

EDITORIAL - March 2007

A Time for Optimism

It is not often that we publish in one issue of IRJ so many positive indicators about the health of the global railway industry, but this is certainly the case this month. We must not let such good news lead us down the path of complacency, but rather recognise it as something to build on. It also gives credence to our view that the future for railways is brighter now than at any time since they were first built in the 19th century.

First, we publish results from a study of the worldwide railway market for equipment and services which values it at Euros 103.3 billion, although the portion of the market that is accessible to foreign suppliers is worth Euros 71.8 billion. The study forecasts an annual growth rate of 2%. While this may not sound that impressive, it is real growth as it excludes the effects of inflation.

This study, which was conducted by Roland Berger Strategy Consultants for the Association of European Railway Industries (Unife), echoes the results of a similar study published last year by SCI Verkehr which valued the world rail market at Euros 97 billion with an annual growth rate of 2 to 3%.

This month we report that Russian Railways (RZD) plans to invest \$US 8 billion this year—a 27% increase over 2006 when RZD invested \$US 6.3 billion. This puts RZD in the top three or four railways for capital expenditure and reflects its strong desire to catch up after years of under-spending.

RZD is way behind China, the current world leader for railway capital investment. As we report on page 14, China invested \$US 20 billion last year and plans to stay at this level. The majority of the funds are going into the construction of new lines where 7000km of so-called dedicated passenger lines and another 10,000km of conventional lines are to be built in the next three to five years. China's rail network is still relatively underdeveloped considering the population, industrial appetite, and mineral wealth of the country. The only problem is that similar sums are being invested in the road network. It is quite common to see new highways and railways being constructed parallel to one another. The question

is how sustainable this is in the long term.

We also announce this month that Saudi Arabia is inviting expressions of interest to equip its new North-South Railway. This is one of three major rail projects in the country that will result in the creation of a national network for the first time. Unfortunately, Saudi Arabia's Land Bridge rail project has slipped behind schedule, although four consortia qualified last year to build the 950km railway and the government pledged financial support for the project in November.

Our lead news story this month concerns a string of good results from European railways, with many reporting strong growth in both passenger and freight traffic. German Rail (DB), for example, says 2006 was a record year with a 4% increase in passenger journeys to 1.85 billion and an impressive 10% jump in freight traffic. Other key railfreight players in Europe have also announced increases in traffic. Dare we hope that Europe's long decline in freight is finally showing signs of an upturn?

Railfreight in North America continues to boom along with urban rail passenger. If only a long-term sustainable way to fund long-distance passenger rail could be found. Despite a lot of negative publicity and threats to its very existence, Amtrak registered a 1% increase in traffic and an impressive 11% rise in ticket sales for its 2006 financial year which ended in September.

Rail has achieved an impressive turnaround in some parts of the world, such as Central and South America, where privatization has led a major revival. While most governments are happy to see them flourish once more, others are starting to look at them as valuable assets ripe for plundering. Guatemala is a prime example, where the private consortium that reopened part of the defunct national railway now faces a battle for survival as the government tries to take control. Who would have thought that rail could achieve such a change in its fortunes? **IRJ**



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