

Press Release

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Half-yearly figures for 2022: Railway industry warns of faltering new business and continuing burdens

- **Strong domestic turnover and order intake contrast with declining export business.**
- **Railway industry warns of the impending impact of inflation, rising energy prices and postponement of rail projects.**
- **VDB demands equitable sharing of additional costs between manufacturers and operators.**

Berlin, 15 November 2022 – **Figures** released by the German Railway Industry Association (VDB) reveal a mixed picture for the first half of 2022: At 6.8 billion euros, turnover is around 1.5 percent above the previous half-yearly figures. Domestic business has risen by 24 percent. The railway industry also recorded increased order intake of around 29 percent to 9 billion euros in the first half of 2022, which is mainly due to the rising volume of domestic orders. While infrastructural turnover on the domestic market stagnated at 1.3 billion euros, the traditionally strong vehicle business experienced robust growth of 13 percent to 5.1 billion euros. **“Strong results** overall, given the situation on the global economy in recent years. But they are fuelled mainly by major projects in the vehicle segment. Broadly speaking, progress in the transport transition remains far too sluggish, as the infrastructure business clearly shows”, said **VDB President Andre Rodenbeck**.

Foreign turnover drops by 35 percent to 1.7 billion euros in the first half of 2022. Order intake outside Germany also declines by 7 percent. The ongoing supply chain crisis and postponed or rescheduled public tenders are quoted as reasons for the **regression in exports**. Rising energy costs, inflation and strain on the supply chain will heap further pressure on the earnings situation going forward. According to Rodenbeck, the effects of the crises in recent years are visibly impacting the railway industry.

Railway industry demands equitable sharing of additional costs and a cap on energy prices

“In view of the current situation, there is a risk that our industry will be confronted with serious situations by the end of the year, even if the order books are full”, Rodenbeck warned. The railway industry primarily operates with long-term supply and framework contracts based on fixed prices. In light of this, the railway industry has barely any leeway to pass on the massive cost increases for materials and components in an equitable manner at present. VDB therefore calls for a suspension of the price basis in old contracts and the transfer of individual projects to the price basis in current contracts as well as the agreement of **price escalation clauses** and provisions for force majeure in new contracts. “Inflation cannot take place on the backs of the manufacturers and contractors alone”, said Rodenbeck.

Procurement offices must be given the space to offer financial compensation in the current situation. There will otherwise be postponements or reductions in rail orders in the near future. “Any current postponement in the procurement of new rolling stock would be highly counterproductive in the interests of energy efficiency, climate protection and not least the passengers”, Rodenbeck explained. Urgent action must also be taken with regard to the continuing rise in energy costs. The railway industry requires quick and practical support from the federal government in the form of an **energy price cap** and a **rescue package** for companies whose continued existence as a going concern is at risk through no fault of their own. This is not insignificant in view of global competition.

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Investments must reach the market faster

Federal government funding for **modernisation and expansion of the rail network** should rise dynamically, but also be disbursed at a much faster pace. Investments are not reaching the market quickly enough. "On average, up to 950 route kilometres per year will require replacement, conversion or construction from 2023 on to ensure climate neutrality by 2040 and preserve continuous railway operations. So almost twice the current output", said VDB General Manager Axel Schuppe. The pace of digitalising in the railway industry must also increase significantly. "If we maintain today's sluggish pace, we will not reach full digitalisation before 2077 in terms of infrastructure investment. Around 42 years too late", Schuppe added. "The nine-euro ticket has shown that demand for modern rail mobility exists. What matters now is to meet this demand. Public policy must now lay the foundation to create the best offers", said Rodenbeck.

German Railway Industry Association (VDB)

The VDB is the stakeholder of more than 210 companies, worldwide leading system houses and specialist medium-sized 'hidden champions'. The VDB members develop and manufacture systems and components for rail vehicles and the infrastructure with more than 54,700 employees in Germany alone. Innovative technologies made in Germany ensure excellent railway systems, climate-friendly mobility and digital innovations worldwide.

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