

Steady growth ahead

Demand for products and services from the railway supply industry is expected to grow at a faster rate over the next six years, according to the fifth World Rail Market Study being published by UNIFE this month. Several European initiatives are expected to boost that market, while alternative funding models could support more investment elsewhere.

Steady growth in the demand for railway equipment and services can be expected in all markets over the next six years, according to the fifth World Rail Market Study, which is being officially launched at InnoTrans on September 23. Once again, the study has been undertaken for the European rail industry association UNIFE by Roland Berger, and is being published by DVV Media Group's Eurailpress division.

As the largest study of its kind, the biennial WRMS is intended to establish 'a consolidated, commonly-accepted market view of the rail supply industry' for stakeholders including railway operators, infrastructure managers, suppliers, consultants, political decision-makers, and financial analysts. As well as 'a concise and comprehensive overview' and a review of overall trends, it provides detailed short and medium-term predictions for each product segment and geographical region over the next six years.

The 2014 study is based on contributions from UNIFE member companies and industry experts covering 55 core countries which are grouped into seven regions. It also includes a more detailed review of the USA and Russia, which are seen as important rail markets. Both are large in absolute terms, and are expected to be important drivers of future growth.

Hailing 'positive developments in the industry', the study notes that the volume of rail business grew by approximately 1.5% per annum in 2011-13, 'despite low economic growth and/or public deficit problems in several important countries'. Looking ahead, it suggests that the annual growth rate will pick up to more than 2.5% over the next six years.

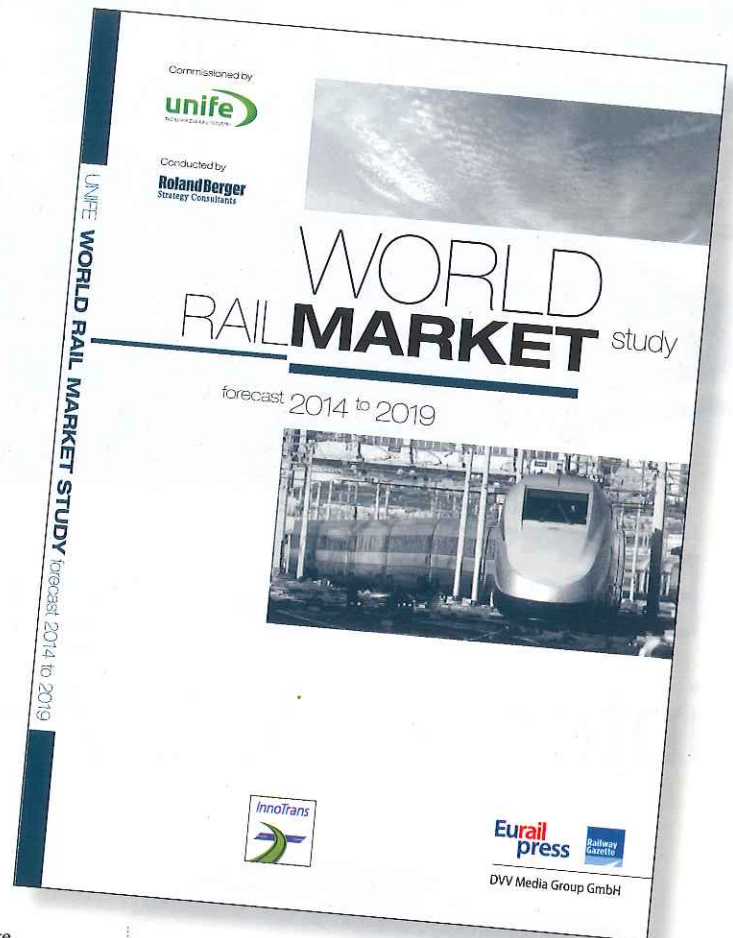
The authors identify 'several trends

that have driven the growth of the rail supply industry in the past and will continue to do so'. These include global megatrends such as population growth, urbanisation and increased demand for mobility, climate change and environmental concerns, deregulation and liberalisation. Overall market demand has benefited from increased order volumes in emerging markets, while the study identifies a number of 'policies and measures' which will enable mature markets to remain stable in the coming years.

European initiatives

In particular, WRMS 2014 considers the potential impact of a number of initiatives by the European Union which are expected to improve the competitiveness of the European rail industry and open up more business opportunities.

The €920m investment by the EU and industry players in the Shift2Rail joint undertaking will focus research and innovation on 'market-driven solutions' (RG 8.14 p27). This is expected to have a positive effect on the market. Meanwhile, the European railway supply industry is looking forward to rapid implementation of the technical pillar of the Fourth Railway Package which amongst other things would address the current 'complex and expensive' authorisation procedures for new rolling stock. Once enacted, these reforms are expected to contribute to greater interoperability within the emerging single European railway area, making rail more competitive for international business and in turn encouraging a growing market for equipment and services.



Roland Berger notes that the Transatlantic Trade & Investment Partnership between the EU and the USA and the free-trade agreement currently being negotiated with Japan both 'have the potential to increase the accessibility of the rail supply markets for European suppliers'.

A further boost to the European market is expected from the recent revision of the TEN-T guidelines and approval of the Connecting Europe Facility as a financing instrument to encourage an increase in member state investment in the region's core transport networks (RG 11.13 p8). The CEF budget of €23.2bn up to 2020 is 'a significant increase' compared to the €8.1bn allocated for TEN-T projects in 2007-13.

CEF funding will also support further investment in ERTMS, which has seen 'a constant and stable rate of increase' in both Europe and other countries. With countries such as Denmark, Austria, the Netherlands and Belgium committing to network-wide implementation of ETCS, the study predicts further growth in the 'rail control' segment.

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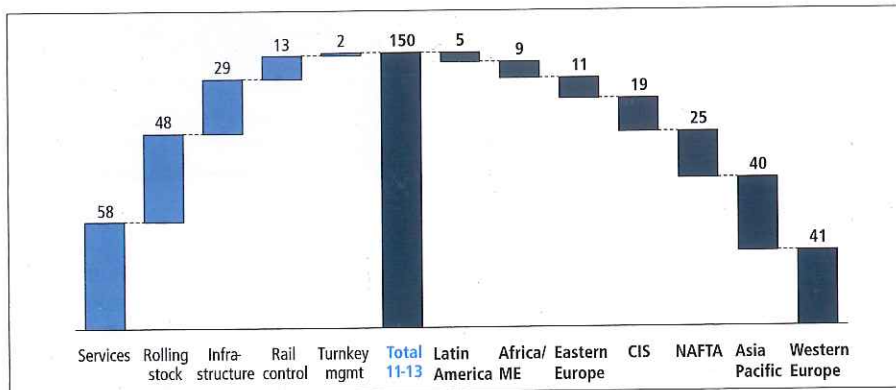
countries

CORE RAIL MARKETS REVIEWED IN DETAIL AS PART OF THIS YEAR'S WORLD RAIL MARKET STUDY

Steady growth rates

The total annual market volume of the rail supply industry currently stands at around €150bn, with services and rolling stock representing the majority of the market. The services

Market Study **IN FOCUS**



segment accounts for about 39% of the total and rolling stock a further 32%, compared with just 20% for infrastructure (Fig 1).

A detailed analysis in the study shows that most segments contributed to the 1.5% annual growth rate, but infrastructure recorded a slight decline following large order volumes in the previous period. This year's study includes a special focus on the market for turnkey projects, which the authors report has allowed them to capture the market volume for this segment 'more reliably'.

In terms of infrastructure, Roland Berger puts the installed base of the rail networks in the 55 core countries at approximately 1.6 million track-km of main line and urban railways. This has grown by more than 22 000 km over the past two years, adding approximately 0.7% to the total. The combined rolling stock fleet totals 5.9 million units, bringing together everything from high speed trainsets, locomotives, passenger coaches and metro trains to freight wagons. The overall fleet grew by 4% over the past two years, but this combined figure obscures faster growth rates in some of the more high-value sectors by a lack of orders for freight vehicles.

Fig 2. The recent growth in the annual market was spread across several product segments.

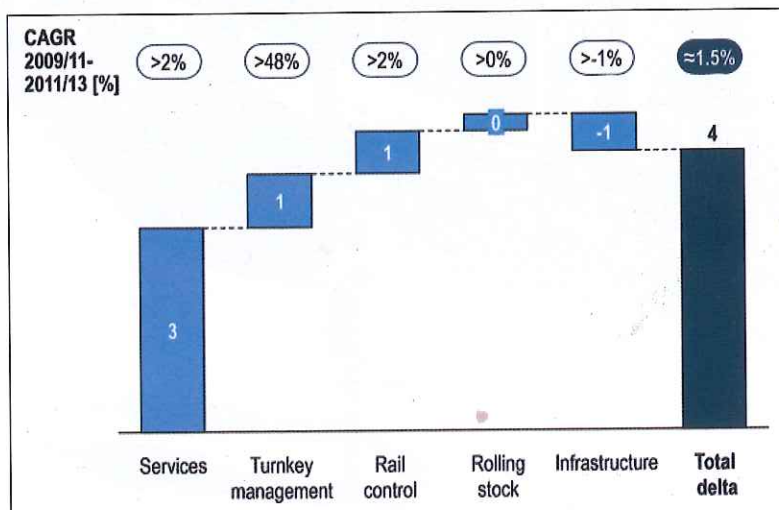


Fig 1. The average annual market volume for 2011-13 totalled around €150bn per year.

Positive outlook

Looking ahead, the study predicts 'growth in virtually all continents' over the next six years, with the highest growth rates evident in Latin America because of its relatively low installed base. Asia-Pacific is expected to bounce back after slowing in the previous period, while the record levels of spending seen in the Middle East will probably be followed by a slight decline.

Taken overall, the study predicts an average growth rate of more than 2.5% per annum over the next six years, lifting the total market volume to around €176bn a year by 2017-19. The trends are also broken down by region and market segments to identify the businesses with the greatest growth potential.

With railway investment in many countries traditionally dependent on the availability of public finance, this year's study takes a look at alternative financing methods, including public-private partnerships and other innovative models. Roland Berger points out that private financing initiatives may help governments and railways to implement important projects, and could have a significant impact on the volume of business for the supply sector. ■