

Are railways coming in from the cold?

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AS the world's leading economies stagger out of recession and record their first periods of meagre growth, the rail sector looks set to achieve much stronger growth than the overall economic performance of most countries, as investment in rail surges ahead.

Germany emerged from recession in the third quarter of last year, but then stagnated in the final three months. German Rail (DB) says it lost 25% of its freight traffic last year, but is now forecasting a 5% increase this year. It will obviously take some time for traffic to recover to pre-2009 levels, but this is an encouraging start.

France also came out of recession last year and predicts economic growth of 0.4% this quarter and 0.3% next quarter. The rail sector will start to benefit from the French government's economic stimulus package which calls for the unprecedented construction of four high-speed lines totalling 2000km simultaneously. An automated metro line is planned to encircle Paris, and €5.56 billion is to be invested in light rail projects by 2014.

Spain is still languishing in recession and unemployment has reached 19%, but rail investment is forging ahead. Track authority Adif will step up investment to €6.3 billion this year, largely to expand the high-speed network. Spain has the highest per capita rail investment programme in the world and Europe's largest high-speed construction programme, and there is no sign of this changing.

Although the United States has yet to declare an end to recession, it did record growth of 2.2% in the third quarter of 2009. However, unemployment is currently above 10%, so there is still some uncertainty. Year-on-year cargo volume at US ports increased in December for the first time in 28 months - the first strong sign that a recovery in the freight market has started. The ports of Los Angeles and Long Beach forecast growth of 3% during the first half of 2010.

However, the four big US Class I railways all recorded substantial declines in fourth quarter and annual revenues and profits. There seems to be a consensus among Class I CEOs that while the economy has bottomed out, there is only going to be a slow and gradual improvement.

Nevertheless, capital investment by the big four is expected to remain on a par with 2009, but the emphasis will continue to be on infrastructure. A survey by IRJ's sister publication Railway Age shows the market for passenger coaches in North America now exceeds that of freight wagons.

Last year, 1141 passenger coaches worth \$US 2 billion were delivered in the United States and Canada compared with 22,650 freight wagons worth \$US 1.6 billion. There are currently 2390 passenger coaches on order, while only 15,750 freight wagons are expected to be purchased this year. President Obama's \$US 8 billion plan to kick-start intercity passenger investment could boost the passenger business still further in years to come.

Russian Railways (RZD) implemented what it describes as an anti-crisis initiative last year, stemming the drop in freight to 15%. It now expects to announce a profit for 2009. Already there are strong signs of recovery in Russia as traffic increased by 11.4% in December.

China only suffered a reduction in the rate of growth last year. Gross domestic product grew by 8.7% in 2009, while the

economy expanded by 10.7% in the last quarter, the highest rate since 2007. As we report this month, China will step up its already-vast railway expansion programme again this year with investment set to reach a record high of Yuan 823.5 billion (\$US 120.6 billion).

In December, the Korean government announced that it would increase investment in rail transport as part of its efforts to cut CO2 emissions. This means the proportion of the transport budget devoted to rail will rise from 29.3% to 50% by 2020.

I believe there are other compelling reasons why the future looks bright for rail transport. Rail enjoys a significant environmental advantage over other modes which is increasingly being recognised by politicians. As a result, a number of governments such as Korea are switching transport investment from road and air to rail.

Rail is the only mode of transport that can be powered by any fuel provided the railway is electrified. This increases rail's strategic importance to national governments at a time when oil is fast approaching peak production and the search is on for alternative fuels. This could have a profound impact on rail in the future.

Even if the need to reduce pollution and CO2 emissions did not exist, we would still be faced with more and more congestion. Rail offers a viable alternative to the car, truck and plane as a way of relieving it.

High-speed has had a profound effect on the perception of rail among politicians and planners, as well as the general public. Instead of being regarded as outmoded, rail is now seen as a modern mode of transport with a bright future.

Rail has won the battle for its very survival and the rail industry can look forward to a very bright future. But there is one important caveat: railways don't shoot themselves in the foot as Eurostar did spectacularly in late December when snow caused a complete collapse of its services for several days.