

## European Rail Market Development in First Half 2005

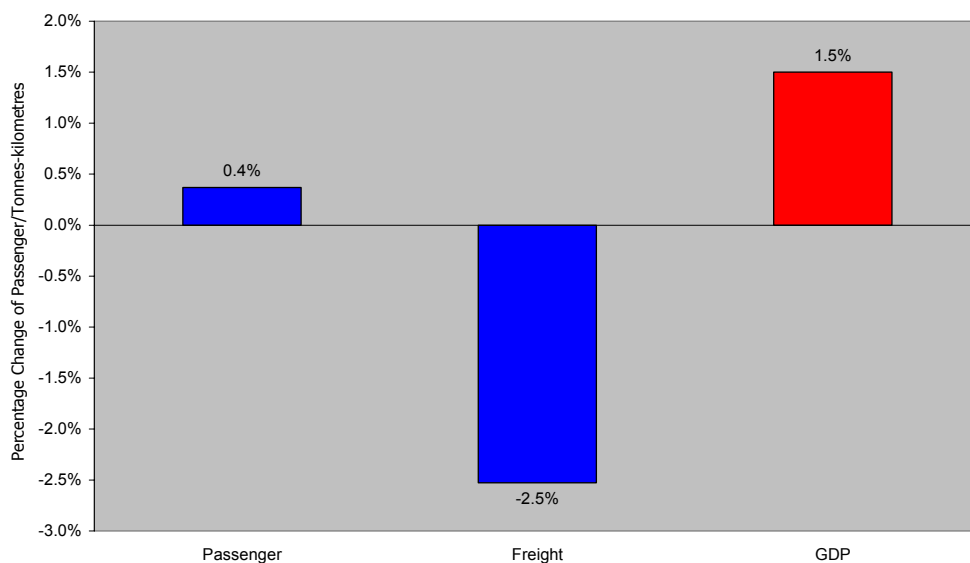
Source: UIC Provisional Statistics<sup>1</sup>

The overall performance of European rail companies in the first half of 2005 compared to the same period in 2004 is summarised below:

- passenger transport increased by 0.4%, from 134.1 to 134.6 billion passenger-kilometres;
- freight transport decreased by 2.5%, from 158.4 to 154.4 billion tonne-kilometres.

In the first half of 2005, GDP in EU25 grew by 1.5% compared to the same period in 2004.

**Figure 1: European Rail Market Development in First Half 2005**



In the EU15 countries passenger transport shows an increase of 1.6% while freight transport decreased by 2.9%. GDP grew by 1.4% in the same period.

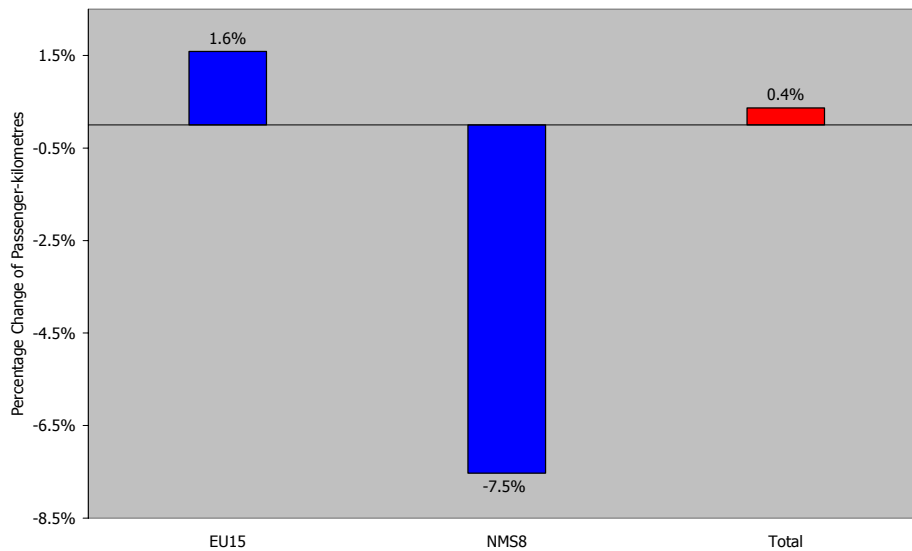
Rail companies in the new member states (NMS8), however, experienced a decline in both markets in the first half of 2005 compared to the same period in 2004. Passenger transport decreased by 7.5% and freight transport by 1.9%. Reasons for these decreases are explained below.

<sup>1</sup> This bulletin relies on **provisional** data from CER members, as provided to UIC. Where only partial data has been provided to UIC, a simple linear interpolation is used to generate provisional half-yearly results. Readers are advised to check the UIC website ([www.uic.asso.fr](http://www.uic.asso.fr)) for all final statistics.

## Passenger Rail Transport

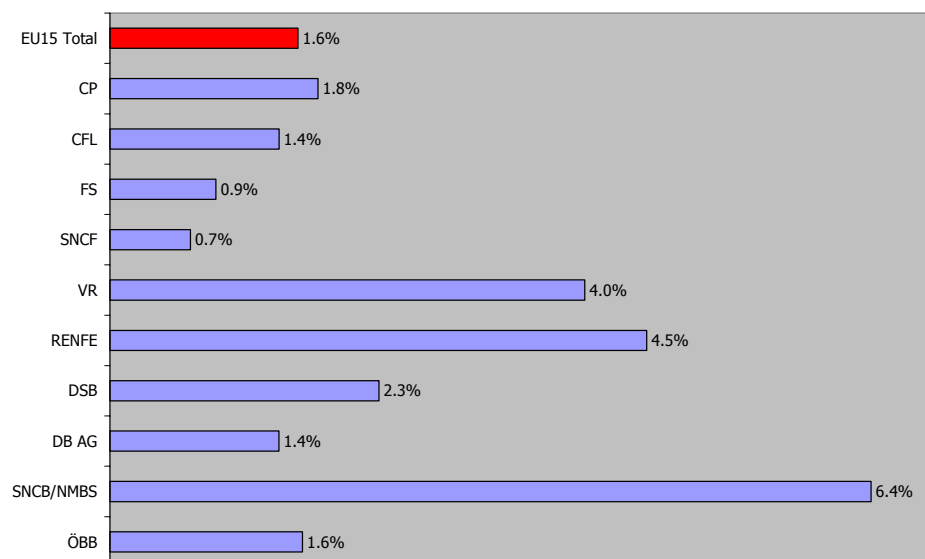
The figure below shows rail passenger market trends in EU15 and NMS8 countries for the first half 2005 compared to the same period in 2004.

**Figure 2: Passenger Market Development in First Half 2005**



As Figure 3 illustrates, all rail companies in the EU15 countries<sup>2</sup> experienced increases in passenger transport in the first half of 2005 compared to the same period in 2004, leading to an aggregate increase of 1.6% (from 116.2 to 118.1 billion passenger-kilometres).

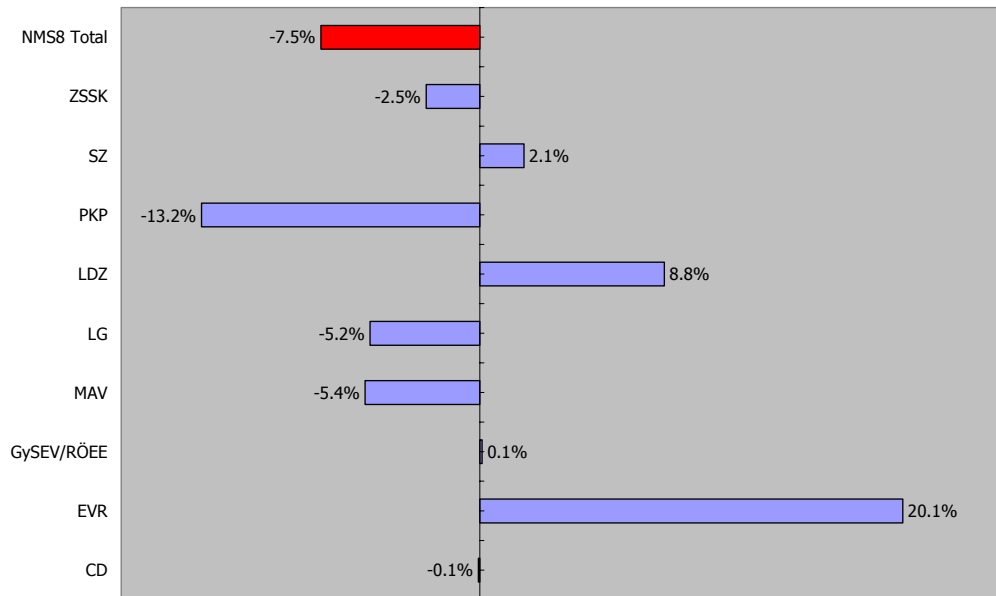
**Figure 3: First Half 2005 % change in passenger-kilometres for EU15**



<sup>2</sup> UIC passenger statistics for Q2 2005 do not include data on ATOC, OSE, CIE and NS.

The picture is more mixed for rail companies in NMS8 countries. Figure 4 shows that although some companies were able to achieve strong increases in passenger-kilometres in the first half of 2005, the overall NMS8 performance marked a decrease of 7.5% (from 17.9 to 16.6 billion passenger-kilometres) compared to the same period in 2004.

**Figure 4: First half 2005 % change in passenger-kilometres for NMS8**



This development is to a large extent linked to a decrease of 13.2% in passenger-kilometres of the Polish rail operator PKP. PKP is the largest rail operator in NMS8, accounting for approximately half of total rail passenger activities in this region.

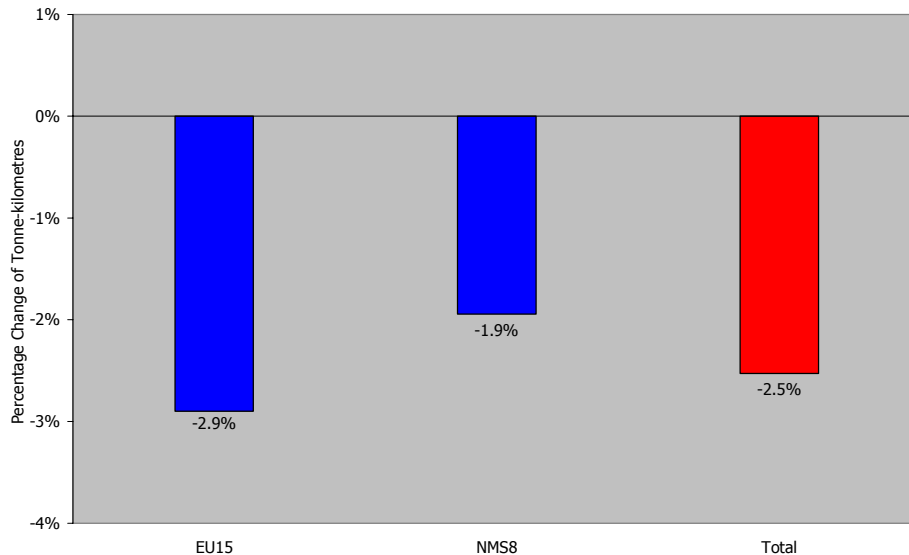
However, even after factoring out the impact of PKP on the performance of the NMS8 passenger transport market (NMS8 excluding PKP), the resulting decrease in passenger transport of 1.9% still shows a negative trend for rail companies in NMS8 countries.

The decline in passenger rail transport is largely the result of a lack of public service contracts and private financing opportunities in Central and Eastern Europe. This practice has resulted in long-term under-financing of rolling stock and infrastructure. In order to minimise losses, rail operators in Central and Eastern Europe have been forced to close tracks and discontinue loss-making passenger services.

## Freight Rail Transport

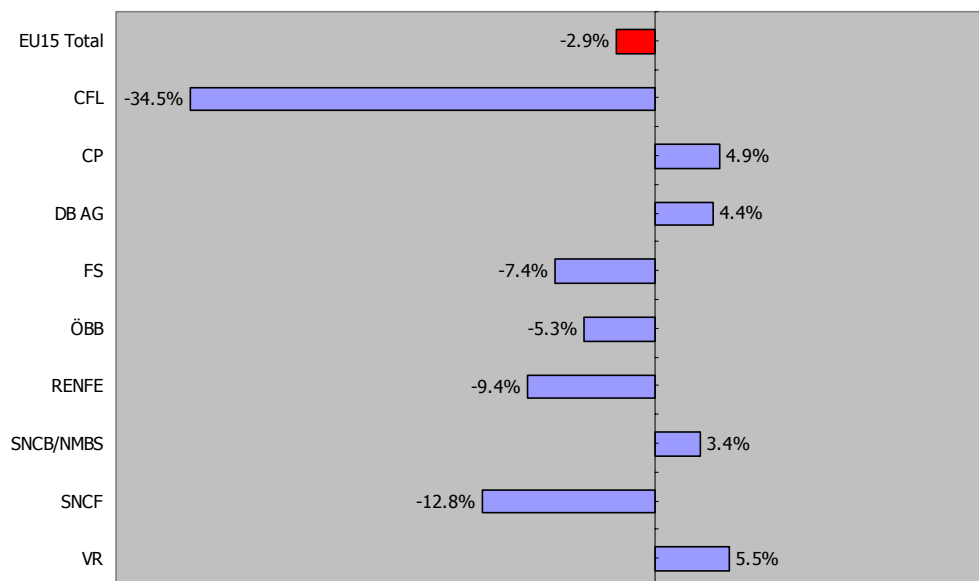
The figure below shows rail freight market trends in the EU15 and NMS8 countries for the first half 2005 compared to the same period in 2004.

**Figure 5: Freight Market Development in First Half 2005**



Although the overall freight transport decreased by 2.5% in the EU15 countries (from 98.6 to 95.8 billion tonne-kilometres), the performance of individual rail companies varied strongly in the first half of 2005 as illustrated in Figure 6 below.

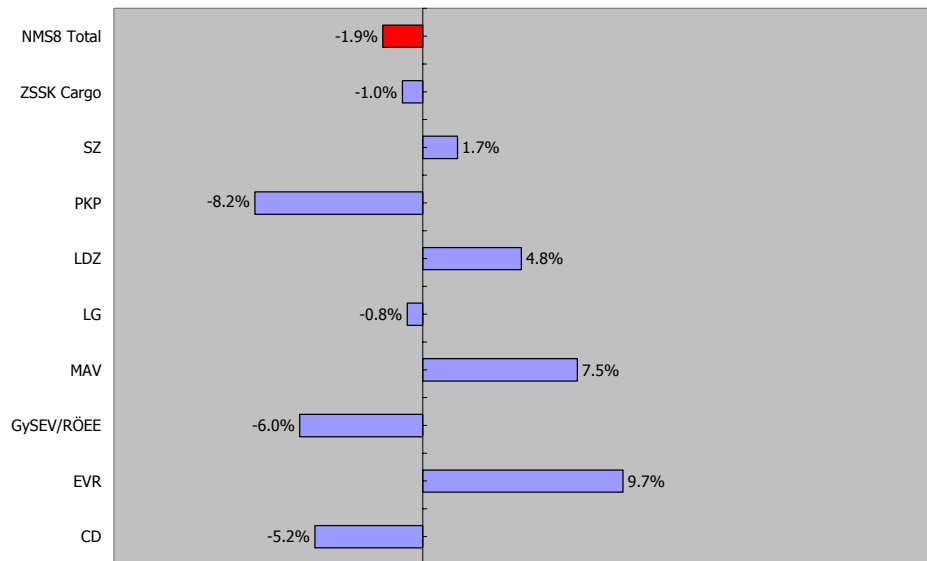
**Figure 6: First half 2005 % change in tonne-kilometres for EU15**



The rail operator of Luxembourg, CFL, for example, shows a substantial 34.5% decrease in freight activities, while VR was able to record a 5.5% increase.

Figure 7 below shows a similarly mixed picture for freight activities in NMS8 countries in the first half of 2005. Compared to the same period in 2004, overall freight activities declined by 1.9% (from 59.7 to 58.6 billion tonne-kilometres).

**Figure 7: First half 2005 % change in tonne-kilometres for NMS8**



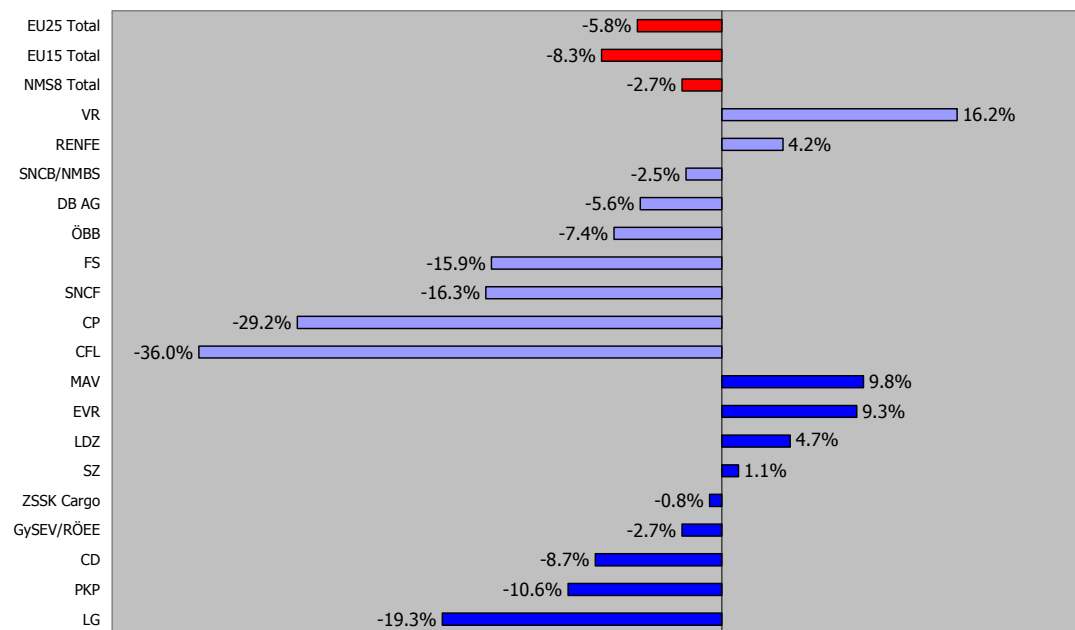
PKP, accounting for approximately 40% of the NMS8 rail freight market, experienced a decline of 8.2% in freight activities in the first half of 2005 compared to the same period in 2004. In recent years, new entrants on the Polish rail market have been able to secure a small but growing share of the rail freight market.

Factoring out PKP (NMS8 excluding PKP), freight operators in NMS8 countries achieved an overall increase of 1.9% in freight activities.

## International Rail Freight Transport

One surprising development given the recent enlargement of the European Union is the reduction in the international freight transport in Europe. In the first half of 2005, total international freight transport decreased by 5.8% compared to the same period in 2004. As depicted in Figure 8 below, the decrease was particularly pronounced in the EU15 countries, where the international section of freight transport fell by 8.3%. In the NMS8 countries, international freight transport decreased by 2.7%.

**Figure 8: First half 2005 % change in international tonne-kilometres**



The reasons for this decrease vary from country to country, but two factors in particular seem to play an important role. Since the opening of the international rail freight market in March 2003, competition from new entrants has been increasing steadily, reducing the market share of the incumbent railway undertaking for border-crossing rail transport services.

Furthermore, many European countries have experienced a reduced demand for the import and export of goods carried by rail, leading to decreases in the tonne-kilometres of goods carried across borders. This is particularly true for rail companies in NMS8 countries, where the heavy goods industry continues to be dismantled.

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