



Fast Tracking Railway Growth

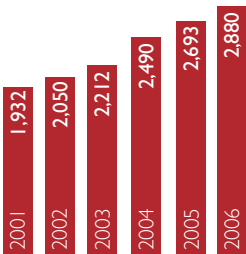


LISTOCKPHOTO

The increased flow of goods through China is forcing the railway system to expand in order to meet demand for better transport solutions.

Freight traffic handled by train (million tons)

GAGR (2001-2006): 8.3%



Sources: China Statistic Yearbook (2006) and China Annual Report on Economic and Social Development (2006)

In the “workshop of the world,” moving intermediate and final products inside, outside and around the country is a critical issue for both manufacturers and distributors. China’s rail system currently accounts for about 14 percent of total cargo transport and offers the most cost effective means of transport for bulk and industrial products for selected routes.

Yet, logistics analysts wonder if it is up to the task of meeting growing demand. Rail cargo traffic totaled 2.88 billion tonnes in 2006. In the first quarter this year alone, traffic rose by 11.6 percent to 750 million tonnes year on year, according to the National Bureau of Statistics. Passenger rail traffic during the period grew by 8.3 percent to 341 million trips.

The rate of expansion, on the other hand, has been much slower. In the decade leading up to 2005, China’s total railways length only increased by 11 percent to 123,000 kilometers, compared to a much higher increase in roads (67 percent) and length of waterways (25 percent).

While China represents 24 percent of global freight traffic and 22 percent of the population, its railways represent only 6 percent of the world’s total railroad length. China lags behind India and Russia in railway efficiency based on Fusion Consulting’s analysis.

This is a result of the government’s current (and rightful) prioritizing of public resources towards establishing road infrastructure to connect cities and improve provincial transport.

Companies have responded in several ways. One is assigning staff to deal specifically with authorities to lobby for improved rail transportation systems. Another is seeking specialized cargo agencies to deal with tasks such as quicker customs clearing to make up for the time lost over slower rail transport. The third is to outweigh the additional costs of doing business in hard-to-access regions with other cost savings.

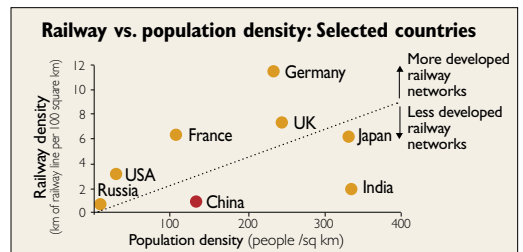
Authorities are acting to improve the situation.

From 2006 to 2010, RMB1.2 trillion will be invested in constructing railways across China, effectively increasing the total length of China’s railways by 20 percent to 90,000 kilometers. These include rail projects for Beijing-Shanghai, Beijing-Guangzhou-Shenzhen, Harbin-Dalian, Zhengzhou-Xi’an, Shanghai-Ningbo-Shenzhen, Nanjing-Wuhan. They also include city-to-city rapid transit rail lines for Beijing-Tianjin, Shanghai-Nanjing, Shanghai-Hangzhou, Nanjing-Hangzhou, and Guangzhou-Zhuhai. This is a massive undertaking given China’s varying terrain, provincial governments and economic zones.

The government also plans to break up the state-owned railway network, currently controlled by the Ministry of Railways, into at least five companies based on geography, according to recent reports in the *South China Morning Post*.

There are also moves to liberalize financial policies in the industry. According to recent reports in Xinhua, nearly RMB3 billion of foreign funds was invested in China’s railway sector in 2006, making up less than two percent of the RMB155.3 billion of investment in railway infrastructure in 2006. Companies such as General Electric are working with the Ministry of Railways to introduce new rail technology.

Loh Chun How, branch manager at global container transportation company APL Dalian, says, “The rail network, which is currently choked with coal, military supplies, food grain and commodities, as well as passenger traffic, will then have more capacity to carry freight. This will open up more inland opportunities and in turn, port traffic.”



Source: Fusion Consulting

Market Profile provided by



For more information, please call (86-21) 5228-0394. www.fusionc.com