

10 trends and insights driving a global rail renaissance

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FORESIGHT

A global infrastructure perspective

Rail is increasingly viewed as an essential form of public transportation – both as a required complement and viable alternative to private modes such as cars. While this may be nothing new in some parts of world, notably Europe and Japan, the real change is the scale of this shift. Both long-distance and urban rail are now rapidly becoming the preferred transportation of business and leisure passengers all over the world. Here are 10 insights and trends from our recent edition of Insight Magazine that explain why this is happening.

1. The infrastructure might look the same, but technology is visibly impacting work-life and traveling habits

Smart phones and mobile applications are making it easier for customers to book and plan their entire journey across various modes of transportation. People now expect to be connected (via 4G or wifi) and productive while traveling.

2. There is a changing mentality where mobility is the norm and user expectations are increasing

Leisure travel (especially city trips) is becoming increasingly popular. This substantially impacts demand for long-distance High-Speed Rail (HSR) services as well as local light rail for tourists using public transport.

3. Cities are not prepared for rapidly changing demographics

As people move from rural to urban environments (especially in developing countries), megacities will generate higher demand for light rail and commuter transportation. Cities that do not adapt quickly enough will suffer. It's not only a missed opportunity in terms of economic uplift, but likely a decline as congestion saps productivity.

4. Rolling stock – in both heavy and light rail – is changing and increasingly becoming more sophisticated

Systems are shifting from mechanical to electronic based. This impacts the market, as higher investment requirements might limit the number of suppliers. It also

“**Flush with new investment and driven by growing public demand, the rail sector has – rather suddenly – surged back into the hearts and minds of politicians, investors and average citizens.**”

impacts contractual relationships, with maintenance increasingly being outsourced because operators lack the required knowledge.

5. Reliability, easy access, and premium services are becoming standard requirements

Liberalization of the rail market allows for increased competition on price and quality. Public transport in general – and long distance HSR in particular – will need to offer upgraded services to improve the customer experience and be able to compete with other transport modes .

6. Rail is a capital intensive business and operational costs need to be recoverable

The industry is becoming more regulated and there is more sophistication in the regulation. Transport companies are required to develop Key Performance Indicators (KPIs) and justify their cost structure. Asset management tools – such as life-cycle costing, integration of the technical and financial reporting, and ISO process quality certification – are also becoming increasingly more important.

7. Network thinking becomes a key driver to attract customers – or at least not to lose them

Customers do not care who operates a franchise. They care about the service being provided in the best and most affordable way. From isolation to integration, network operators need to deal with the linkage between transport modes in a more collaborative, user-friendly way.

8. Public transport needs reformed business models – shifting from legacy structures to an airline/hotel approach driven by customer demands

This can only be achieved if the incumbent companies, many of them still behave as old fashioned monopolies, embark on the type of reform airlines had decades ago.

9. New players are driving competition in a more globalized market

Established firms are facing increased competition from local entrants and new global players. Local companies may have different business models and can incorporate state- or municipal-owned firms interested in expanding their presence. Regarding outbound global businesses, Asian companies in particular are more active and building international market share.

10. The market is heading for a shake-out as only the strongest, most agile businesses will survive

Higher entry costs, increased technical sophistication and decreased trade barriers will re-shape the market over the next decade. The impact will be felt stronger in the RSM (Rolling Stock Manufacturers) industry, but will also effect operator business models going forward.

For more information on these trends, read the KPMG Special Report on Rail in our latest edition of Insight Magazine: “Who controls our infrastructure?”

<https://home.kpmg.com/xx/en/home/insights/2014/05/insight-magazine.html>

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