China’s railways
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Raw data on China’s **high-speed railway** investment would bring out the trainspotter in anyone. The current 7,531km of track is more than the **rest of the world** put together. A journey from Wuhan to Guangzhou that used to take more than 10 hours by the 1,068km conventional route, now takes less than three. (A similar-length journey in the US, from Washington DC to Chicago, takes 18 hours on Amtrak). Within a decade or so, the government wants to connect 70 of China’s main cities, servicing more than 90 per cent of the population.

Amid the excitement it seems almost impertinent to ask whether China really needs this. But it is a good question. Investment in the existing rail infrastructure criss-crossing the mainland has already been heavy, increasing sixfold since 2005 to Rmb823bn ($124bn) this year. Heavy but not excessive: the network’s capacity seems to have done little more than keep pace with the country’s economic development. Freight traffic density has increased by an average 1.3 per cent a year; passenger density by about 2.4 per cent a year.

The real question, then, is not whether China has over-invested in the past, but whether it will. Last week a usually reliable news source reported the government’s next five-year plan, to 2015, includes up to Rmb4,000bn of rail network investment. In other words, the current pace of infrastructure spending – increased to smooth over the global financial crisis – will be sustained. This might make sense, even if China’s listed rail companies, which already have low aggregate returns on capital, do not prosper. Good rail connections bring all sorts of hard-to-measure gains to the country. Still, when it comes to the **grand projet**, Beijing seems no more fond of cost discipline than every ascendant civilisation before it.

_E-mail_ the Lex team in confidence

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