

CHINA'S RAILWAY DEVELOPMENT

YU Hong & YANG Mu

EAI Background Brief No. 540

Date of Publication: 8 July 2010

Executive Summary

1. According to the World Bank Report in 2007, China had become the world's largest rail passenger carrier, accounting for 26% of the world's rail passenger traffic by 2005. Worldwide, it was second in terms of rail freight traffic in 2005, with its share of 23% exceeded only by the U.S.
2. With rapid economic growth, China's vast geographical area of 9.6 million square kilometers and its population of 1.3 billion have naturally created a high demand for freight and passenger travels.
3. The central and local governments have invested heavily on the development and modernization of the transportation sector over the last two decades. The three key transport modes of railway, highway and civil aviation have all recorded impressive growth since 1980.
4. The length of operational railways in China had also skyrocketed to 79,000 km in 2008 from 53,000 km in 1980. China was ranked third in the world for railway mileage by 2007, after the U.S. and Russia.
5. As a fast developing country, the widespread location of its key raw materials and energy resources over such a large area means that railway transport service is crucial to industrial production and foreign trade.
6. However, transport capacity for both cargo and passenger traffic has been lagging behind real demand. This has caused a bottleneck in goods transport.
7. China's domestic transport sector has been struggling to keep pace with the country's fast economic growth since the 1980s. Overcrowding is a common phenomenon in domestic railway transportation.

8. Even the enormous investment in the railway sector has proved grossly inadequate to meet the rapid increase in transport demand brought about by an economic boom which has made China the world's largest transportation market.
9. The dramatic economic development has intensified the flow of railway passengers and freight, and pressured the government to build more rail lines to meet the increasing demand.
10. The rapid development of high-speed railway is expected to provide a strong challenge to airport and airline development. It increasingly appears that 'cut-throat' competition is inevitable among the various transportation providers.
11. To accompany the rapid development of high-speed railway in China, a transport shift from highways, air and conventional railway to this sector is expected to accelerate in the foreseeable future.