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Rolling stock manufacturers worldwide under pressure, market concentration continues to increase

[20.09.2016] The world's top 10 rolling stock manufacturers generated more than 75% of the turnover of new rail vehicles last year, whereas in 2012 they accounted for only 65%. This concentration process as well as overcapacities in some segments are increasing competitive pressure and reducing margins. This is shown in industry consultant SCI Verkehr's new study. The companies, though, are depending on various markets – both, in a positive and negative way –, the procurement behaviour and frameworks such as taxes, charges, and exchange rate fluctuations. Chinese industry giant CRRC was able to increase its share to one third, especially manufacturers from the CIS region suffered decreases in revenue. Weakening domestic markets are pushing many manufacturers to seek sales opportunities in new market areas and build up new capacities there.

The global rolling stock industry has benefited from a growing overall market for new rail vehicles in the past three years. It has increased from about 48 billion (2012) to EUR 51 billion (2015). Many OEMs were able to play out this global growth for themselves: CRRC has grown especially in the domestic Chinese market and their revenue from new vehicles increased once again from almost 14 to EUR 17 billion. Thus, the former CNR and CSR and newly-merged CRRC is now the largest rail vehicle manufacturer in the world by far: CRRC generates more revenue from new vehicles than the five next largest companies together. With metros for Boston and Chicago and high-speed trains for Indonesia (being the first Chinese exports in this premium segment) CRRC was now able to win orders from more demanding markets.

Likewise, some established and regionally well-diversified manufacturers were able to increase their new vehicle sales organically, e.g. Bombardier (rank 2), GE (5), Siemens (6) and Hyundai Rotem (10). Hitachi Rail, new to the top 10 at rank 8, benefited in particular from the acquisition of Ansaldo Breda. Weakened demand in Russia and neighboring markets affected the whole industry and in particular the regional players: The region's largest vehicle manufacturer Transmashholding reached just under EUR 1.2 billion (rank 11) in 2015, down from the 5th position in recent years. Overall, the top 10 could grow faster than the market. The ten largest suppliers now contribute EUR 39 billion to the new vehicle market, in 2012 the figure was at around EUR 31 billion.

The developments of the recent past illustrate how much railcar manufacturers often depend on few markets. Even regionally well-diversified companies have distinct core markets. As a result, geographically focused companies are pushing to new foreign markets in recent years. Often, the driving force behind these activities is to fill domestic production capacities. However, in many cases, this does not succeed for political, economic and tax reasons, as the target markets require new production facilities. In the medium term, these reasons can shift the geographical orientation of a company. For example, Hitachi established their own production site for trainsets after winning a tender for new high-speed trains for the UK. Further contracts for the site followed. Meanwhile, Hitachi moved its headquarter for the global railway division to London and took over AnsaldoBreda and a majority share in Ansaldo STS in 2015. Thus, the Japanese company has now noticeably arrived in Europe.

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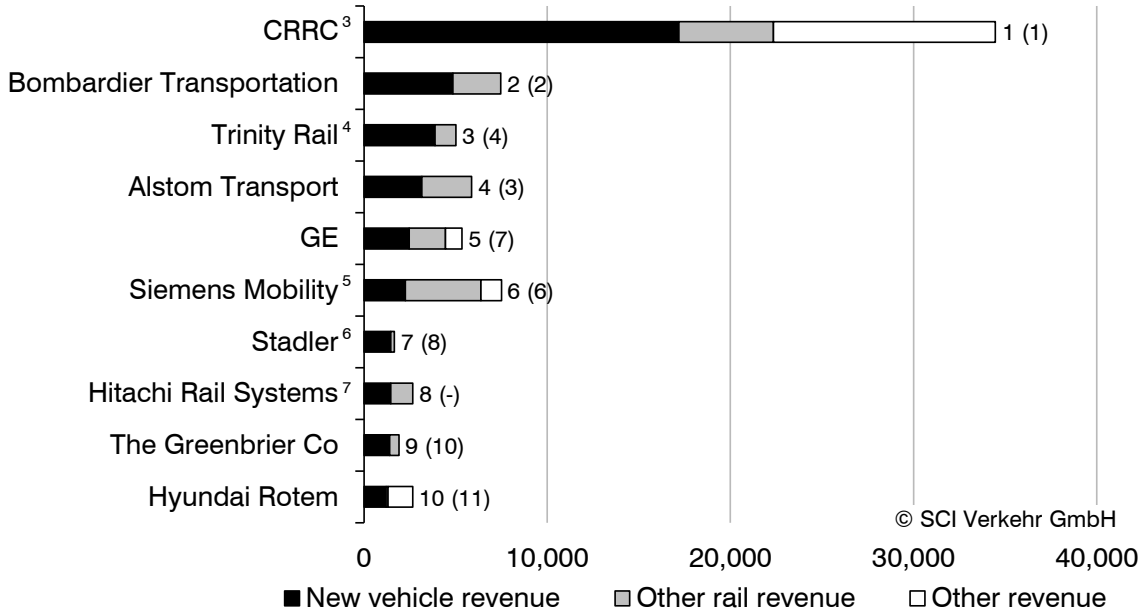
Top 10 manufacturers of rolling stock ranked by new vehicles' revenue 2015[1] [EUR million[2]]



[1] New vehicles' revenue partly estimated. Financial years ending in the first half of 2016 have been assigned to the year 2015. Position in 2014's ranking in parentheses; CNR and CSR are summed up in both rankings.
[2] Other currencies have been converted with the average daily exchange rate of the reporting period.
[3] CNR and CSR merged in 2015 to form CRRC.
[4] In the reporting period, Trinity Industries benefited from a prospering freight wagon market in North America and the equally temporary development of its own leasing business.
[5] Since October 2014, the Mobility division comprises Siemens' overall rail business including electrification.
[6] According to Stadler, the removal of the exchange rate cap Swiss franc – Euro had considerable effects on the company.
[7] In 2015, Hitachi Rail took over AnsaldoBreda as well as a majority share in Ansaldo STS and as a results entered the Top 10.

As local production is often a prerequisite for the access to foreign orders, manufacturers rely on co-operations with local production, have to establish their own manufacturing facilities, or take over local manufacturers. Thus, in the coming years, plants will be built on new terrain: CRRC is establishing a metro site in Massachusetts (USA); Alstom and GE will each built a site for a 1 000 locomotives contract in India in local joint ventures; Bombardier, GE, and CRRC have the final assembly of around 1 000 Transnet locomotives carried out by partners on site in South Africa.

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