



## Rail freight transport in Europe is facing major changes

**Major changes are taking place in Europe's rail freight transport: powerful shipping companies are investing considerable amounts in the intermodal market hoping that this will give them a decisive influence on traffic flows in the port hinterland business. A restructuring of east-west traffic is taking place due to the war in Ukraine and the sanctions against Russia and affects both routes and goods transported. Finally, the EU Commission has opened state aid proceedings against key member states such as France and Germany, which - as is now known from France - could lead to far-reaching structural changes. These are the findings of the latest study "The European rail freight transport market 2023" by SCI Verkehr GmbH**

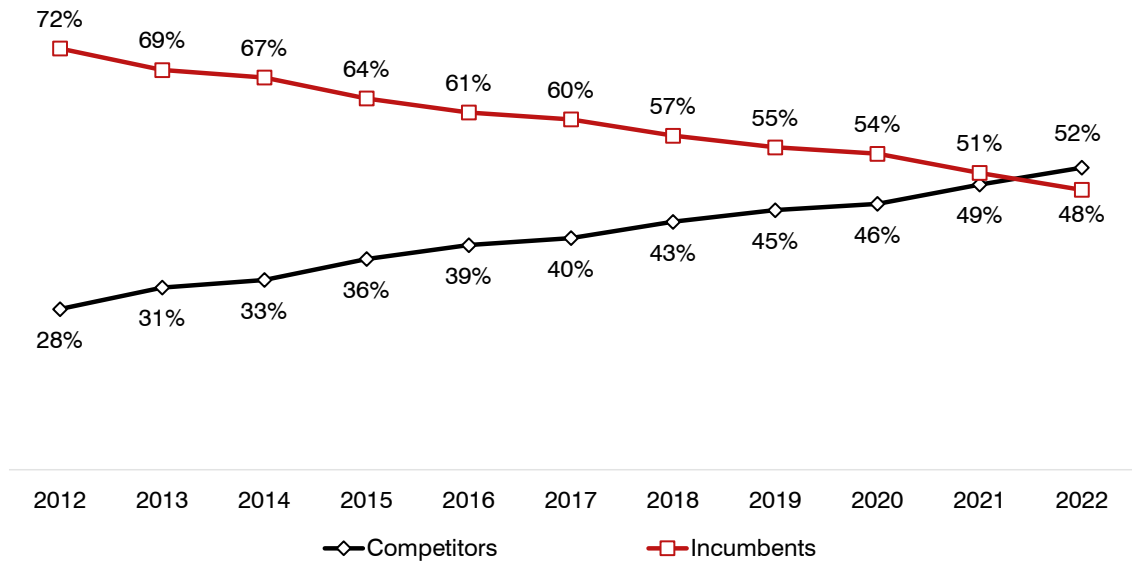
Since 2017, rail freight transport has grown by 0.6% p.a. despite the Corona crisis and the war in Ukraine. SCI Verkehr forecasts average growth of 1.6% p.a. for the period until 2027.

However, there are clear shifts below expected market developments: Large shipping companies are using their budgets to make strategic acquisitions in rail logistics. MSC (Mediterranean Shipping Company), for example, has already built up an extensive intermodal network through the takeover of the former Portuguese state railway MEDWAY in 2015, the successive expansion of its business activities into other markets and through cooperations as far afield as Turkey and India. It was also recently announced that MSC is planning further expansion through the takeover of the intermodal operator TX Logistik. The third largest shipping company in the world, CMA CGM, took over Gefco, a company specialised in car transport, in April 2022. According to the company, this will create the world market leader in automotive logistics. The world's second largest shipping company, APM-Maersk, is also increasingly active in rail transport: in May 2022, it launched a new combined transport (CT) link between China and Europe via the New Silk Road Central Corridor, combining rail freight and maritime transport. Rail is seen less and less as an intracontinental transport service per se, but much more as part of a global logistics chain and is thus becoming more attractive.

Within Europe, a reorganisation of East-West transport has been necessary since 2022. The Russian attack on Ukraine has led to a decline in the flow of goods to and from Russia, which is why a strong reduction in rail freight traffic can be observed especially in the Baltic States and Finland in 2022. In addition, there is less transit traffic to and from the EU's North Sea and Baltic Sea ports. In addition, Russia is becoming increasingly unattractive as a transit country for European freight forwarders and a growing share of goods traffic with China is being sent via the so-called central corridor of the New Silk Road (Belt and Road Initiative) instead of through Russia. Although the capacity of the central corridor is being expanded bit by bit, it is still far from being comparable to that of the northern corridor through Russia.

Despite many political declarations of intent, rail freight transport in Europe remains unprofitable for most players, as the analysis of the economic indicators shows. Rail continues to suffer from the unequal competitive conditions with road. In addition to the competition between road and rail, competition within the rail mode is also growing: the former state railways continue to lose market share to their competitors, which are by no means only made up of private railways but are often the subsidiaries of foreign state railways.

### Rail freight competition in Europe (Share of total tkm)



Source: Company websites, IRG, SCI Verkehr estimations

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The EU Commission has recently increasingly focused on the competitive situation of the former state railways and their competitors. Currently, there are reports of state aid proceedings against two of the largest market players, Fret SNCF and DB Cargo. As a result, the break-up of Fret SNCF was announced in June 2023. By 2024, it will be split into a transport company and a maintenance company. Fret SNCF will also hand over about 30% of its traffic or 20% of its revenue to competing operators. The outcome of the proceedings against DB Cargo is currently still open.

In addition to developments on the pan-European rail freight transport market, SCI Verkehr analyses a total of 24 country markets, the most important transport companies and provides an overview of the most important innovations in rail freight transport in the study "The European rail freight transport market 2023".

The study "The European rail freight transport market / developments - volumes - players 2023" is available in English from SCI Verkehr GmbH from July 2023 ([www.sci.de/shop](http://www.sci.de/shop)).