argued for measures to ensure a ‘real level playing field’ (p24). It suggested that non-European state-owned enterprises should be excluded from EU procurements in the absence of reciprocal market access.

Two decades ago, the Chinese market was a fertile hunting ground for international suppliers, as the country began a threefold expansion of its national rail network. It sought to leapfrog several generations of technology by embracing high speed rail as the principal high-capacity mode of inter-city travel. However, access has tightened sharply in recent years, as domestic suppliers have become established, often on the back of technology transfer agreements. Little wonder that firms which find themselves shut out of China are looking askance as low-cost competitors start to enter their traditional markets, sometimes offering derivatives of their own products.

Such a move was foreshadowed at UIC’s World Congress on High Speed Rail in December 2010, when China’s then Vice-Premier Zhang Dejiang urged the country’s emerging rail sector to ‘open up’ and ‘share our developments with other countries’. His landmark address helped to set in train a string of economic co-operation agreements that later coalesced under Xi Jinping’s Belt & Road Initiative, enabling Chinese manufacturers to export widely on the back of state-funded railway projects. We note that the expansion of Belt & Road has coincided with a general decline in the ‘accessibility’ of rail markets to international suppliers as measured in the World Rail Market Study compiled for Unife by Roland Berger.

In the USA, the Railway Supply Institute has written to the US Congress calling for ‘swift’ approval of legislation to prevent the use of federal funding for the purchase of rolling stock from Chinese state-owned or state controlled companies (p24). This has been brought forward on security grounds, following concerns about the involvement of companies such as Huawei in sensitive telecommunications networks.

RSI also argues that there is a difference between rolling stock manufacturing and local assembly using imported bodyshells and components. This argument has already played out in countless countries as the technical evolution of rail vehicles has shifted the main value from bodyshells and mechanical components to advanced subsystems such as braking, controls and data networks. Nevertheless, local assembly remains attractive to politicians and decision makers as a visible sign of employment, as typified by Western Australia’s recent decision to establish a local plant where the next generation of EMUs could be assembled for the Perth suburban network.

Ironically, the North America passenger industry is dominated by subsidiaries of international firms, after domestic builders were wiped out by a lack of investment in passenger rail, compounded by an ill-judged attempt to re-purpose military suppliers as a putative peace dividend at the end of the Cold War. In recent years the market has been dominated by players such as Siemens, Alstom, Kawasaki and Bombardier, while Hyundai Rotem, CAF and Nippon Sharyo established local assembly plants on the back of specific orders. However, the mood seems very different today, perhaps reflecting current geopolitical tensions over the rise of China on the global stage.

International trade has always been a hallmark of the rail sector since the very earliest days, in some cases facilitated by development aid grants or other support measures.

Famous suppliers have come and gone as the market has waxed and waned, some as victims of circumstance and others by failing to keep up with change. This journal has always favoured an open market where regulatory regimes and compatible standards allow companies to compete fairly. That is surely a better way to drive innovation and prosperity than trade barriers, however attractive these may seem. ■

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