



Key trends in global rail and bus operations 2016/17



Liberalization



- Various drivers of liberalization: budget constraints, desire for global expertise, desire for modal shift or operational performance enhancement
- Continuing to increase e.g. Norway is due to tender its first two rail contracts in 2017 and two new operators commenced two Singapore bus packages in 2016
- Procurement models vary and are driven regionally by Governments' access to cash e.g. PPPs in Latin America and separate packages in the Middle East
- Partnering is increasingly important in all contracts, for both local ownership or working with maintainers
- EU policy is driving liberalization in Europe, despite the UK (the EU's most liberalized rail market) leaving
- Increasing trend for operators to target growth in new international markets (e.g. Go-Ahead, FirstGroup, National Express and JR East)
- Is politically sensitive and will be subject to increased risk in the rapidly changing political environment across the globe



Mass urbanization in newly emerged markets



- Growing middle class in recently emerged markets increases car ownership and congestion. Recent low fuel prices contribute to issue
- Need for urban transport solutions increasing as a result
- Bus Rapid Transit and Light Rail are increasingly preferred to meet this need for short distance systems — cost effective and flexible versus Heavy Rail. 'New build' provides an opportunity for better integrated transport than in developed countries
- Environmental footprint is important: World Bank/European Development Bank funding is increasingly linked to environmental targets
- Africa and Asia are urbanizing faster than the other regions and according to a report by the United Nations¹ are projected to become 56 and 64 percent urban, respectively, by 2050

¹ <https://esa.un.org/unpd/wup/Publications/Files/WUP2014-Highlights.pdf>



Customer experience



- Customers see rail as part of their end-to-end journey and want a solution tailored to their specific origin and destination requirements
- Uber as a 'disruptor': a threat to bus companies if they get the price point right
- Monetizing assets: better retail facilities at stations enhance the end-to-end customer journey
- Use of technology to keep customers updated and satisfied — operators will need to act or app developers will (e.g. automated delay repay)
- Increasing focus from Governments and customers on urban modal integration and use of smart/mobile ticketing to improve a customer's end-to-end journey
- Technology as a tool for operators: information is power and they can now access data that was previously unattainable on customer movements and preferences



Political risk



- Rail is still overwhelmingly controlled by state entities (operated or franchised). M&A remains low as a result
- Public transport is a politically sensitive topic. Government ideology drives opportunities and threats e.g. liberalization vs state ownership. Significant procurement delays in newly liberalized markets — be prepared for the long game in new market entry
- Operators looking to expand globally must focus on (and invest in) a limited number of countries to build relationships and an understanding of political situations
- Concerns over lack of competition amongst bidders could force some Governments to look at other models
- Foreign Direct Investment restrictions in some countries (e.g. parts of Middle East and Asia) increasingly necessitate a local JV Partner
- Changing global political landscape puts liberalization at risk

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