【欧州】【輸送システムの輸出】

Road/Railways – Trend on export of transportation systems: UNIFE calls on the European Commission to set up fair market conditions between the European and the Chinese rail supply industry

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【概要：Summary】

The European railway supply industry (RSI) has established itself as a global leader in the world market with around 50% of the global production of railway equipment and services. The opening of new rail construction in several regions of the world, including the construction of major rail networks in the Middle East and in China as well as the US market in urban transport are seen as opportunities for expanding the business of European rail suppliers. However, at the same time, the European rail industry has to increasingly compete with foreign suppliers in the global and European market, also from China. The main suppliers in Europe including Siemens, Alstom and Bombardier are considering combining their businesses in order to increase their competitiveness at global level. This further concentration seems to become unavoidable when considering the increasing competition of Chinese railway supply companies and since the Chinese train manufacturers CSR and China CNR merged into CRRC Corporation Limited (CRRC) in 2015.

Although it is not expected that the Chinese railway manufacturers will dominate the market in Western European countries in medium-term, CRRC intends to achieve a larger share in the global railway supply market and in some regions of the world, CRRC could become a leading rail supply company. Therefore, European rail suppliers are challenged in their effort to maintaining their leadership and the main question is how the European RSI can respond to this increased competition from Chinese companies, in particular CRRC. The European companies will have to focus on finding a response to the increasing Chinese competition by continuing to develop the best and most innovative technology. Furthermore, at political level, the European Commission will have to support the EU's RSI by helping them to stay competitive by co-funding their research and innovation, as well as by creating a level playing field, similar to the Commission's efforts in the aviation industry.

The Commission's rejection to approve the merger of the Alstom-Siemens railway business followed by the Franco-German proposals for reforming the competition legislation has triggered a debate if the EU competition policy should facilitate such mergers in order to improving the global competitiveness of European rail supply companies.

Although several studies and analysis underline that the EU's RSI is still ahead of the Chinese RSI at global level and even more so in the European market, the UNIFE association (Union des Industries Ferroviaires, European Rail Industry Association) of European rail supply companies has now called on the European Commission to take

measures for securing a level playing field with Chinese suppliers. This call came as a direct reaction on the announcement that CRRC would take over Vossloh's locomotive manufacturing business. This sale of Vossloh's locomotives business to CRRC marks the Chinese company's entry into the European rolling stock supply sector. There are increasing concerns that this sale of Vossloh's locomotives business to CRRC is the first step for the Chinese rail supply company to expand into the European rail supply market. Therefore, UNIFE wants the Commission to take steps to create a level playing field with Chinese competitors, as so far, Europe's rail supply companies have not the same possibilities to enter the Chinese market. UNIFE points out that Chinese RSI could be excluded from tenders in the EU, as long as China has not signed up to any binding international agreements that would ensure reciprocal opening of the procurement markets on both sides. UNIFE calls on the Commission to publish a report until the end of 2019, identifying how to fill existing gaps in EU law to fully address the distortive effects of overseas ownership and state financing in the EU's internal market. It is of importance that the Commission also obtains a revised market access offer from China that addresses the barriers to market access faced by the European rail supply industry in China. Furthermore, UNIFE calls on the European Parliament and the Council to finalise discussions on an International Procurement Instrument (IPI), which could open new global opportunities for European suppliers and create a level playing field for European railway suppliers in China and beyond.

【記事：Article】

1. Background of competition of the global railway supply industry (RSI)

With a long history as railway equipment and services exporting industry, the European railway supply industry (RSI) has established itself as a leader in the worldwide production with a global market share of more than 50%. The European Rail Supply Industry covers also over 80% of the European demand for rail products. The major train and rail technology manufacturers active in Europe include Siemens, Alstom and Bombardier. These companies have been looking at combining their businesses in order to stay competitive at global level, in particular since railway and rolling stock manufacturers are increasingly competing in the global market against the Chinese train manufacturers. The competition has further increased since the Chinese makers CSR and China CNR merged into CRRC in 2015. Chinese railway manufacturing companies have developed into globally acting railway manufacturers and they pose a strong competitive challenge to the other international railway exporting companies. This competition has even increase since the opening of new rail business opportunities in several regions of the world, including the construction of major rail networks in the Middle East and in China as well as the US market in urban transport. The established railway manufacturers in Europe and Japan have to find a response to the increasing competition from CRRC in the world market. At the same time, the European rail industry has to increasingly compete with foreign suppliers also in the European market. At global level, the EU-Japan Free Trade Agreement (FTA) is expected to help to create a level playing field between the both trading partners. Regarding the EU-China relationship, the EU-China investment agreement is expected to improve access to the Chinese market and provide EU investors in China a high level of investment protection. In particular, access to market should be a cornerstone of future negotiations, addressing important issues like transparency in procurement procedures and mandatory joint ventures for manufacturing and services industries. Regarding South America, a Memorandum of Understanding was signed with the Brazilian National Ground Transportation Agency (ANTT) in September 2014. Furthermore, Russia remains an important and attractive market for the European rail industry, with significant investments foreseen especially in the rolling stock, including replacement and extensions of trams, light rail and electric locomotives.

However, the challenge of maintaining the industrial leadership of European rail technology suppliers at world level remains high, due to the rise of the new and strong competitor CRRC. Therefore, the two major railway supply companies in Europe, Alstom and Siemens mobility considered a merger of their rail entities to create a "European champion" that is able to compete with China's CRRC. While at global level, this merger seemed to be necessary for the two European companies to stay competitive amongst the global major railway manufacturing companies, the Alstom and Siemens Mobility merger would also have created a dominant position for the Alstom-Siemens at EU level.

2. The competition of Chinese rail supply industry

According to the consulting firm SCI Verkehr, Chinese manufacturers are catching up with their European counterparts in the global rail supply market and the gap is closing. SCI Verkehr's study "Worldwide Manufacturers of Rail Infrastructure" of 2017 looked at the revenue, development and profit of 55 of the largest manufacturers of infrastructure products, covering track systems, electrification, and control, command and signalling equipment. China has the biggest high-speed network in the world and while in the early years, China relied on technology transfer deals with foreign companies, meanwhile, it has built an indigenous base of knowledge, and is changing from a rail importer to an exporter. Nevertheless, the size of the Chinese rail network also ensures that the Chinese RSI has plenty to demand in the domestic railway network.

According to UNIFE, the presence in the world markets has further increased since China introduced the "One Belt One Road" Initiative. Moreover, Chinese infrastructure companies can benefit from financing tools including loan facilities and project financing in the framework of China's economic diplomacy under the "One Belt One Road" Initiative. The state aid is a key aspect in the competitiveness of Chinese rail supply companies as they can offer their products for a much lower price and it will put their international competitors under increasing pressure on price.

Although it is not expected that the Chinese railway manufacturers will dominate the market in Western European countries in medium-term, in some regions of the world such as Africa, Chinese infrastructure companies could become the leading railway supply companies. The main question is, how the European railway supply industry can respond to this increased competition from Chinese companies.

3. The EU rail supply industry's competitiveness

The railway supply industry (RSI) is of importance for the European industrial growth, employment, and innovation. In 2012, ECORYS Consulting presented the final report entitled "Sector Overview and Competitiveness Survey of the Railway Supply Industry. Within the Framework Contract of Sectoral Competitiveness Studies - ENTR 06/054", commissioned by the European Commission, DG Enterprise and Industry. In production value, the rolling stock and locomotives market is the most important market, practically equal to the market segment for rail infrastructure. The segment of signalling and electrification follows at a distance. The world rolling stock industry market has traditionally been dominated by some major players, including Bombardier (Canada/Germany), Alstom (France) and Siemens (Germany). However, in recent years, the Chinese rolling stock manufactures have grown substantially and they are now ranked third and fourth in the world in terms of turnover. For rail infrastructure a high degree of specialisation is encountered, among the largest companies are three major EU companies (Voestalpine, Delachaux and Vossloh).

The world market for signalling is rather fragmented and served by various companies. Large companies that act on the signalling market include Alstom, Ansaldo, Bombardier, Invensys, Siemens, Thales and Toshiba.

According to the report, the EU RSI still has an overall competitive advantage over Chinese suppliers, but they are quickly catching up. Korean RSI is more competitive than its European counterparts, but Korean output and export are much lower than the EU RSI.

The EU has a low import ratio and this is also the case for the US, Japan, Korea and China. However, the EU is a major exporter in those markets and with the exception of Japan, the EU shows surpluses in the bilateral trade, still indicating a strong position in international competition. However, China itself has become a strong exporter and commands a surplus on average for all trading partners, with the exception of the EU.

According to the European Parliament's resolution of 9 June 2016 on the competitiveness of the European rail supply industry (2015/2887 (RSP)), the EU RSI, including the manufacturing of locomotives and rolling stock, track, electrification, signalling and telecommunication equipment, as well as maintenance and parts services, employs 400,000 employees, invests 2.7% of its annual turnover in R&D and accounts for 46% of the world RSI market. However, regarding the global market, there do exist different non-tariff barriers to enter non-EU markets in particular in major competing economies. In China, barriers are in place related to standardisation and technical regulations. The Japanese market access is not only constraint by the industry structure but by the lack of transparency of the Japanese government procurement system. The European Commission has openly complained about the lack of symmetry in market access in relation to public procurement.

Furthermore, within the SCORE Work Package 2 (WP2) "Assessment of current position of European transport manufacturing industry in terms of dynamics of industrial value chains, demand side requirements and economic analysis of competitiveness", the third report entitled "Analysis of competitiveness of European transport manufacturers from an economic perspective", published on 26.3.2018, the authors assessed the current position of European transport manufacturing industry in terms of dynamics of industrial value chains, demand side requirements and economic analysis of competitiveness. This report covers also the European railways supply industry and the market dynamics in the field of rolling stock. Regarding the export/import trade in rail equipment and professional rail services between main geographic regions and some countries for the period 2016-2017, with absolute sales of EUR 47 billion, the European rail supply industry accounted in 2017 for 46% of the entire accessible market for rail products worldwide.

Regarding the further market development for the railway supply industry, the consultancy Roland Berger conducted the sixth UNIFE World Rail Market Study, commissioned UNIFE. According to the study, Asia Pacific and Western Europe are the biggest regional markets, accounting for a combined 58% of the world market. Rolling stock and services constitute the two biggest segments, together making up 72% of industry market volume. For the next five years, a continued stable growth is forecasted for the world rail market. Until 2021, the study expects a 2.6% rise per year, taking the market volume up to about EUR 185 billion. Asia Pacific will continue to account for the biggest growth share (32%), followed by Western Europe (26%). Considering the way forward for the EU's RSI, the European companies will have to focus on the further development of the best and most innovative technology, in particular as a response to the increasing Chinese competition. Furthermore, the European institutions, like the Commission, will have to support the EU's RSI by helping them to remain competitive through funding for research and innovation, as well as by creating a level playing field with third countries' RSI in the world market.

4. The failed Alstom-Siemens merger

In the past years, Siemens and Alstom had been exposed to the consolidation pressure, in particular due to the increased competition from the Chinese RSI. Therefore, in the light of increasing their competitiveness against growing competition in the global railway technology market and in particular from Chinese competitors, the French multinational railway manufacturer Alstom and Siemens decided to merge their railway manufacturing businesses. On 26 September 2017, Alstom announced the "merger of equals" with German Siemens Mobility by signing a Memorandum of Understanding granting exclusivity to combine the companies' mobility businesses. The two companies' combined business would have sales of about EUR 15 billion, compared to CRRC's sales of $35 billion and market value of $40 billion. The proposed merger of Siemens' mobility business with Alstom advanced into a decisive stage when they jointly notified the European Commission and filed an application for obtaining clearance about the planned merger on 8 June 2018. However, the Alstom and Siemens Mobility merger would have created a company with a dominant market position within the EU's internal market. At global level, this merger seemed to be necessary for the two companies to stay competitive against the major railway manufacturing companies, like CRRC. At EU level, however, the merger was met with concerns by the European Competition authorities. Consequently, on 6 February 2019, the European Commission notified Alstom and Siemens that it would prohibit the merger. The Commission concluded that the merger would have harmed the competition in the markets for railway signalling systems and high-speed trains. According to the Commission, the merger would have significantly impeded effective competition within the EEA. Therefore the Commission rejected the Alstom-Siemens railway business merger, as it would have brought together the two largest suppliers of various types of railway and metro signalling systems, as well as of rolling stock in Europe. Ahead of the decision, the Commission also investigated the global market and the possible future global competition from Chinese suppliers. As regards signalling systems, the Commission's investigation confirmed that Chinese suppliers are not present in the EEA, and that they have not even tried to participate in any tender so far. Regarding very high-speed trains, the Commission considers it highly unlikely that new entry from China would represent a competitive constraint on the merging parties in a foreseeable future. However, the Commission's rejection of the Alstom-Siemens merger as well as the Franco-German proposals for reforming the EU's competition legislation, which followed the Commission's rejection show that the formation of European champions for improving the global competitiveness of European companies is a matter that has to be further discussed.

5. UNIFE calls on the European Commission to create a level playing field for EU's RSI with Chinese competitors

Considering the current competition situation in the global market, on 2 September 2019, the European Rail Industry Supply Association UNIFE reiterated its call on the European institutions to take measures for creating a level playing field and fair condition for the EU's RSI, including specific rules for excluding non-European state-owned enterprises from EU procurement in the absence of reciprocal market access. UNIFE's call on the EU institutions to deliver the legislative and legal changes necessary to ensure a level playing field between the European and Chinese rail supply industry is a direct reaction on the confirmation of the sale of Vossloh's locomotive manufacturing business to CRRC Zhuzhou Locomotive Co Ltd. Vossloh Locomotives is specialised in producing small to mid-size diesel locomotives for freight applications and on 26 August 2019, Vossloh AG announced its intention to sell its Locomotives business unit to CRRC. This sale of Vossloh's Locomotives business to CRRC would mark the Chinese conglomerate's entry into the European rolling stock supply sector. While UNIFE welcomed the European Commission's Communication "EU-China – A Strategic Outlook" (JOIN(2019) 5 final) proposed in March 2019, and the adoption of its "Guidance on the participation of third-country bidders and goods in the EU procurement market" (C(2019) 5494 final) in July 2019, it points out the importance of the creation of a level playing field with Chinese competitors.

In its Communication C(2019) 5494 final, the Commission reiterates that Chinese companies do not have secured access to procurement procedures in the EU and may be excluded from tenders because of a lack of a binding agreement in place between the EU and China, which would guarantee reciprocal market opening. In fact, UNIFE underlined that European rail manufacturers' accessibility rate to the Chinese market has fallen from 63% to 18% in less than eight years at a time when Chinese manufacturers of all product segments have become increasingly competitive in international markets. Therefore, UNIFE calls on the Commission to take some important steps, including the publication of a report until the end of 2019, identifying how to fill existing gaps in EU law to fully address the distortive effects of overseas ownership and state financing in the internal market. UNIFE urges the Commission to also obtain, before the end of 2019, a revised market access offer from China, addressing the barriers to market access faced by the European rail supply industry, in view of reaching an agreement by 2020.

In addition, UNIFE also calls on the European Parliament and the Council to pursue and finalise discussions on an International Procurement Instrument (IPI), which could open new global market opportunities for European suppliers. The introduction of the IPI mechanism is seen as an indispensable measure to create a level playing field and to open new market opportunities for European suppliers in China and beyond.

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