

of rail transport (passenger and freight), the Federal Republic of Germany, France and the U.K. form a central block, and, as the rail system develops further, these three countries will form the core of the European network.

Several factors may allow European rail to recapture the market share in the 1990s. A possible expansion of rail networks could be favoured by environmental considerations about moving from road to rail, concerns about current overcrowding on the roads and in the air and concerns about air pollution. The light railway networks currently under construction in urban areas across Europe represent a solution to these problems. Moreover, the success of the Paris-Lyon TGV has demonstrated the potential market shares that high speed railway services may recapture from air and road transport. Extensions of high speed railway networks are planned in France (2300 km), the Federal Republic of Germany (800 km) and Italy (2200 km). The Community of European Railways (CER)<sup>66</sup> has proposed a high speed rail network linking cities in France, the Federal Republic of Germany, Spain, Portugal, Italy, Switzerland and Belgium, as well as the upgrading of existing tracks to allow higher speed. This will complete a high speed rail network across all Community countries.

Electrification of European main lines will continue in several member states throughout the 1990s. In Italy, the Netherlands and Belgium, more than 50 per cent of the network has already been electrified, in the U.K. only 25 per cent and in Denmark only 10 per cent.

In the freight market, change will include the introduction of swap body units that will render road and rail increasingly compatible and will reduce transit times. This could provide an opportunity to recapture market shares from road haulage.

The opening up of government procurement markets to all EC companies in the transport sector (works and supplies) should happen very progressively. For instance, the national railway network is still closely tied to domestic industries. However, industry concentration is already in progress in France and is beginning in Italy, Spain and the U.K. Further rationalization by European companies is inevitable, and it is expected that the merged firms

will continue to be favoured by national governments.

Small and medium size companies are expected either to disappear or to be acquired in the medium term. Furthermore, the European industry is expected to be dominated by three or four large multidisciplinary groups (ABB, Alstom and Siemens among them), which will be able to face Japanese and American competitors on foreign markets.

### European Bus Industry

In the Community, more than 300 entities (most of them state or local government owned) operate fleets of more than 50 inter-city and urban buses. In some EC member states, for instance Spain, France, Ireland and the U.K.<sup>67</sup>, exclusive rights to operate inter-city and urban bus transportation networks are given to private companies. The industry is further characterized by the subjection of purchases to close scrutiny by government authorities and a general tendency to buy from domestic suppliers. The exception to these observations is the inter-city and urban bus transportation services market in Great Britain (excluding London).

The fragmentation of production in this industry is evidenced by the fact that each Community country has one or several bus domestic suppliers involved in the manufacture of either engines, frames or coachwork. A number of these are government owned. Each individual EC member state tends to impose its own security and operating standards. This accentuates the differences in national standards and creates an additional barrier to intra-EC trade. Long-term relationships between suppliers and operators have further contributed to reinforcing the fragmentation of the markets. However, some improvements have been achieved on road vehicles weights and dimensions, with the agreement at the Community level.

In spite of a fragmented industry, Europeans have demonstrated an ability to respond to competitive pressure. The ability of certain EC companies to co-operate on extra-EC markets shows that increased co-operation is feasible. Furthermore, faced with dwindling European demand and confronted with overcapacity, a few European