

## **Deregulation in European Long-Distance Passenger Rail Transport: New Competitors in Existing Markets**

**(02<sup>nd</sup> March 2010) European long-distance passenger rail transport operators are facing a significant increase in competition dynamics. Start-ups and foreign competitors are increasingly attacking the (former) state railways in their domestic markets. International competition is intensifying in local rail transport. SCI Verkehr expects a consolidation of the urban rail transport and local transport market.**

The transport performance in rail passenger transport worldwide in 2009 amounted to around 3.3 trillion passenger-kilometres at the same level as 2008 despite the financial and economic crisis. The transport service volume is made up of local rail transport (850 billion pkm), long-distance passenger transport (2,150 billion pkm) and urban rail transport (metro and tramway, 290 billion pkm). The individual world market regions have reacted differently to the crisis: while the CIS and Eastern Europe have seen a decline of 10% in rail passenger transport, this is much lower in Western Europe at around 2%. Growth is driven by China and India. Urban rail transport has seen massive slumps in the CIS while it has continued to grow in Western Europe and Asia.

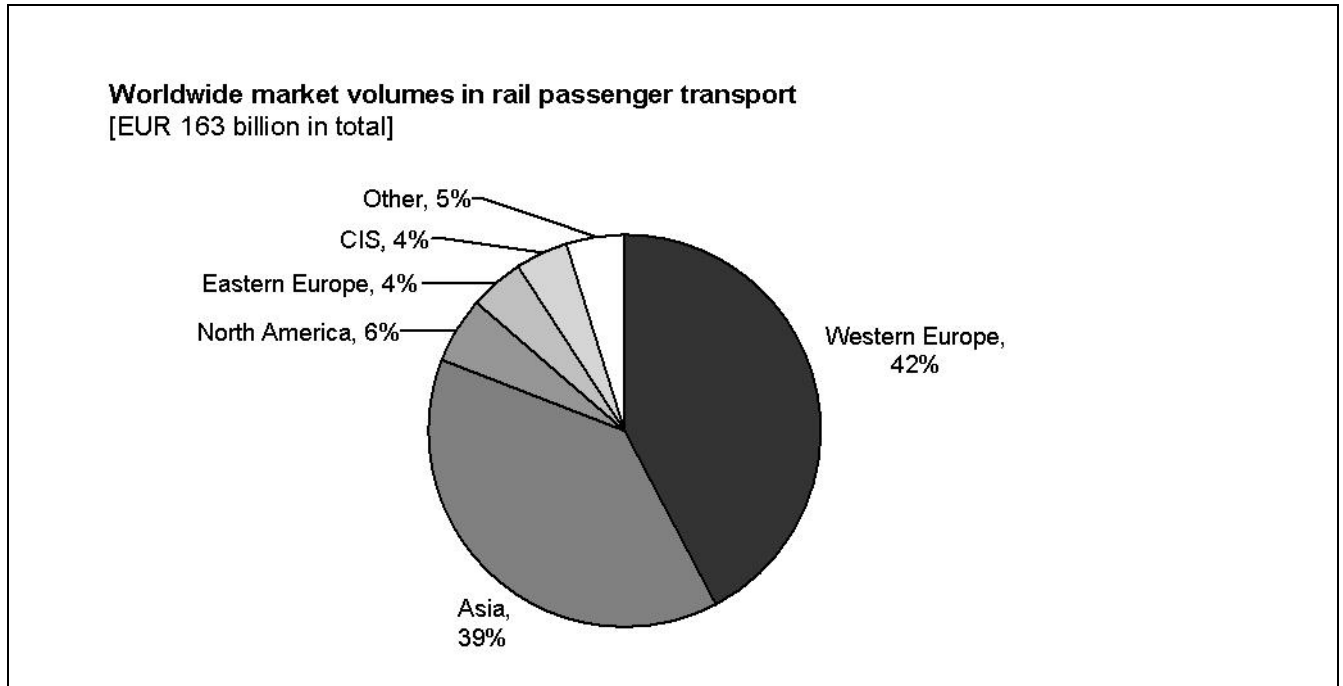
The break-up of European long-distance rail transport markets will lead to a competition dynamics through new operators and foreign competitors who focus on individual lines with high profitability. The strategic direction of private operators such as NTV in Italy or the Westbahn in Austria focuses on an increased passenger comfort through rolling stock and services. The new German company locomore rail, on the other hand, mainly aims at "lower prices with comparable quality".

In European local rail transport there is competition in the UK, Germany and Sweden in particular. Tenders are only invited for transport services in other European countries in isolated case. Alongside the private operators, the (former) state railways increasingly appear outside their domestic markets via their subsidiaries.

SCI Verkehr expects a consolidation of the urban rail and local transport market. The consolidation has already been initiated by the merger of the companies Veolia and Transdev and has been pushed ahead by exploratory talks regarding the merger of the two large competitors Arriva and Kéolis. The consolidation development will at least take the entire next decade due to the fragmented operator structure in urban rail transport as well as the political and financial prerequisites of mergers.

The worldwide market volume comprising contractual payments and fare takings amounts to around EUR 163 billion. EUR 68 billion of this amount is turned over in local rail transport and EUR 56 billion in long-distance rail transport. More than half of the turnover in long-distance passenger rail transport is generated by only five companies, who are exclusively located in Western Europe and Asia.

Figure: Worldwide market volumes in rail passenger transport



With the current Multi Client Study “[Analysis of Markets and Operators in the Public Transport Sector](#)”, SCI Verkehr offers operators, investors, vehicle manufacturers, research institutes and associations a condensed overview of current developments and trends in the global rail passenger transport market and an in-depth analysis of the 200 most important operators worldwide. The current study is based on the successful preceding study and extends the European analysis to all eight world market regions, while still focusing on Europe.