

# Track market in consolidation

Current prospects for the global rail track system market are mixed according to the latest study by German consultancy SCI Verkehr. CEO **Maria Leenen** and senior consultant **Karl Strang** profile the results.

**T**HE global railway track system market is experiencing a period of consolidation and prospects for manufacturers and service providers remain inconsistent. Only selected niche markets will witness near-term growth before large projects, most notably in China, stimulate the economic situation by the end of the decade.

These are the overarching findings of SCI Verkehr's recent study "Railway Track Systems - Global Market Trends," which estimates the current volume of the global track system market at €38bn. This is expected to increase by an average of 2.7% per annum by the end of the decade as 100,000km of new lines are added to existing networks which will grow by an average of 1.5% per year.

Following limited network growth in 2014, numerous major (and partly delayed) new developments and upgrades will be completed by the end of 2015. While a return to lower rates of construction is expected to follow in the near future, major projects in Asia and the Arabian Peninsula are anticipated to revive the market by the end of the decade.

Metros are the most dynamic market segment for track systems. However, this accounts for just 1% of the overall network size and €1bn of market volume. Light rail networks are slightly larger overall, but with a lower

market volume, and the flattest growth rate of all transport modes. Conventional railways' 96% share in the total network length corresponds to an 82% share of the current market volume, making it by far the most important segment.

The study ranks China as the leading national track system market but predicts that it will continue its consolidation policy launched in 2012, while remaining on a considerably high level and returning to growth after 2017. Asia, Africa and the Middle East report the highest growth rates, whereas growth in western Europe will remain below average. Elsewhere, low commodity prices and political controversies are influencing new developments and upgrades of freight routes, particularly in Australia.

The United States is the second largest market and will experience considerable growth due to the increasing need to repair, upgrade and modernise its extensive rail network. Germany ranks third based on technologies and quality levels required followed by Russia, where networks are continuing to expand stimulating demand. The French market is expected to stagnate and fall behind India, which will be fuelled by the upcoming major freight corridor projects and rising quality levels.

Prospects for the track system market in western

Europe are mixed. Germany will maintain its traditional strength, while Spain will remain a prosperous market as it recovers from various consolidations. On par with Spain is Britain where growth is slightly ahead due to its comparatively stable overall economy, providing for rather consistent network development.

Italy on the other hand is facing a period of extensive stagnation, which it hopes to overcome through the government's Unlock Italy investment programme, which aims to restart suspended infrastructure projects.

## Dynamic

Despite its difficulties, western Europe will remain the largest regional track system market, followed by Asia and North America. Remarkably, Africa and the Middle East is already ranked fourth. Major projects in Iran, the Arabian Peninsula and south of the Sahara, have formed one of the most attractive and dynamic regional rail infrastructure markets.

Mirroring trends in the overall railway technology market, western Europe's traditional technological

leadership is facing strong competition from China. Driven by overcapacity and aggressive market penetration policies, Chinese track system manufacturers are contributing substantially to export activities.

However, so far this is limited to Asia, Africa and North America, with Chinese companies not yet making a significant breakthrough in Europe. As well as labour legislation and competition regulations, the high quality and technological levels evident in western European railway technology has heavily influenced production standards and network quality.

Retaining this advantage in the future will require a range of actions, including continuous and comprehensive adaptation of cutting-edge production technologies and product standards, establishing optimal maintenance conditions and maximum availability, and securing cost-effective network management.

This will also provide European technology leaders with the platform to compete to win business in North America and the fast-growing African and Asian markets. **IRJ**

