Financial media conference of the Hupac Group

Hupac masters challenges and invests in terminals and digitalisation

Chiasso, 28.5.2024 The Europe-wide decline in transport demand and other challenging conditions led to an 11.7% decrease in the Hupac Group's transport volume and a negative business result last year. Nevertheless, Hupac continued its strategic investments in new terminals and digitalisation projects in order to offer its customers even more efficient, competitive and sustainable services.

The quality deficits on the European rail network continue to put pressure on the economic operation of combined transport. Transport policy measures are needed to prevent a return of freight transport from rail to road.

Negative impact of energy crisis and performance

Last year, the Hupac Group transported around 975,000 road consignments or 1,866,000 TEUs in combined road/rail and seaport hinterland transport. This corresponds to a decrease of about 130,000 consignments or 11.7% compared to the previous year. In the core market of transalpine transport through Switzerland, Hupac recorded a comparatively moderate decline of 7.6% to 540,000 road consignments. Non-transalpine transport, the second most important transport segment of the Hupac Group, also declined by 14.9%. Maritime hinterland traffic from the seaports of Hamburg, Bremerhaven, Wilhelmshaven and Rotterdam totalled around 156,000 road consignments or 295,000 TEUs, which corresponds to a decline of 13.2%.

This negative development is mainly due to the economic slump in transport demand in Europe. The recessionary trend already started in the autumn of 2022 in connection with the Ukraine and the energy crisis and affected large parts of the world economy in the course of 2023. The serious accident in the Gotthard base tunnel in August 2023 was an additional special factor. The construction work to rebuild the tunnel significantly reduces route capacity until September 2024.

A number of other factors have put pressure on the rail system. These include the sometimes massive increases in energy and traction costs, but also the poor quality of the rail network, particularly in Germany, due to neglected maintenance and inadequate planning of construction sites. This has led to capacity bottlenecks, delays and cancellations on many corridors.

In the resource-intensive business of combined transport, rapid response to market fluctuations is crucial. With various measures such as adapting the wagon fleet to demand, selective consolidation of the network and consistent capacity management, Hupac was able to absorb the losses in the course of the year and stabilise the business. In view of the challenging conditions in the year under review, the consolidated result of CHF -6.2 million can be regarded as acceptable. All the more so as Hupac was able to continue its strategic investments in terminals and IT projects with a total expenditure of CHF 36 million.

Risk of reverse modal shift - transport policy action needed

The past year has shown once again: combined transport is facing growing challenges. “For several years now, we have been experiencing a negative spiral of poor availability of the rail network due to disruptions and construction work, coupled with rising energy, traction and track costs," explained Hans-Jörg Bertschi, Chairman of the Board of Directors, at the Hupac media conference in Zurich on 28 May. The punctuality of trains on the north-south axis through Switzerland has fallen to 50% and unplanned cancellations are above 10%. Under these conditions, the competitiveness of combined transport is suffering compared to direct road transport, which has excess capacity in the current recessionary market environment.

Targeted transport policy initiatives are needed to support modal shift. Even small measures would bring tangible relief:

- The unstable traffic situation on the north-south axis through Switzerland can be sustainably improved by providing storage sidings for trains. Buffer tracks north and south of the Alps ensure that trains can leave the terminals in the event of disruptions and can be temporarily parked along the corridor until they can continue their journey on a later train path.
- Alternatives through France are urgently needed because of the persistent capacity bottlenecks on the Rhine Valley line. The upgrading of the Belgium-Metz-Strasbourg-Basel line to the 4-metre profile is a priority. It is in the interest of Switzerland's modal shift policy that combined transport between Belgium and Italy can take the shortest route through France to the Gotthard base tunnel. Switzerland should therefore co-finance the extension of the Vosges tunnels, as it has done in Italy. Another alternative route to be tackled is the upgrading of the Wörth-Strasbourg line as a NEAT feeder line for continuous freight train services with hybrid or diesel traction.

On the other hand, the planned redistribution of funds from long-distance to short-distance traffic in Alpine transit through Switzerland is counterproductive. “The greater the penetration of traffic into the German network, the greater the quality deficits and production costs, and thus the risk of backshifts,” says Hans-Jörg Bertschi. “The subsidies must not be reduced on these long distances, otherwise there will be a return to road”. If the shift to combined transport between southern Germany and Alsace near the border with Italy is to be promoted, additional funds totalling CHF 15 million will be needed.

As part of the discussion of the 2023 modal shift report in the Swiss Parliament, representatives and associations from all modes of transport in the country supported these three political demands, as a result of which the National Council's Transport Committee submitted three corresponding committee motions in the spring session. The National Council will be the first chamber to decide on this on 11 June 2024.

The general overhaul of Germany's rail network planned for 2024-2030 is urgently needed after years of neglect, but it poses major challenges for European logistics. “Months of complete closures with sometimes extensive diversions of several hundred kilometres and reduced performance parameters cannot be tolerated without financial compensation,” warns Hupac CEO Michail Stahlhut. “We support the call to include diversion costs as an integral part of infrastructure investments. This is the only way for rail freight to survive the long and arduous period of a general overhaul”.

Hupac invests and actively contributes to market development

Despite the current difficult situation, Hupac remains committed to the development of combined transport and is contributing to the future viability of the system with innovative solutions. “After years of preparation, we have succeeded in developing a differentiated solution for replacement transport during the closure of the Rhine Valley line near Rastatt in August 2024,” says Stahlhut. “Thanks to the good cooperation with the infrastructure operators and railway companies concerned, we are able to run freight traffic over the Wörth-Lauterbourg-Basel route on the left bank of the Rhine for the first time, offering our customers a diversion capacity of around 80%”. Operating the line in France, using hybrid locomotives and bilingual drivers, involves significant additional costs. “Once again, it is clear that we need a concept and European regulation on how to deal with the additional costs of traffic management for construction-related closures in future without risking a shift back to the roads," comments Stahlhut.

The expansion of terminal capacity is crucial for the long-term development of combined transport. In July 2023, Hupac and its partner TP Nova won the tender to operate the La Llagosta terminal near Barcelona. After completion of the construction work, the terminal will be operational in 2025, opening up new opportunities in the growth market of Spain. Transhipment at the new Duisburg Gateway terminal, in which Hupac holds a 26% stake, will already start this year. New opportunities for transalpine transport will also arise with the commissioning of the terminal extension in Piacenza at the beginning of 2025. “The facility has been expanded and equipped for the future with gantry cranes and 750 metres of transhipment tracks," explains Michail Stahlhut. The Milano Smistamento terminal, in which Hupac is involved together with Mercitalia Logistics, is scheduled to open in 2026.

The digital transformation of the combined transport process chain is also of strategic importance. Hupac has been a leader in the development of supply chain information systems and industry standards for data integration for decades. Stahlhut: “Our goal is to make the planning and coordination efforts along the process chain more efficient and thus increase the productivity of the entire system. With the DXI platform, we have worked with partners to create an innovative system for machine-to-machine data exchange between combined transport operators, freight forwarders, terminals and railway companies”. The system was launched in 2023 and already has 15 participants who exchange their data on a daily basis in an authorised distribution circle without manual input. A further 30 interested parties are currently testing the platform with a view to joining the system for a small fee.

Network evolution and outlook 2024

For the current year, Hupac expects stable traffic volumes on its continental and maritime networks. Business activities will continue to focus on targeted capacity management and selective, market-oriented service expansion.

In terms of network development, Hupac is concentrating on expanding the service from the Köln Nord terminal, which the Hupac Group took over at the beginning of 2023, and on strengthening the service on the Benelux-Italy corridor. An increase in frequency on the Zeebrugge-Piacenza route with direct ferry connections to the UK are planned for the autumn of this year. Another project in the pipeline is the connection of the port of Lübeck to the
Hupac network via Ludwigshafen as a hub.

“We are convinced that we can continue to offer real added value for environmentally and climate-friendly logistics with competitive, market-oriented combined transport products," says Stahlhut. Compared to pure road transport, the Hupac network saved around 1.4 million tonnes of CO_2 in 2023, reduced energy consumption by 15.5 billion megajoules and took 18 million tonnes of goods off the roads. Stahlhut: “Our long-term corporate strategy is part of our response to major societal challenges such as climate protection, energy transition and sustainable economic development. This is what we are focusing on in the current year.”

Profile of Hupac Group

With a transport volume of around 1 million road consignments per year, the Hupac Group is the leading network operator in intermodal transport in Europe. The company offers 130 trains per day with connections between the major European economic areas and destinations as far as the Far East. Founded in 1967 in Chiasso/Switzerland, the Hupac Group today has 700 employees, more than 8,500 rail platforms and 12 terminals at major European hubs.

Contact Irmtraut Tonndorf Director Communications & Marketing
Tel. +41 58 8558020 | Mob. +41 79 2934645 | itonndorf@hupac.com