

## **Thank goodness for the economic stimulus packages: public budgets for the railways are being increased by EUR 180 billion in the next five years**

**[09.11.2009]** In its latest study entitled “[Worldwide Railway Funding and Investment Budgets 2009](#)”, SCI Verkehr analyses public budgets for railway systems, on the one hand, and the finances available to railway operators on the other, in order to make quantifiable statements on the actual effect the global economic crisis is having on the railway sector. **Conclusion: Railway operators, particularly freight railways, are suffering from severe drops in turnover and are therefore not able to invest anywhere near as much from their own budgets as in the past. In contrast with this, government economic stimulus packages are supporting investments in infrastructure and passenger rail transport at a level never before seen in history.**

This study was motivated by the question of how the global economic and financial crisis has affected and will affect the markets for railway-related products. One of the central drivers for investments in the railway sector is the actual funding from public budgets available for railway transport and the budgets of the railway companies themselves.

The public financial budgets for the railways worldwide more than doubled between 2004 and 2008, increasing to a total of EUR 133 billion in 2008. Transport company revenues from operations increased by more than 40% in the same period, resulting in a sum of around EUR 415 billion available for the worldwide railways in 2008 for operations and investments. The resources are clearly concentrated. The USA, with a total available financial budget of EUR 48 billion in 2008, as well as China, Russia, Japan and France, shared around 45% of the funds available worldwide between them.

This clearly shows the division of the worldwide railway landscape and its basis of funding. The railways in China, France and, surprising, the UK, are largely dependent on public funding today. The financial power of the railways in other countries, on the other hand, tends to be driven more by the economic situation than political decisions. These countries include, in particular, the USA and Japan.

More than two thirds of the available funds are invested in infrastructure. For infrastructure and vehicles together, the railways spent a total of EUR 115 billion worldwide in 2008 – an increase of 150% since 2004. Here too the investment behaviour differs depending on region: more than 60% of the total funds available from operations and public budgets in China are invested in infrastructure and fleets. In the USA, on the other hand, this figure was only around 14% in 2008. The political influence and developmental needs in the rail market in question become clear in a comparison.

The importance of public economic stimulus packages for the financial bases of the railways is especially high at present due to the economic crisis: an extra EUR 180 billion is going to be invested worldwide in the railways in the coming five years. China alone is planning to spend EUR 130 billion of this by 2010. The UK and USA have also attached particular importance to upgrading their railway systems in their economic stimulus packages. The main objective of these packages is to compensate for the current declines in transport revenues as well as strengthen the national railway market and make it competitive for the long term beyond the period of crisis.

In the Multi Client Study "[Worldwide Railway Funding and Investment Budgets 2009](#)", SCI Verkehr analyses, systematises and validates the budgets of the public and private transport and infrastructure companies. The annex to the study includes a tabular listing of all railway projects funded by leading development banks such as the World Bank or the EIB. The infrastructure and vehicle industries in the rail passenger and freight transport segments are therefore provided with well-founded statements concerning one of the key drivers of future procurements.