SCI forecasts solid growth

The world market for rail equipment will grow during the next four years despite the economic crisis says Maria Leenen (pictured), CEO of SCI Verkehr, Germany, in an exclusive interview with David Briginshaw.

THE latest study of the world railway equipment and after-sales services market by transport market analyst SCI Verkehr predicts annual growth of 4% between now and 2014. The world railway equipment market is currently worth €126.5 billion, which is an average of the period 2008 to 2010, and 1% more than when SCI published its last study in 2008. But 4% annual growth would push the total to €155 billion by 2014.

Has the railway industry been affected by the current crises? "It depends," answers Leenen. "There are several hypotheses, which is why we tried to discover what effect the crisis is having through different drivers and impacts on the timeline. There are long-term global trends which are having an effect such as urbanisation, containerisation, increasing world trade, and ecological and environmental trends. Currently we are faced with lower transport demand in the freight business and as a result of that less procurement of freight wagons and locomotives.

"On the other hand, there are currently positive impacts in passenger transport and infrastructure due to stimulus packages, but this could lead to problems for infrastructure investment in the medium term if less public funding is available in the future."

But the really good news according to Leenen is that railway technology remains on course for growth worldwide despite the economic crisis. "Following the high growth rates of recent years, the speed of growth has slowed down considerably, but the demand for rail transport is still rising," she says. "Passenger traffic is relatively stable, and therefore so is the demand for passenger rail vehicles."

As in previous years, SCI conducted a complete update of its Worldwide market for railway technology study. SCI analysed demand for the 2008-15 period according to three scenarios: a base case, an optimistic case, and a pessimistic case. Under the base case scenario, the lowest annual rate of growth, at 3.4%, is expected in the rolling stock market due to the decline in the railfreight business, whereas infrastructure is the sector with highest rate of growth, at 5.5%, due to the national stimulus packages.

"The freight wagon market (OEM) is deeply affected by the crisis," says Leenen. "In the peak of 2008, volume reached about €13 billion, but in 2010 we expect volume of only around €5 billion. Our base-case prediction for 2014 is only €8 billion, and even in the optimistic scenario we do not reach the peak level of 2008 until 2015." However, to put this in perspective, Leenen points to the fact that tonne-km has grown by almost 50% worldwide during the last eight years.

There have been some recent changes in the top 10 ranking of manufacturers of rail vehicles. While Bombardier and Alstom still occupy the top two positions, the two large Chinese manufacturers, CNR and CSR, are now in third and fourth place reflecting the huge growth in the Chinese market. This has pushed Siemens down to fifth place. Russia's Transmashholding is in sixth place, followed by three US companies - GE, Trinity Industries and EMD, with Japan's Kawasaki in tenth position.

In terms of geographical ranking, the United States is still by far the largest market for rail equipment, followed by China and Russia.

Germany is the largest market in Europe and, says Leenen, the German railway industry is considered "the number one in the world when it comes to technological leadership and reliability. In many high-end segments of the railway industry, medium-size German companies are still the world's market leaders."

However, Leenen sees potential problems ahead for the German rail industry. "Unfortunately this small yet mighty sector has not really been close to the heart of German politics in the past. Up-and-coming competitors from Asia and Eastern Europe enjoy much stronger political backing. Without political countermeasures, valuable jobs in Germany will be at risk, despite the positive growth dynamics in the global markets." One thing is clear, nothing stays the same forever.