Transport

Demand for rail services set to gain momentum over five years

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Demand for rail equipment and services around the world is set to jump by almost a fifth in the next five years to €18bn a year, driven by major infrastructure projects in western Europe and the Middle East.

Rail groups such as Alstom, Bombardier, Thales and Siemens all have the potential to benefit from this rise in global spending, although in some areas such as China foreign investment in rail is becoming more difficult.

The findings are part of a biennial report produced for UIC, the European rail makers' association. The report will be presented this week in Berlin at InnoTrans, the world's largest rail manufacturing show.

"Europe is the biggest growth region for rail equipment and services; thanks to a number of mega-projects," said Andreas Schilling, partner at Roland Berger, the consultancy that conducted the study. Growth in Europe was being driven by projects such as the HS2 high-speed rail line in the UK between London and Birmingham, as well as larger spending for infrastructure in Germany and Switzerland, he said.

In the Middle East, the low oil price has led to the cancellation of some projects, but growth is still significant due to mass transit systems being built in cities such as Dubai, Jeddah and Mecca as well as projects in Iran.

The global rail equipment and services market will grow by 2.6 per cent annually over the next five years, according to the study. Western Europe will see the strongest growth at 5.1 per cent, followed by the Middle East and Africa region at 5.0 per cent.

The predicted growth in the Middle East and Africa follows a decline in recent years. The return to growth will be driven by large urban projects, for example the modernisation of the Cairo metro as well as the purchase of 450 train cars by Israel Railways.

Philippe Crouzet, the director-general of UIC, said that while there was growth in rail infrastructure spending in sub-Saharan Africa, this was of little benefit to European suppliers "as the market is dominated by Chinese groups". Accessibility had also been falling for European suppliers on the Chinese rail market, he added, although "it is still possible for some of our members to do business here."

Over the coming years there is expected to be a range of large projects in Asia, for example 550 new vehicles for the Beijing metro system. Outside of China, there is a high-speed train line between Kuala Lumpur and Singapore as well as an upgrade to several freight lines in India.

Recent years have seen sharp growth in spending in Latin America, driven by Brazil as it upgraded its transport infrastructure ahead of the World Cup and the Olympics. But this spending has now slowed, and Latin America is expected to grow a more modest 2.3 per cent a year until 2021.